

**Volume 21, Number 1**

**Print ISSN: 1087-9595**

**Online ISSN: 1528-2686**

# **ACADEMY OF ENTREPRENEURSHIP JOURNAL**

**Editor**

**Martin Bressler**

**Southeastern Oklahoma State University**

*The Academy of Entrepreneurship Journal* is owned and published by Jordan Whitney Enterprises, Inc. Editorial content is under the control of the Academy of Entrepreneurship, Inc., an affiliate of the Allied Academies, Inc. Both are non-profit associations of scholars, whose purpose is to support and encourage research and the sharing and exchange of ideas and insights throughout the world.

Authors execute a publication permission agreement and assume all liabilities. Neither Jordan Whitney Enterprises, Academy of Entrepreneurship, nor Allied Academies is responsible for the content of the individual manuscripts. Any omissions or errors are the sole responsibility of the authors. The Editorial Board is responsible for the selection of manuscripts for publication from among those submitted for consideration. The Publishers accept final manuscripts in digital form and make adjustments solely for the purposes of pagination and organization.

The *Academy of Entrepreneurship Journal* is owned and published by Jordan Whitney Enterprises, Inc., PO Box 1032, Weaverville, NC 28787, USA. Those interested in communicating with the *Journal*, should contact the Executive Director of the Allied Academies at [info@alliedacademies.org](mailto:info@alliedacademies.org).

Copyright 2015 by Jordan Whitney Enterprises, Inc., Weaverville, NC, USA

---

## EDITORIAL BOARD MEMBERS

Ismet Anitsal  
Tennessee Tech University  
Cookeville, Tennessee

Thomas M. Box  
Pittsburg State University  
Pittsburg, Kansas

Kent Byus  
Texas A&M University, Corpus Christi  
Corpus Christi, Texas

Sanjib Chowdhury  
Eastern Michigan University  
Ypsilanti, Michigan

Ramaswamy Ganesan  
BITS-Pilani Goa Campus  
Goa, India

Abdalla Hagen  
Grambling State University  
Grambling, Louisiana

Kirk Heriot  
Columbus State University  
Columbus, Georgia

Mark Hoelscher  
Illinois State University  
Normal, Illinois

Desti Kannaiah  
Middlesex University London, Dubai Campus  
Dubai, United Arab Emirates

Bill Laing  
Anderson University  
Anderson, Indiana

Donatus Okhomina  
Alabama State University  
Montgomery, Alabama

Keramat Poorsoltan  
Frostburg State University  
Frostburg, Maryland

Sherry Kay Robinson  
Penn State University  
New Albany, Pennsylvania

Susan E. Saxton  
Capella University  
Minneapolis, Minnesota

Stephanie Bardwell  
Christopher Newport University  
Newport News, Virginia

Martin Bressler  
Houston Baptist University  
Houston, Texas

Shawn M. Carraher  
Indiana Wesleyan University  
Marion, Indiana

Jo Ann M. Duffy  
Sam Houston State University  
Huntsville, Texas

Robert D. Gulbro  
Athens State University  
Athens, Alabama

Michael Harris  
Eastern Michigan University  
Ypsilanti, Michigan

Robert J. Hockin  
TechArch, Inc

William T. Jackson  
University of South Florida, St. Petersburg  
St. Petersburg, Florida

Kenneth J. Lacho  
University of New Orleans  
New Orleans, Louisiana

Jonathan Lee  
University of Windsor  
Ontario, Canada

Terry Pearson  
West Texas A&M University  
Canyon, Texas

Felipa Lopes dos Reis  
Open University and Universidade Lusíada de Lisboa  
Portugal

Sujata Satapathy  
Indian Institute of Technology  
New Delhi, India

Linda Shonesy  
Athens State University  
Athens, Alabama

## **EDITORIAL BOARD MEMBERS**

Charles R. B. Stowe  
Lander University  
Lander, South Carolina

Paul G. Wilhelm  
Kentucky State University  
Frankfort, Kentucky

Rodney C. Vandever  
Purdue University  
West Lafayette, Indiana

Thomas Wright  
University of Nevada - Reno  
Reno, Nevada

---

## TABLE OF CONTENTS

EDITORIAL BOARD MEMBERS.....	iii
ENTREPRENEURSHIP MIX AND CLASSIFYING EMERGING SUB-FIELDS .....	1
Author(s): J. K. Osiri, Washington State University-Pullman and Institute for the Advancement of Developing Economies Margaret M. McCarty, Washington State University-Pullman Jessica Davis, Washington State University-Pullman John Emile Osiri, University of Liverpool	
INSOURCING OR OUTSOURCING: THE ENTREPRENEURSHIP APPROACH .....	13
Author: Jong Chul Won, University of Missouri	
WOMEN VERSUS MEN IN ENTREPRENEURSHIP: A COMPARISON OF THE SEXES ON CREATIVITY, POLITICAL SKILL, AND ENTREPRENEURIAL INTENTIONS .....	33
Author: Simone T. A. Phipps, Middle Georgia State College Leon C. Prieto, Clayton State University	
WHAT INFLUENCES ENTREPRENEURIAL CAREER CHOICE?: AN EXPLORATORY ANALYSIS OF THE SALLY CAIRD'S GET2 FOR JAPANESE HIGH SCHOOL STUDENT.....	45
Author: Junko Ishiguro, Japan Advanced Institute of Science and Technology	
SOCIAL NETWORKS OF LATINO AND LATINA ENTREPRENEURS AND THEIR IMPACT ON VENTURE PERFORMANCE .....	59
Author: Rowena Ortiz-Walters, Quinnipiac University Monica C. Gavino, Saint Xavier University Denise Williams, Metropolitan State University	
CORPORATE ENTREPRENEURSHIP AND ENTREPRENEURIAL ORIENTATION IN CORPORATE ENVIRONMENT: A DISCUSSION.....	83
Author: Zelimir William Todorovic, IPFW Daniel Todorovic, University of Waterloo Jun Ma, IPFW	
BUSINESS TRAINING OPPORTUNITIES FROM CHAMBERS OF COMMERCE .....	95
Author(s): Kenneth J. Lacho, The University of New Orleans-Lakefront Erich N. Brockmann, The University of New Orleans-Lakefront	
KEY PSYCHOLOGICAL FACTORS AS PREDICTORS OF ENTREPRENEURIAL SUCCESS: A CONCEPTUAL FRAMEWORK .....	105
Author: Namrata Chatterjee, Indian School of Mines, Dhanbad Niladri Das, Indian School of Mines, Dhanbad	
SOCIO-DEMOGRAPHIC DIFFERENCES OF BLACK VERSUS WHITE ENTREPRENEURS .....	119
Author(s): Micah E.S. Crump, Howard University Robert P. Singh, Morgan State University Anthony D. Wilbon, Howard University SherRhonda Gibbs, University of Southern Mississippi	

---

IMAGE THEORY AND THE PATH TO SELF-EMPLOYMENT ..... 135  
Author: Kermit W. Kuehn, University of Arkansas – Fort Smith

# **ENTREPRENEURSHIP MIX AND CLASSIFYING EMERGING SUB-FIELDS**

**J. K. Osiri, Washington State University-Pullman and Institute for the  
Advancement of Developing Economies**

**Margaret M. McCarty, Washington State University-Pullman**

**Jessica Davis, Washington State University-Pullman**

**John Emile Osiri, University of Liverpool**

## **ABSTRACT**

*This paper reviewed the field of entrepreneurship and proposed four criteria for classifying entrepreneurship sub-fields; the classification criteria include the entrepreneur's work environs wherein the entrepreneur is embedded, the motivation behind the venture, the nature of the opportunity being exploited, and the location of the opportunity. We then strive to advance the concept of the Entrepreneurship Mix by linking these classification criteria to the 4W's which make up the Entrepreneurship Mix (Who, Why, What and Where).*

## **HISTORY OF ENTREPRENEURSHIP**

What is an entrepreneur? Like virtually all culturally constructed concepts, the term has been defined incongruently in different contexts and time periods. The word entered English as a cognate from French (Hébert & Link, 2009). Throughout history its significance shifted greatly between concepts as varied as a cleric in charge of public architecture projects during the Middle Ages to referring to governmental contractors throughout the sixteenth and seventeenth centuries (Hébert & Link, 2009). Such wide variations continued until Cantillon, a French businessman and financier, articulated a new definition of entrepreneur in the early eighteenth century (Hébert & Link, 2009). His work outlined how the interdependency of array of agents, including entrepreneurs who take risks in order to make exchanges for a profit, forms the basics of a market economy (Hébert & Link, 2009). This influential work effectively launched the modern concept of an entrepreneur.

Since this time the defining attributes of an entrepreneur have continued to evolve. Is it a risk-taking profit-seeker, an innovator, or an exploiter of opportunity? The answer has been routinely debated by individuals from various disciplines such as marketing, psychology, management and other social sciences. However, the creation of an academic discipline to study and teach entrepreneurship, the act of being an entrepreneur, in 1947 spurred an array of work to define an entrepreneur and the acts which constitute entrepreneurship (Volkman, 2004).

## BRIEF REVIEW ON DEFINITIONS OF ENTREPRENEURSHIP

Individuals have developed different approaches to the challenge of defining entrepreneurship. Some merely highlight key characteristics of entrepreneurs while others focus on what are perceived as their primary actions, such as new venture creation. For example, Gartner (1988) has explored traits and behavioral approaches to entrepreneurship, linking the act of entrepreneurship to the individual – or entrepreneur. In his opinion, the defining phenomenon of entrepreneurship is the creation of organizations and the process by which new organizations come into existence. He believes that organization creation separates entrepreneurship from other disciplines because:

*“studies of psychological characteristics of entrepreneurs, sociological explanations of entrepreneurial cultures, economic and demographic explanations of entrepreneurial locations, etc., all such investigations in the entrepreneurship field actually begin with the creation of new organizations.”*

To Gartner (1988) entrepreneurship is a narrowly defined role which individuals undertake to create organizations; frameworks like Gartner’s which are specific and accurate are also exclusive, failing to provide a sufficient description of *all* acts of entrepreneurship. To capture the entrepreneur’s work environs; vis a vis, a start-up company start-up or an existing company, Easton (1977) defined entrepreneurship as including, “new venture initiation, acquisitions, and new major developments by either large or small firms.” He further noted that “‘enterprise’ development is intended to emphasize the development, revitalization, and growth of the smaller enterprise, rather than just ‘management’ of such firm” (Easton, 1977, p. 41). This definition broadens the scope of entrepreneurship by establishing that an entrepreneur does not have to create a new organization.

In order to clearly define an entrepreneur one must account for and redefine the entrepreneurial phenomenon to include innovative development within already existing organizations. Firms that launch new products as an attempt to exploit a business opportunity for profit are labeled entrepreneurial firms. While this *could* lead to the creation of a separate spin-off organization, it is often characterized by an existing firm’s attempt at product or service diversification through strategies such as increased investment in research and development, horizontal integration, and/or conglomerate diversification. The strategy allows for the exploitation of opportunity without the creation of a new organization or industry.

Though most entrepreneurial firms are small, not all small firms are entrepreneurial. Identifying small firms as entrepreneurial may be complicated since the age and size of firms have been implicated as factors that affect firm’s entrepreneurship. For example, small business management may not be considered entrepreneurship because nothing new is being created in the traditional management process (Van Praag & Versloot, 2007). However, generally individuals who start a business or own a business are considered entrepreneurs because they tend to follow the entrepreneurial process by exploiting new opportunities through innovation (Van Praag & Versloot, 2007). “Act of innovation” is therefore one defining characteristic of an entrepreneur (Srivastava & Agrawal, 2010).

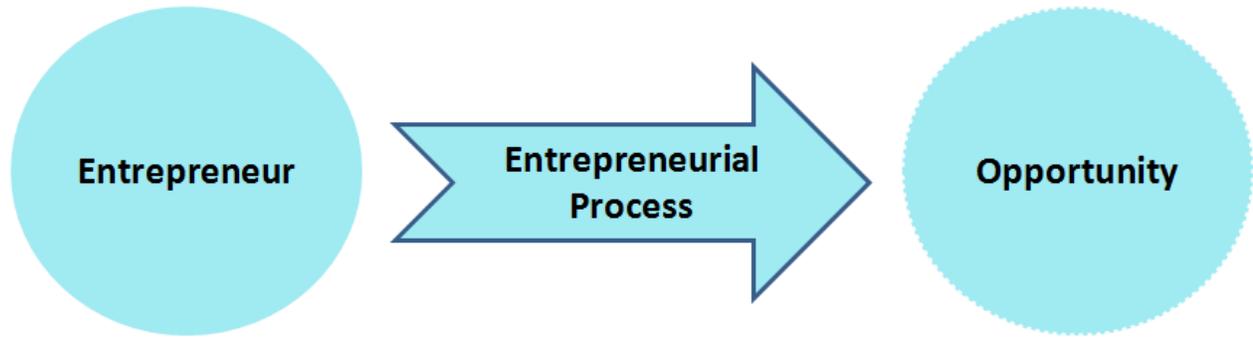
---

While some defining characteristics are easily defined, others require an expansion of the definition of entrepreneurship if it is to encompass the wide range of activities which are entrepreneurial in nature. According to Miller (1983), entrepreneurship does not always come about due to the efforts of an entrepreneur; rather, the emphasis has shifted to include varied units and factors within organizations collaborating to take advantage of opportunities. Many economists acknowledge that risks are inherent in the process of exploiting such opportunities and therefore consider an entrepreneur to be someone who is willing to bear the risk of creating a new venture for profit. Another challenge arose when considering innovative individuals perusing entrepreneurship in order to transform society, rather than personal or corporate monetary gain. Such entrepreneurship can have powerful, transformative effects; as economist Adam Smith (1977) articulated: “By pursuing his own interest, an individual frequently promotes that of the society more effectually than when he intends to promote it;” therefore, the motivation behind entrepreneurship is not always personal, or corporate, profit (Original Work Published in 1776). Considering that entrepreneurship can be undertaken without the goal of earning profits significantly broadens the scope of entrepreneurial activities and highlights the importance of developing a holistic understanding of entrepreneurship. Scholars can only recognize such individuals acting alone or within corporations as social entrepreneurs given that they exemplify the traits and skills academics identify with entrepreneurs.

In summary, *entrepreneurship involves the anticipation, identification, or creation of opportunities and innovatively harnessing a combination of resources to exploit the opportunities while motivated by some perceived value and deliberately assuming the risk associated with the newness of the process.* Defining entrepreneurship in broad terms enables scholars to identify its features, correlates and motivations, while weaving specific areas and sub-fields into a general entrepreneurship framework.

### **A MODEL FOR ENTREPRENEURSHIP**

For entrepreneurship to occur, two main ingredients must be present concurrently: (1) an entrepreneur, and (2) an opportunity which the entrepreneur can recognize and exploit. It is these ingredients—the entrepreneur and the opportunity—that all entrepreneurial research hinges upon. Generally, there is a time lapse between an entrepreneur’s decision to pursue an opportunity and the moment the opportunity is fully exploited. The entrepreneurial process occupies this time lapse. Figure 1 below depicts a simple entrepreneurship model.



**Figure 1: A simple entrepreneurship model.** The model shows that entrepreneurship is concerned with an entrepreneur exploiting an opportunity. The process by which the entrepreneur exploits the opportunity is called the entrepreneurial process.

As a social science, entrepreneurship continues to struggle to earn its place in the academic world. This delay in acceptance is directly linked to a lack of frameworks as well as a lack of both theoretical and empirical research in the field. Despite this, several branches (or sub-fields) of entrepreneurship studies have emerged in recent years. Not only have these branches become foci of research but in many cases are being taught in universities as stand-alone courses. The defining characteristics of entrepreneurship are further explored and understood by delving deeper into these sub-fields. To qualify as sub-fields, their definitions must be consistent with the broader definition of entrepreneurship. Various criteria for classifying an area as a sub-field in entrepreneurship are outlined here namely, (1) the immediate work environs of the entrepreneur, (2) the motivation of the entrepreneur, (3) the nature of the opportunity being exploited, and (4) the location of the opportunity or the entrepreneurial process.

The work environs of the entrepreneur should not be confused with the external environment which often includes the legal environment and competition within a firm's industry. The work environ simply refers to the immediate surroundings of the entrepreneur. It informs whether the entrepreneur is operating from within a company, operating within a start-up team, working with members of a family, working alone, etcetera. If the entrepreneur is working within a family unit, then the family is the entrepreneur's work environ. If the entrepreneur is working within a large firm, then the company building and its resources (including the company's human capital) constitute the entrepreneur's work environs. The environs – family and company, for example - will contribute to the formation of two very different work dynamics. As highlighted earlier, researchers seek to understand how family entrepreneurship is hindered by the development of strong emotional attachment of family members to maintain traditions in their business practices (Craig & Lindsay, 2002). This sort of attachment may not be found in corporate entrepreneurship settings. Historically, entrepreneurship has been about an individual – the entrepreneur. Therefore, there is a unique dynamic that would be observed when an individual alone is acting as the entrepreneur without family or corporate influences. The creation and development of academic sub-fields within entrepreneurial studies can be triggered by the various influences of such dynamics.

Another criterion that prompts the creation of sub-fields is the motivation for entrepreneurship. The classical motivation for creating any new venture is to reap profits. So, it is unique when an entrepreneur decides to create a new venture by a desire to benefit others rather than a desire for personal monetary gain. Therefore, frameworks that support the profit-driven definition of entrepreneurship are challenged by the existence of an entrepreneurial motive that is unrelated to monetary gain—a unique concept that warrants new research that has called for the creation of a sub-field – Social Entrepreneurship.

Entrepreneurs can also be motivated to create new businesses in responses to newly developed technological advancements. Technological advancements, such as the creation of the computer and the Internet, are offerings that have not only revolutionized the way we live and view the world but are innovations which have transformed the business models of enterprises and facilitated the creation of completely new industries. Therefore, any offerings that possess entirely unique qualities and characteristics—such as technology-based products, services, and processes—will inspire new and continued research.

The location of the sought opportunity is the fourth criterion which should be considered. For instance, there is nothing unique about the geographical location if an entrepreneur from Seattle, Washington, opens a toy store in the same city, buys products from a Seattle-based manufacturer, recruits employees from Seattle, and establishes a Seattle-based target consumer market. However, if that entrepreneur decides to launch a business in Nigeria or establish a supplier relationship with a Japanese manufacturer, then factors such as cross-cultural differences and monetary exchange rates must be considered.

## **SUB-FIELDS IN ENTREPRENEURSHIP**

Since the creation of an academic discipline focusing upon entrepreneurship, academics have classified entrepreneurial activities into sub-fields. The primary sub-fields are academic, corporate, family, international, small, social, and technological entrepreneurship. In the next few paragraphs we briefly explore the defining characteristics of and challenges facing these sub-fields.

### **Academic Entrepreneurship**

In 1980 the United States Congress passed the Bayh-Dole Act, allowing for universities to claim the intellectual property resulting from federal government-funded research grants (Wood, 2011). This legal change spurred the commercialization of academic endeavors which has offset diminishing governmentally provided revenue sources (Wood, 2011; Benneworth, 2001). The term academic entrepreneurship refers to research undertaken by university faculty in hopes of generating research that the university, and their industrial partners, can commercialize (O'Shea, Allen, O'Gorman and Roche, 2004). The evolution of this phenomenon has led to policy making within institutions being influenced by the desire to build and maintain commercial partnerships and the subsequent development of multiple approaches for understanding these dynamics (Benneworth, 2001) and the stages involved in the process of

academic entrepreneurship (Wood, 2011). Although such partnerships raise many ethical considerations, researchers, academic institutions, private corporations and society at large reap a colossal of benefits from academic entrepreneurship; given the increasingly competitive economic environment and declining governmental investment in higher education, the ability to spur economic growth from academic entrepreneurship has never been more important (Wood, 2011). Academics working within this sub-discipline seek to provide information highlight the steps critical to creating profitable ventures from academic research and recommend methods for overcoming barriers (Wood, 2011).

### **Corporate Entrepreneurship**

In order to develop an advantage over competitors, corporations commonly adopt an entrepreneurship strategy to continue to be able to identify and exploit opportunities to drive corporate growth (Ramachandran, Devarajan & Ray, 2006). Corporate entrepreneurship does not explore the role of individuals but instead the innovative undertakings of a corporation as a whole. Corporate entrepreneurship takes various forms, including the creation of a new business within an established organization, transforming business practices and changing the status quo of business practices among an industry (Stopford & Baden-Fuller, 1994). These traits can occur simultaneously throughout a corporation, or be secluded to focused initiatives within company subgroups (Ramachandran et al, 2006). Adopting a corporate entrepreneurship strategy can significantly increase the competitive ability of a corporation (Zahra, Kuratko, & Jennings, 1999) while transforming corporations, markets expectations and industry practices (Ramachandran, et al, 2006).

### **Family Entrepreneurship**

Family businesses are defined by Craig and Lindsay (2002) as businesses managed by one family or a small number of families. Worldwide they are the most prevalent form of businesses which employs the majority of people in the workforce (Shanker & Astachan, 1996). Family businesses play a critical role in entrepreneurship, especially in areas lacking Western capitalistic systems (Heck, Hoy, Poutziouris, & Steier, 2008). The sub-field of family entrepreneurship explores how familial dynamics and entrepreneurship processes influence each other (Craig & Lindsay, 2002). This academic discipline has identified many obstacles to running successful family businesses. For instance, researchers seek to understand how family entrepreneurship is hindered by the development of strong emotional attachment of family members to maintain traditions in their business practices (Craig & Lindsay, 2002). Concurrently, family entrepreneurship studies have also identified methods used to address such concerns, such as the benefits of developing external directors to guide the family entrepreneurship process (Craigs and Lindsay, 2002). Such realizations occur through studying specific case studies and the development of general theories to understand the processes influencing familial entrepreneurship enterprises.

## **International Entrepreneurship**

At its inception the study of international entrepreneurship developed a phenomenological approach (Keupp & Gassmann, 2009), focusing upon new business endeavors which sought to increase their competitiveness by acquiring resources from and selling to more than one country (Oviatt & Dougall, 1994). As academic interest in the subject grew, scholars began to examine the emergent facets of entrepreneurship. The definition of international entrepreneurship therefore broadened to include existing organizations which extend their operations into international markets (Wright & Ricks, 1994). Oviatt and McDougall (2005) define international entrepreneurship as, “the discovery, enactment, evaluation and exploitation of opportunities—across national borders—to create future goods and services,” (540). Scholars additionally seek to understand the behavior of international entrepreneurs as well as compare the entrepreneurial systems, behaviors, and cultures of different societies (Oviatt & McDougall, 2005). International entrepreneurship scholars have incorporated theoretical frameworks from an array of disciplines including anthropology, finance, economics, marketing, psychology sociology and international business (Oviatt & McDougall, 2005). This multifaceted approach allows for a holistic understanding of the factors shaping international entrepreneurship. Furthermore, it highlights the array of possible research topics (Keupp & Gassmann, 2009).

## **Small Business Entrepreneurship**

Many small businesses are only entrepreneurial in their start-up phase; after the company is established, the focus tends to shift to maintenance and away from growth and innovation (Easton, 1977). Large firms have been viewed as the foundation of the modern economy although academic research suggests small business entrepreneurship significantly drives the economy (Acs, 1992). Although large businesses have advantages such as their access to capital and business networks, small business entrepreneurs are shown to be just as innovative on a per employee basis and even have an advantage in some industries (Acs, 1992). As this realization spread, policy makers worldwide have sought to create an entrepreneurial culture which allows for small businesses to thrive in an effort to stimulate the global economy (Thurik & Wennekers, 2004). This focus on small business entrepreneurship creates new options for innovation, changes industry dynamics, generates significant job growth and leads to lower levels of unemployment (Thurik & Wennekers, 2004). The dynamics within small business entrepreneurial enterprises and the obstacles they face are vastly different than those of the large corporations, necessitating the creation of a sub-field within entrepreneurial studies to focus upon small entrepreneurial firms.

## **Social Entrepreneurship**

Entrepreneurship can develop effective and sustainable solutions for addressing the widespread social problems facing the modern world, such as prevalent global poverty and the social tensions caused by growing unemployment rates. Social entrepreneurship describes

innovative activities which are undertaken by individuals, organizations, and businesses that are motivated by the desire to address such social problems (Noruzi, Westover, & Rahimi, 2010). This emerging, and constantly diversifying, phenomenon is undertaken within both the non-profit sector and by for-profit corporations (Noruzi et al, 2010; Smith & Stevens, 2010). Individuals within a corporation or working in any business sector can choose to tailor their entrepreneurship innovations to address social problems and therefore act as social entrepreneurs, although certain industries, such as the government sector, face unique challenges (Noruzi et al, 2010). The continuously evolving nature of this phenomenon creates unique challenges for creating a theoretical foundation for studying social entrepreneurship.

### **Technological Entrepreneurship**

The development of new technologies provides many opportunities for entrepreneurship which both existing and new ventures can exploit. In fact, technological advances have created a modern version of the California Gold Rush where corporations race to exploit emerging markets to capitalize on new or improved technologies (Thukral, Von Her, Walsh, Groen, Van Der Sijde & Adham, 2008). At times, such entrepreneurship is hindered by a lack of tactical exploration since the highly competitive and constantly evolving nature of technology encourages rapid strategic alterations (Thukral et al, 2008). Academics group technologies into categories based upon factors which affect the entrepreneurial process, such as the availability of opportunity the technology presents and its long-term rate of change over time, as well as the barriers which must be overcome in order to exploit these opportunities (Marsili, 2002). Technological entrepreneurs exploit such opportunities in order to improve current business practices, expand their current customer base and expand into new markets.

### **THE ENTREPRENEURSHIP MIX: CONNECTION WITH ENTREPRENEURSHIP SUB-FIELDS**

Based on the foregoing concepts in entrepreneurship, five dimensions of entrepreneurship are advanced in this paper. They are: *Who*, *Why*, *What*, *Where*, (4 Ws) and *How*. The first four dimensions constitute the Entrepreneurship Mix (EM), whereas the fifth dimension, *How* is concerned with the entrepreneurial process. The *How* also influences many other factors; for example, *when* a venture should be exploited. (This set of entrepreneurship classification criteria discussed here was initially presented by Prof. J. K. Osiri at the Washington State University's College of Business on March 30, 2011. He also previously presented Entrepreneurship Mix as the *Who*, *Why*, *What*, and *How* of Entrepreneurship at the Allied Academies' Entrepreneurship Division Meeting on Friday, October 15, 2010. It has been revised in this paper such that the Five Dimensions of Entrepreneurship are *Who*, *Why*, *What*, *Where*, and *How*, where the first four dimensions comprise the Entrepreneurship Mix).

The EM seeks to answer the questions: Who is creating the new venture? Why create this venture? What is the opportunity being sought? Where are the opportunity and/or entrepreneurial process occurring? How (and when) would the opportunity be exploited? The four classification

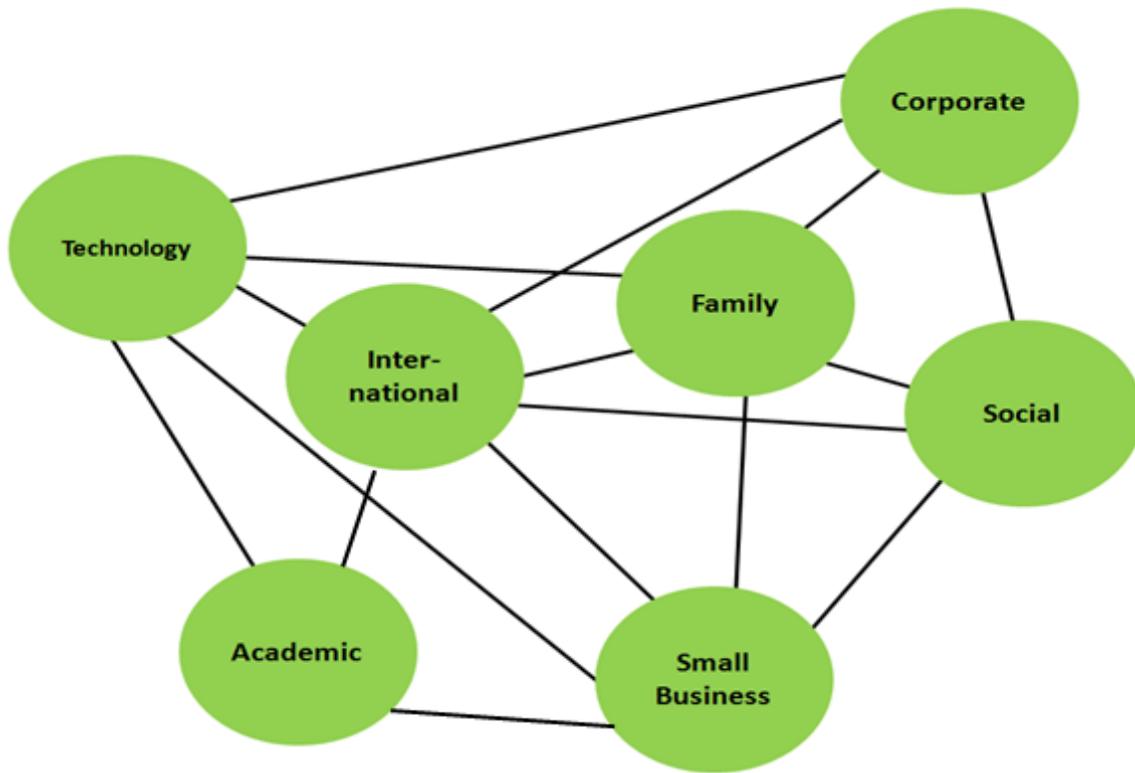
criteria mentioned earlier: (1) the work environs of the entrepreneur, (2) the motivation of the entrepreneur, (3) the nature of the opportunity being exploited, and (4) the location of the opportunity and/or entrepreneurial process can be viewed in the light of the EM. The entrepreneur's work environ answers the *Who* question; the motivation of the entrepreneur addresses the *Why* question, the nature of the opportunity being exploited answers the *What* question, and location of the opportunity and/or entrepreneurial process addresses the *Where* question.

To categorize sub-fields in entrepreneurship, the EM is used to ask, "What is unique about "Who," "Why," "What" and "Where" of Entrepreneurship. Table 1 condenses this information so that with a few basic questions the entrepreneurial activities can be classified. For example, if we ask, "Who is venturing?" and if the answer is, "an individual," and if the other dimensions are not unique, then we are most likely referring to Small Business Entrepreneurship. But if the answer is, "a firm," then Corporate Entrepreneurship is the likely sub-field. When the question "Why the venture?" is posed and if the answer is "not-for-profit," then the likely classification is Social Entrepreneurship, and so on and so forth. Table 1 classifies the entrepreneurship sub-fields using the proposed EM and the four classification criteria.

<b>Table 1: CLASSIFICATION OF ENTREPRENEURSHIP SUB-FIELDS</b>				
<b>Sub-field</b>	<b>1. Who? (Environs of the Entrepreneur)</b>	<b>2. Why? (Motivation of the Entrepreneur)</b>	<b>What? (Nature of the Opportunity)</b>	<b>3. Where? (Location of Opportunity or the Entrepreneurial Process)</b>
1. Academic Entrepreneurship	<b>University, Education of Higher Learning</b>	Not unique	<b>Intellectual property (IP)</b>	Not unique
2. Corporate Entrepreneurship	<b>Firms or any for profit organization</b>	Not unique	Not unique	Not unique
3. Family Entrepreneurship	<b>Family members</b>	Not unique	Not unique	Not unique
4. International Entrepreneurship	Not unique	Not unique	Not unique	<b>Across national borders</b>
5. Small Business Entrepreneurship	<b>Acting alone or within a small group</b>	Not unique	Not unique	Not unique
6. Social Entrepreneurship	Not unique	<b>Social change</b>	Not unique	Not unique
7. Technology Entrepreneurship	Not unique	Not unique	<b>Technology-based offerings</b>	Not unique

Granted, the sub-fields overlap with each other. For example, a company that is engaged in corporate entrepreneurship may be going international, thus there would be an overlap between International Entrepreneurship and Corporate Entrepreneurship. Or, a small business entrepreneur may be established primarily for Social Entrepreneurship, thereby creating a connection between Small Business Entrepreneurship and Social Entrepreneurship. Figure 2

captures the seven sub-fields in entrepreneurship already described. The networks of relationships or overlaps that may exist among the sub-fields are shown using black lines.



**Figure 2:** Map capturing relationships among various entrepreneurship sub-fields. The sub-fields (green circles) are shown to overlap with each other using black lines.

## CONCLUSION

As the importance of entrepreneurship in spurring economic growth and vigor has been recognized, the academic discipline of entrepreneurship studies continues to evolve. The definition of entrepreneurship has expanded greatly, although the discipline is hindered by a lack of solid theoretical and empirical research. Today, entrepreneurs are understood to be individuals who recognize opportunities and are willing to take risks in order to creative innovative methods to exploit them. Entrepreneurship can occur in a variety of methods, such as launching new ventures, developing new products and/or services, or expanding existing operations. Indeed, the academic study of entrepreneurship focuses on understanding the implications of variations among the Entrepreneurship Mix – the Who, Why, What, and Where of Entrepreneurship. This paper connected the entrepreneurial mix to four criteria scholars can use categorize existing and emerging sub-fields of entrepreneurship: entrepreneur’s work environs, motivation that drives entrepreneurship, the nature of the opportunity and the location of the opportunity or

entrepreneurial process. As an evolving social science discipline, entrepreneurial scholars continue to develop a theoretical framework for understanding these phenomena. Multiple academic sub-fields have recently developed in response to unique conditions within the Entrepreneurship Mix. These sub-fields must not be viewed or practiced as isolated fields as they overlap in many instances and are all shaped by the entrepreneurial process.

## REFERENCES

- Acs, Z. J. (1992). Small business economics: a global perspective. *Challenge*, 35, 38-44.
- Benneworth, P. (2001). Academic entrepreneurship and long-term business relationships: Understanding 'commercialization' activities. *Enterprise and Innovation Management Studies*, 2(3), 225-237.
- Craig, J., & Lindsay, N. J. (2002). Incorporating the family dynamic into the entrepreneurship process. *Journal of Small Business and Enterprise Development*, 9(4), 416-430.
- Easton, E.E. (1977). Entrepreneurship: Undergraduate Option, Concentration, or What? *Journal of Small Business Management*, 15(3), 41-45.
- Gartner, W.B. (1988). 'Who is an entrepreneur?' Is the wrong question? *American Journal of Small Business*, 12(4), 11-32.
- Hébert, R. F., & Link, A. N. (2009). *A history of entrepreneurship*. London: Routledge.
- Heck, R. K. Z., Hoy, F., Poutziouris, P. Z., & Steier, L. P. (2008). Emerging paths of family entrepreneurship research. *Journal of Small Business Management*, 46(3), 317-330.
- Keupp, M. M., & Grassmann, O. (2009). The past and the future of international entrepreneurship: A review and suggestions for developing the field. *Journal of Management*, 35, 600-633.
- Marsili, O. (2002). Technological regimes and sources of entrepreneurship. *Small Business Economics*, 19(3), 217-231.
- Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science*, 29(7), 770-791.
- Noruzi, M. R., Westover, J. H., & Rahimi, G. R. (2010). An Exploration of Social Entrepreneurship in the Entrepreneurship Era. *Asian Social Science*, 6(6), 1-10.
- O'Shea, R., Allen, T., O'Gorman, C., & Roche, F. (2004). Universities and technology transfer: A review of academic entrepreneurship literature. *Irish Journal of Management*, 25(2), 11-29.
- Oviatt, B. M., & McDougall, P. P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies*, 25(1), 45-64.
- Oviatt, B. M., & McDougall, P. P. (2005). Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice*, 29(5), 537-553.
- Ramachandran, K., Devarajan, T. P., & Ray, S. (2006). Corporate entrepreneurship: How? *Vikaipa*, 31, 87-98.
- Shanker, M.C. and Astrachan J.H. (1996). Myths and realities: family businesses' contribution to the US economy - a framework for assessing family business statistics. *Family Business Review*, 4(2), 107-123.
- Smith, A (1977). An inquiry into the nature and causes of the wealth of nations. *University Of Chicago Press*. (Original work published 1776).
- Smith, B. R., & Stevens, C. E. (2010). Different types of social entrepreneurship: The role of geography and embeddedness on the measurement and scaling of social value. *Entrepreneurship and Regional Development*, 22(6): 575-598.
- Srivastava, N., and A. Agrawal (2010). "Factors supporting corporate entrepreneurship: An Exploratory Study," *Vision*, 14(3), 163-171.
- Stopford, J. M., & Baden-Fuller, C. W.F. (1994). Creating corporate entrepreneurship. *Strategic Management Journal*, 15(7), 521-536.
- Thukral, I. S., Von, E. I. I. J. R., Walsh, S., Groen, A. J., Van, D. S. P., & Akmaliah, A. K. (2008). Entrepreneurship, emerging technologies, emerging markets. *International Small Business Journal*, 26(1), 101-116.
- Thurik, R., & Wennekers, S. (2004). Entrepreneurship, small business and economic growth. *Journal of Small Business and Enterprise Development*, 11(1), 140-149.

- Van Praag, M.C., P.H. Versloot (2007). What is the value of entrepreneurship? A review of recent research. *Small Business Economics* 29(4), 351-382.
- Volkman, C. (2004). Entrepreneurial studies: An ascending academic discipline in the Twenty-First Century. *Entrepreneurial Studies in Higher Education*, 29(2), 177-186.
- Wood, M.S. (2011). A process model of academic entrepreneurship. *Business Horizons* 54(2), 153-161.
- Wright, R.W. & Ricks, D.A. (1994). Trends in international business research: Twenty-five years later. *Journal of International Business Studies*, 25, 687-701.
- Zahra, S A; Nielsen, A P and Bogner, W C (1999). Corporate entrepreneurship, knowledge, and competence development. *Entrepreneurship Theory and Practice*, 24(1), 169-189.

---

# INSOURCING OR OUTSOURCING: THE ENTREPRENEURSHIP APPROACH

**Jong Chul Won, University of Missouri**

## ABSTRACT

*This essay explains the influence of entrepreneurship in sourcing decisions by analyzing transaction costs economics, resource based view, and real option theory and implying entrepreneurship in these theories. Entrepreneurial subjectivity influences sourcing decisions. First, the entrepreneurial subjective evaluation of uncertainties influences the flexibility and opportunism. Second, the entrepreneurial subjectivity defines the characteristics of new opportunity. These characteristics define the relationship between existing business and new opportunity, and the relationship is one determinant of sourcing methods. Finally, the entrepreneurial subjective perspective determines the resource value. The subjective value of resources along with the objective characteristics of resources determines the proper sourcing method.*

## INTRODUCTION

The purpose of this essay is to theorize the influence of entrepreneurship in the determination of proper sourcing methods. There are various approaches to explain vertical boundaries such as Transaction Cost Economics (TCE), the Real Option approach (RO), and the Resource-Based View (RBV). Vertical boundaries refer to whether a firm makes parts for its products, services in house, or purchases parts from the market. However, these approaches provide limited understanding of sourcing since the role of managers, especially entrepreneurial managers, is often neglected in sourcing decisions, even though entrepreneurial managers' subjectivity involves in making decisions.

TCE, RO and RBV approaches focus on the advantages or disadvantages of different sourcing methods. TCE and RO emphasize the costs from each sourcing method regarding the uncertainty of the market. One difference between TCE and RO is how they see managers responding to market uncertainty. In TCE, uncertainty is a factor to be controlled. Uncertainty incurs opportunistic behavior and various transaction costs. Therefore, the determinant of a proper sourcing method is whether the sourcing method efficiently controls the sources of uncertainty to minimize transaction costs and the risk of opportunism (Williamson, 1985). In RO, uncertainty is a factor to be avoided. That is to say, the value of flexibility in decision-making, which enables decision-makers to defer their decision in an uncertain market, determines the proper sourcing method. Therefore, the proper sourcing method enables managers to respond properly and promptly to changes in the market (Burns & Stalker, 1968; Harrigan, 1985a, b; Leifer & Huber, 1977; Porter, 1980). Recently, the RBV has also been applied in sourcing research. This approach focuses on the contribution of resources to a firm's competitiveness and, therefore, is useful to explain which resources have to be insourced in order to stay competitive. Since the firms are in competition and their goal is, in general, to make abnormal market rents, the determinant of which sourcing method to use is based on whether resources contribute to the sustainability of the firm's competitiveness.

Neither TCE, RO, nor RBV theory adequately accounts for the different effects that individual managers have on sourcing. Entrepreneurship is applicable to each theory in that it explains various managerial roles with the answer of a question; what does entrepreneurship theory add to our understanding of sourcing decisions? The answer is because of the similar situations that managers and entrepreneurs face when making sourcing decisions. Baron (1998) mentioned that, “By the nature of their activities, entrepreneurs often find themselves in situations that are new, unpredictable, complex and are likely to produce information overload in many different ways”. Even though a sourcing decision is related to the production of a firm’s current products or services, sourcing plans for production in an uncertain future market. Therefore, decision makers have to predict future market status and choose the best courses of action based on their expectations. Since decision makers are in a situation where, “new, unpredictable, complex and likely to produce information overload[s] in many different ways,” entrepreneurship explains how managers are able to make proper sourcing decisions.

Entrepreneurship enhances the understanding of sourcing in three ways. First, entrepreneurship explains the relationship between subjective uncertainty and the flexibility or the opportunism. RO and TCE focus on what Knight calls “risk,” which is objective and measurable rather than uncertain, and is inherently subjective and not quantifiable (Knight, 1921). However, decision is made with uncertainty, rather than risk. If the uncertainty is subjective, the required flexibility or the risk of opportunistic behavior is different for each entrepreneurial manager. Therefore, the choice of a proper sourcing method may vary with the degree of subjective uncertainty. Second, entrepreneurship shows how the perception of new opportunity influences the choice of sourcing method. Uncertainty is the source of opportunistic behavior and hesitation in decision making. However, the uncertainty is also the source of new opportunity. The new opportunity does not always relate to the current business. The preferred sourcing method varies with whether new opportunity relates to current business or not. Therefore, the existence of new opportunity and the characteristic of new opportunity, which is relatedness between the current business and the new opportunity, must be considered in the choice of proper sourcing method. Third, entrepreneurship provides the criteria that determine target resources, which is the resource to be insourced. The criterion of insourcing in RBV is whether resources satisfy the following conditions: valuableness, rarity, hard-to-imitability, and non-substitutability (Barney, 1991; Helfat et al., 2007), for sustainable competitive advantage. However, the relationship between each condition and the characteristics of resources is ambiguous. That is to say, there should be some characteristics of resources that satisfy these conditions, but there is no clear definition about the characteristics of resources. Aside from other conditions, the valuableness of resources is especially unclear. Is satisfaction of each condition fulfilled with one dimension of resource characteristic or with different dimensions of resource characteristics? Entrepreneurship can answer this question, and, therefore, an entrepreneurial approach is important in sourcing decisions.

This essay is organized as follows: The next section will provide a brief review of TCE, RO and RBV and an explanation of why entrepreneurship is required for the study of sourcing in each approach. The third section will show how entrepreneurial perspective on uncertainty has effects on sourcing decisions. The subjectively perceived uncertainty influences flexibility and opportunism, the perception of new opportunity, and therefore, sourcing decision. The fourth section will discuss how the entrepreneurial perspective on characteristics of resources determines the proper sourcing method. Resources will be classified based on the subjective

---

perspectives of entrepreneurial managers and the objective characteristics of resources, followed by a discussion of sourcing method determinants and their classification

## LITERATURE REVIEW

In sourcing research, Transaction Cost Economics (TCE), the Real Option approach (RO), and the Resource-Based View (RBV) are the most frequently cited theories. The distinctive difference between TCE and RBV is whether the theories focus on value claiming or value creation (Verwaal, Commandeur, & Verbeke, 2009). While the proponents of TCE concentrate on the capability of a firm to appropriate created value, RBV focuses on the capability of a firm to create values. The proper choice of a sourcing method enables the firm to realize these capabilities. In contrast to these theories, a critical issue in RO is the maximization of firm's value. Although these theories have analyzed sourcing method based on resources and firm value, market participants who utilize the resources and make decisions to maximize the firm value are somewhat overlooked. Therefore, they still have more room to enhance the understanding of sourcing by analyzing them with entrepreneurship. Thus, this section will give a short review of each theory and discuss how each relates to entrepreneurship.

### Transaction Cost Economics

Based on behavioral assumptions – bounded rationality and opportunism, TCE provides a framework for the choice of optimal governance structure. Scholars of TCE focus on how to minimize various transaction costs by aligning the characteristics of transactions with the attributes of different governance structures. The bounded rationality and opportunistic behavior of market participants (Williamson, 1985), and the incompleteness of transaction contracts (Tirole, 2009), causes various transaction costs of ex-ante and ex-post contract. These costs vary with the characteristics of each transaction: asset specificity, transaction frequency, and uncertainty. Similarly, different governance structures (for example market procurement (short-term and long-term contracts) or hierarchy (firms)) have different attributes. The optimal alignments of the transaction characteristics and the attributes of governance structure minimize the transaction costs. For example, while “[the market has] high powered incentives, little administrative control and a legal-rules contract law regime .... hierarchy uses low-powered incentives, considerable administrative control and the courts are deferential to the management” (Williamson, 2008). Therefore, the market procurement is fit to autonomously adaptive transactions (the transaction has low asset specificity and uncertainty), but poorly fit to cooperatively adaptive transactions (the transaction has high asset specificity and uncertainty). The mismatch of the attributes of transaction and the governance structure incurs inefficiency and additional transaction costs. Therefore, the choice of an optimal governance structure (or contract) to minimize transaction costs is the focus in TCE.

### The Real Option Perspective

RO is concerned with the options for corporate growth and the flexibility to minimize opportunistic costs of investment (Folta, 1998; Kogut, 1991), with the premise that managers have the capability to foresee the future and to specify the probability distribution function of returns on investments (Leiblein, 2003). While the ownership of key resources protects the

competitive advantage of a firm (Barney, 1991; Barney, Wright, & Ketchen, 2001; Barney & Arikan, 2001; Barney & Clark, 2007; Peteraf, 1993; Peteraf & Barney, 2003), insourcing comes with various inevitable costs that tend to increase as the market uncertainty increases<sup>1</sup>. The option to defer an investment decision to enhance flexibility and minimize inevitable costs increases the value of a firm. That is to say, even though hierarchical control by insourcing minimizes the chances of opportunistic behavior and protects competitive strategy, it does not effectively hedge market uncertainty (Folta, 1998). Therefore, flexibility is necessary and the option is valuable in uncertain market (McDonald & Siegel, 1986). The prediction capability of managers determines the value of the option in an uncertain market and the optimal sourcing method. That is, if market uncertainty is unaffordable, low-commitments and flexible agreements (short-term and long-term contracts) provides a firm with flexibility in their decision (Kogut, 1991; McGrath, 1997), since the short or long term contracts are transitional governance structures that provide a chance to make commitments when uncertainty is resolved (Mitchell & Singh, 1992).

### **The Resource-Based View**

The most important concern of RBV is sustainable competitive advantage. With two assumptions, heterogeneity and limited mobility of resources, advocates of RBV insist that the competitive advantage of a firm originates from resources and capabilities that must be under the influence of the firm. The competitive advantages can be persistent when the resources and capabilities satisfy the conditions of duplication (Barney & Clark, 2007). To have sustained competitive advantages, a firm must have influence over resources that possess three distinct attributes: valuable, rare, and hard-to substitute or imitate<sup>2</sup> (Barney, 1991; Barney & Clark, 2007; Peteraf, 1993). Therefore, the criteria of sourcing decisions in RBV is whether the resources are components of core competence, or whether the resources (skills or knowledge) provide the firm with flexibility for future innovation and with a competitive advantage within limited areas (Espino-Rodríguez & Padrón-Robaina, 2006; Quinn, 1999; Quinn & Hilmer, 1994). Managers seek to obtain required resources while they formulate a new strategy, since they do not always own all of the resources required to implement a new strategy (Grant, 1991). Managers then face sourcing decisions and have to determine how to get the required resources by insourcing or outsourcing. If the required resources contribute to the core competence or the competitiveness of the firm, managers will insource the resources for the sustainable competitive advantage. Otherwise, managers will outsource the resources since the resources do not have and contribution to competitiveness.

### **Entrepreneurship, TCE, RO and RBV**

At the center of sourcing research should be entrepreneurial managers with the intellectual skills and knowledge to bear the uncertainty of the market. However, the roles of these managers are undervalued due to the implicit and explicit assumptions about the heterogeneous capabilities of market participants in TCE, RO and RBV. As Quinn and Hilmer (1994) state, a core of competence is the intellectual skill or knowledge sets, and, as Williamson (2008) mentions, credible commitments are possible if the market participants “look ahead, uncover potential hazards, work out the mechanisms and factor, these back into the contractual

design". In addition, the value of resources, among various other attributes, is determined by the way resources are used or the market participants' subjective perspectives on the resources.

Entrepreneurs, or entrepreneurial managers<sup>3</sup> are defined as uncertainty bearers (Cantillon, 2001; Mises, 1949), arbitragers (Kirzner, 1973), innovators (Schumpeter, 1934), judgmental decision makers (Casson, 1982; Hébert & Link, 1989), among market participants. Their subjective perspectives on the uncertain future market enable them to discover new relationships, which is new entrepreneurial opportunities, between present resources and future ends (Mises, 1949; Rothbard, 2009; Shane & Venkataraman, 2000), and to make judgments on the exploitation of the new opportunities to create value of the firm. In short, entrepreneur managers are individuals who make judgmental decisions and take action under uncertainty (McMullen & Shepherd, 2006). The judgmental decisions relate to making combinations of various resources. Among the various resources, entrepreneurial managers have to choose valuable resources to insource for the sustained competitive advantage of the firm in an uncertain market. Therefore, an entrepreneurial approach is required for sourcing research.

## ENTREPRENEURSHIP AND UNCERTAINTY

One factor to consider in sourcing decisions is the environment – whether the environment is favorable for insourcing or not. The favorable condition for insourcing is different for each entrepreneurial manager, even within the same market. This is because each individual heterogeneously perceives the market environment differently. However, the difference of individual participants in perception of the market environment is somewhat ignored, and, therefore, the sourcing research is limited. Especially, since individual entrepreneurial managers may perceive uncertainty differently due to the difference in cognitive capability of individual managers, the degree of required flexibility or opportunism may be different for each entrepreneurial manager. In addition, the heterogeneous perception of uncertainty also has influence on the perception of new opportunity. Therefore, the heterogeneous cognitive capability results in the different choice of sourcing method. The next section will discuss subjective uncertainty and its influence on sourcing decisions.

### Subjective Uncertainty In Sourcing Decision

Market uncertainty is subjective<sup>4</sup>. Lipshitz and Strauss (1997) defined the uncertainty as "a sense of doubt that blocks or delays action". According to this definition, decision makers hesitate to act because they are not sure about situations, alternatives, or outcomes (Lipshitz & Strauss, 1997). This implies that the managers' uncertainty is subjective (Baron, 2004; Busenitz & Barney, 1997; Duncan, 1972; Palich & Ray Bagby, 1995; Simon, Houghton, & Aquino, 2000), since the decision varies with the assurance that individual market participants have on future market conditions. The various sources of uncertainty explain the variance in subjectivity and the hesitation of individual market participants.

Lipshitz and Strauss (1997) introduced the basic sources of uncertainty. The first source of uncertainty is incomplete information (Conrath, 1967; Galbraith, 1973; Lipshitz & Strauss, 1997; Smithson, 1989). As Hayek (1945) mentions, information is unevenly distributed in the market. Therefore, individuals have different and limited sets of information required for decision making (Hayek, 1945; Menger, 1950; Mises, 1949), and have imperfect and heterogeneous expectations on the market. The other source of uncertainty is inadequate understanding, which

is defined as an abundance of conflicting meanings of information (Lipshitz & Strauss, 1997). The cause of inadequate understanding is the heterogeneous and bounded cognitive ability of individual market participants. Cognitive ability is the way that individuals assess and analyze information (Baron, 1998, 2004), understand environments (Klimoski & Mohammed, 1994), build conceptual frameworks to predict future market situations and choose a proper course of action (Rouse & Morris, 1986), and make judgments and decisions (Baron, 1998, 2004). The cognitive ability is founded on knowledge, information and experiences. Individual market participants have different knowledge, information and experiences. Therefore, the cognitive ability is heterogeneous and bounded. Individuals screen new information based on their previous experience and knowledge (Klimoski & Mohammed, 1994; Witt, 1999). They create categories of information based on prior knowledge, find links between the categories and new information (Chi & Koeske, 1983; Frederick, 1991; Gobbo & Chi, 1986), and then, store newly screened information as new knowledge. Therefore, knowledge is the product of a cognitive process that is different for each individual, and transforms various means such as experience and education into knowledge. In addition, as Baron (1998) mentioned, the capacity of individuals to process and store new information is limited, and therefore, individuals use the selective process of new information and “short-cuts,” which are called cognitive biases or heuristics (Baron, 1998; Busenitz & Barney, 1997), to prevent an overload of information and minimize cognitive efforts. Therefore, the cognitive capability is bounded (Simon, 1976; Williamson, 1985) and heterogeneous (Shane & Venkataraman, 2000). Because of the bounded and heterogeneous cognitive capability, decision makers interpret information differently or inadequately. Incomplete information and inadequate understanding of the information result in blurred and heterogeneous expectations of future markets and plan outcomes, in addition to the heterogeneous perception of uncertainty.

In addition to cognitive heterogeneity, cognitive biases also cause the subjective perception of uncertainty for various reasons. First, individuals have the tendency to ignore the limit of their knowledge (Zacharakis & Shepherd, 2001). Therefore, they are overconfident in their expectation of future market status because they believe they know more than actually they know. Second, they tend to fall into the planning fallacy, which is a bright expectation about their project schedule (Kahneman & Lovallo, 1993; Kahneman & Tversky, 1979). Since projects are future-oriented, individuals treat current situations as unique and isolated issues from past (Buehler, Griffin, & Ross, 1994). When this occurs, they are more likely to be caught in the planning fallacy. Third, the belief in the law of small numbers leads to inadequate understanding of market situation. The belief in the law of small numbers implies that individuals make firm and conclusive decisions based on limited information that is assumed to accurately represent the situation they face (Hogarth, 1987; Tversky & Kahneman, 1974).

Because of these cognitive mechanisms – the heterogeneous cognitive capability and the cognitive biases – individuals tend to perceive market uncertainty subjectively. Biased cognitive mechanisms, which are general tendencies of individuals (Baron, 1998), cause individuals to interpret the limited, unevenly distributed, and non-representative information through a bounded cognitive process (Simon, 1976; Williamson, 1985). Therefore, each individual perceives different degrees of uncertainty in the same situation. Moreover, the subjective perception of uncertainty may be common in sourcing decisions due to the unique circumstance that decision makers face.

This unique context exacerbates the subjective and biased perception of individuals’ uncertainty. The choice of a proper sourcing method is future oriented. Sourcing decisions relate

---

to the planning of production and sales of products or services in future. Therefore, the governance structure and the market status considered in sourcing decision are different from when sourcing decisions are made. However, the required information for sourcing decision is limited. In general, managers require data and information to make decisions, and the relevant sources of data and information are based on previous experiences or similar events. However, the relevant sources for making sourcing decisions are limited. Decision makers must take the influences of governance structure change (changes from outsourcing to insourcing and vice versa, or add new divisions for in- or out-sourcing), the future market costs and profits of a firm into consideration when making sourcing decisions. But they hardly have such information, since firms do not make sourcing decisions frequently, and each previous change of governance structure occurs in a different market circumstance. Therefore, the influence of previous experiences may not apply to new sourcing decisions. The other sources of information are the sourcing decisions made by other firms, especially competitors. This information is hard to obtain, however, and is less relevant because they are in different circumstances. Therefore, entrepreneurial managers have to rely on the limited information and the incomplete expectations of future market status and influences. This unique context causes various cognitive biases in which decision makers sometimes fall into the planning fallacy, the belief in the law of small numbers. In conclusion, the unique context of sourcing decisions leads managers to rely on biased cognitive mechanisms, and to perceive market uncertainty subjectively.

The subjective perception of uncertainty leads managers to require different degrees of flexibility and to perceive different degrees of opportunistic risks even in the same situation. If entrepreneurial managers perceive market uncertainty with low or moderate degrees of uncertainty, they may believe they do not need a high degree of flexibility, or that they face low chances of opportunistic behavior. In this case, they tend to choose insourcing rather than outsourcing. In the meanwhile, if entrepreneurial managers perceive high degrees of market uncertainty, they expect the required flexibility and risk of opportunistic behavior to be high. In this case, outsourcing is preferred. That is to say, market participants perceive market uncertainty subjectively, since the heterogeneous perception of market uncertainty determines the degree of subjective uncertainty and the optimal sourcing method.

However, low or moderate subjective uncertainty may cause conflicts when choosing the proper way of sourcing. The perception of new opportunities is related to the degree of subjective uncertainty. As mentioned, the heterogeneous perception of uncertainty is due to the limited capability of market participant to predict the future market status. That is to say, low or moderate subjective uncertainty may imply that decision makers believe their expectations of future market status are accurate. Such belief may result in the perception of new opportunity, which is the recognition of a new relationship between present means (resources) and future ends (products or services) (Shane & Venkataraman, 2000) that increases as entrepreneurial managers perceive uncertainty with subjectively low or moderate degree (McMullen & Shepherd, 2006). The question then becomes whether the preferred sourcing method in different degree of subjective uncertainty matches up the characteristics of newly perceived opportunity. If there is no new opportunity, insourcing and outsourcing are the only alternatives to be considered. However, if entrepreneurial managers perceive a new opportunity, it is a matter of whether insourcing or outsourcing is beneficial to pursuing the new opportunity. That is, if insourcing contributes to the realization of a new opportunity, entrepreneurial managers tend to choose insourcing. Insourcing contributes to the pursuit of new opportunity when current business is related to the new opportunity. The relatedness - whether the new opportunity contributes to the

current business or is unrelated to current business and innovative – is defined by the characteristics of new opportunity. The characteristics of new opportunity are determined during the process of new opportunity perception. That is to say, new opportunities are a product of the entrepreneurial cognitive process. Therefore, it is required that the entrepreneurial approach or entrepreneurial cognitive process defines the characteristics of new opportunity.

In sum, the subjective perspective on market uncertainty influences the determination of optimal sourcing methods in two ways. First, entrepreneur managers decide on a sourcing method based on their individual perception of market uncertainty. That is, if they perceive market uncertainty to be low or moderate, they tend to choose insourcing. Otherwise, they prefer outsourcing. The other influence of the subjective perception of uncertainty is the relationship between newly perceived opportunity and subjective uncertainty. In the next section, I study the relationship between entrepreneurship, the perception of new opportunities, and the choice of optimal sourcing methods.

### **Sourcing And Opportunity Perception**

The cognitive capability of entrepreneurial managers determines the characteristics of new opportunities, as does the cognitive capability of individual market participants determine degrees of subjective uncertainty. While various cognition theories such as feature-analysis models, prototype models, and signal detection theory are developed (Baron, 2004) to explain the perception of opportunity, the denominator of these theories is that individuals recognize stimuli (or stimulus) by comparing features of new events with features of previous events, or with prototypes (sets or categories of objects and patterns) stored in each individual's memory. During the comparing process, entrepreneurial managers perceive new opportunities. Therefore, the new stimuli (or stimulus) and the cognitive process of each entrepreneurial manager characterize the new opportunity. The stored features or prototypes are formed based on previous experiences, information and knowledge (Baron, 2006; Witt, 2000; Zander, 2007). Individuals have unique experiences and information and they accumulate knowledge through the heterogeneous cognitive process (Fiske & Dyer, 1985; Kirzner, 1997; Palich & Ray Bagby, 1995; Shane, 2000; Wofford, 1994). Moreover, individuals, especially entrepreneurial managers, are influenced by various cognitive biases (Baron, 1998, 2004; Busenitz & Barney, 1997; Keh, Foo, & Lim, 2002; Simon et al., 2000). Therefore, each market participant recognizes different stimuli (or stimulus), and their newly perceived opportunities are heterogeneous (Shane, 2000; Shane & Venkataraman, 2000; Zander, 2007). The characteristics of new opportunity, especially, rely mostly on newly recognized stimuli (or stimulus). Therefore, the new stimuli (or stimulus) are the key in determination of the characteristics of the new opportunity, and whether the new opportunity is contributive or innovative to a business.

The experiential learning model (Kolb, 1984) and the creativity-based experiential learning model of opportunity recognition (Corbett, 2002) are applicable in determining the characteristics of new opportunity. These models provide the relationship between the sources of knowledge, which are the stimuli (or stimulus) and new opportunities. Kolb (1984) categorizes knowledge into four different groups based on the different sources of information and types of learning. The sources of information are direct or indirect experiences (concrete experience or abstract conceptualization, respectively) and the types of learning are experiment (active experimentation) or internal reflection (reflective observation). The four different types of knowledge, therefore, are: 1) accommodative knowledge (learning from concrete experience and

---

transforming through active experiment), 2) divergent knowledge (learning from concrete experience and transforming through reflective observation), 3) assimilative knowledge (abstract conceptualization— reflective observation), and 4) convergent knowledge (abstract conceptualization— the active experimentation). Different types of knowledge are suitable for different states of opportunity recognition (Corbett, 2002). The entrepreneurial process consists of discovery and exploitation (or formation) of entrepreneurial opportunities (Shane & Venkataraman, 2000). The discovery process is composed of preparation, incubation, and insight, and the exploitation process consists of evaluation and elaboration (Lumpkin, Hills, & Shrader, 2004). Divergent and accommodative knowledge are suitable for the evaluation and the exploitation of the entrepreneurial opportunity (Corbett, 2002), since market participants prefer divergent knowledge analyze concrete situations from various viewpoints and organize the results of analyses, and market participants prefer accommodative knowledge carry out plans (Kolb, 1984). Other types of knowledge such as assimilative and convergent knowledge are suitable for the perception of opportunity.

The new opportunity is contributive if the sources of this opportunity are concrete experiences. As mentioned above, accommodative or divergent knowledge are from concrete experiences (Kolb, 1984). Managers mostly rely on their current business or direct work related experience rather than indirect experience as the source of their knowledge. Therefore, the knowledge of entrepreneurial managers is likely to be accommodative or divergent. This knowledge is appropriate for the evaluation and exploitation of plans (Corbett, 2002). Hence, new opportunities based on accommodative or divergent knowledge are likely to be contributive rather than innovative, and are likely to improve current products or services. However, the new opportunity is innovative if the sources of opportunity are abstract conceptualization. Even though entrepreneurial managers' primary source of knowledge comes from concrete experiences, they still have assimilative or convergent knowledge, since market participants acquire information from all sources (Corbett, 2002; Kolb, 1984) and each individual has a different preference for the source of experience and the transformation (Kolb, 1984). The sources of assimilative or convergent knowledge are indirect experience (an abstract conceptualization or recreation of experience). This type of knowledge is suitable for the perception of opportunity among the different states of opportunity recognition. Therefore, new opportunities based on this knowledge are likely to be innovative.

Insourcing is the proper method of sourcing for the perception of contributive opportunity. Contributive opportunity is related to current business. Insourcing required resources for contributive opportunity also contributes to current business. Therefore, insourcing provide, I will discuss in next section, sustainable competitive advantage. However, insourcing is not the preferred sourcing method with regard to the perception of innovative opportunity. Innovative opportunity is not related to current products or services. Insourcing resources necessary for current business prevents entrepreneurial managers from pursuing new opportunities. Therefore, outsourcing may be an appropriate method for businesses when the entrepreneurial managers perceive innovative opportunities.

In sum, entrepreneurial managers have to consider the flexibility, opportunistic risk, and characteristics of new opportunities when they make sourcing decisions. When a firm is not in a transaction specific relationship, which is a relationship between firms making transaction specific investments, flexibility is a critical determinant in choosing the appropriate sourcing method. When the degree of perceived market uncertainty is high, entrepreneurial managers are

less likely to perceive new opportunities and tend to defer investment decisions. Therefore, outsourcing is a proper choice in a subjectively uncertain market.

Proposition 1-1. Given the subjective perceptions of high market uncertainty, entrepreneurial managers will tend to choose outsourcing when they are not in transaction specific relationships.

When subjective market uncertainty is low or moderate and a firm is in a transaction specific relationship, opportunism is a critical factor for sourcing decisions. Since the firm faces low or moderate market uncertainty, prevention of opportunistic behavior is more critical. However, outsourcing just to increase flexibility increases opportunistic risk. In addition, since entrepreneurial managers believe the future market is uncertain, they have less chance to have new opportunities. Therefore, insourcing is preferred in this case to prevent opportunistic behavior.

Proposition 1-2. In subjectively uncertain market, entrepreneurial managers prefer insourcing when they are in transaction specific relationships.

On the contrary, characteristics of new opportunities are additional determinants of a proper sourcing method when the subjectively perceived, uncertain market is affordable. When subjective market uncertainty is affordable, flexibility or asset specificity is no longer a matter of concern. However, affordable subjective uncertainty implies that entrepreneurial managers have more chances to perceive new opportunities. The perception of new opportunity may cause conflicts in determining the appropriate sourcing method for new opportunity and for the environment (subjectively affordable market). When they do not obtain new opportunity or newly perceived opportunities are contributive, insourcing is the optimal choice since insourcing is suitable for the requirement of low flexibility and contributive opportunity.

Proposition 2-1. Given subjectively low or moderate uncertain market, insourcing is preferred when entrepreneurial managers do not perceive opportunity or only perceive contributive opportunities, insourcing is preferred.

But, if they have an innovative opportunity, a conflict exists; while the demand for low flexibility is suitable for insourcing, outsourcing is appropriate for innovative opportunities. In this case, the characteristics of target resources (whether resources are subjectively and/or objectively heterogeneous or not) are more important determinants of which sourcing method to choose.

Proposition 2-2. When entrepreneurial managers perceive that market uncertainty is affordable and they obtain an innovative opportunity, they cannot conclusively decide a proper sourcing method without taking the characteristics of target resource under consideration when the new opportunity is innovative.

Entrepreneurship plays important roles in the perception of uncertainty and new opportunity, and determines the preferable environment for insourcing or outsourcing. Entrepreneurship is also important in making sourcing decisions, because entrepreneurial managers determine the resources to be insourced.

---

## ENTREPRENEURSHIP AND RESOURCES

Resource based view (RBV) insists that the ownership of resources that satisfy certain conditions (valuable, rare, and hard to imitate) provides sustained competitive advantages to a firm (Barney, 1991; Barney & Clark, 2007; Peteraf, 1993; Wernerfelt, 1984). These conditions are applicable to define the target resources being insourced, and there are various sourcing research based on RBV (Leiblein, 2003; Leiblein & Miller, 2003; Steensma & Corley, 2001). However, the roles of entrepreneurship are overlooked in the research.

### **Entrepreneurship And The Characterization Of Resources**

The firm that owns valuable, rare and hard to imitate resources has the sustainable competitive advantage. Therefore, the criteria for insourcing are based on whether resources satisfy these conditions. But how are entrepreneurial managers able to find resources that satisfy these conditions, or how do they make resources satisfy these conditions? The answer is because they are eager to make abnormal market return (Klein, Barney, & Foss, 2012). This eagerness allows them to create or discover combinations of resources, specifically, characteristics of resources. Combinations that produce an abnormal profit satisfy the conditions. The combinations are not just combinations of objective characteristics. They are combinations of both objective and subjective characteristics of resources.

Objective characteristics are endowed by nature, even though the combination is determined by entrepreneurial managers. Objective characteristics of resources are important to determine whether a resource is rare and hard to imitate. Objective characteristics are related to what resources are used in a production process. When a resource is rare and hard to imitate, there is no substitutable resources. That is to say, if there are substitutable resources for the original resource that is used in a production process, the original resource is not rare and hard to imitate. Therefore, whether there are substitute resources or not is determined by naturally endowed objective characteristics. However, whether a resource is valuable or not is related to how a resource is used in production. Entrepreneurial managers' perspectives enable them to find unique ways to create value. Therefore, entrepreneurship is required to define the characteristics of resources.

In addition to objective characteristics, resources have subjective characteristics. While objective characteristics determine the rarity and in-imitability of a resource, subjective characteristics determine the value of a resource. The subjective characteristics of a resource are determined by how resources are used in the production process. Subjective characteristics are not endowed by nature. They are endowed by entrepreneurial managers. Entrepreneurial managers determine how to use resources, which are the subjective characteristics of resources. Entrepreneurial managers perceive profit opportunities from price discrepancies between the value of present resources and future outputs, and they configure new resource combinations to create value (Knight, 1921; Mises, 1949; Rothbard, 2009). New combinations of resources, which are entrepreneurial opportunities (Kirzner, 1997; Sarasvathy, Dew, Velamuri, & Venkataraman, 2003; Schumpeter, 1934; Shane & Venkataraman, 2000), are a combination of heterogeneous resource characteristics that are based on heterogeneous expectations of the future market. Each entrepreneurial manager has a different expectation of the future market due to information asymmetry, heterogeneous experiences, and heterogeneous cognitive abilities. Therefore, the expectations of individual entrepreneurial managers of the future market are based

on subjective perspectives. That is to say, each entrepreneurial manager discovers different ways to use the same resource depending on their subjective perspective of the future market (Zander, 2007). Their subjective perspective of the future market results in a subjective valuation of resources, and enables entrepreneurial managers to discover subjective ways of using resources. For example, entrepreneurial managers make transactions on specific investments because they discover new subjective ways to utilize resources. An entrepreneurial manager makes transaction specific investments with the belief that his/her expectation of the future market is accurate. Entrepreneurial speculation of the future market reveals the true value of resources and creates new valuable resource combinations. The new combination is a relation specific investment. That is, entrepreneurial managers expect that the value of future products or services from transaction specific investments is greater than those from non-specific investments. Therefore, entrepreneurial managers' subjective perspectives of the future market enable them to make transaction specific investment decisions. In sum, the subjective characteristics of resources create value in the production process (Barzel, 1997; Kirzner, 1966), since the unique way of using resources provides competitiveness to the firm.

Based on objective and subjective characteristics, resources are categorized into four groups: 1) perfectly heterogeneous resources (subjectively heterogeneous and objectively heterogeneous), 2) valuable semi-heterogeneous resources (subjectively heterogeneous and objectively homogeneous), 3) invaluable semi-heterogeneous resources (subjectively homogeneous and objectively heterogeneous), and 4) perfectly homogeneous resources (subjectively homogeneous and objectively homogeneous).

		Table 1 Characterization of resources based on entrepreneurship perspective	
		Objective Characteristics	
		Heterogeneous ←	→ Homogeneous
Subjective Characteristics	Homo	Invaluable Semi-Heterogeneous	Perfect Homogeneous
	Hetero	Perfect Heterogeneous	Valuable Semi-Heterogeneous

From the perspective of entrepreneurial managers, the four resource categorizations provide a clue for choosing appropriate sourcing methods. Foss and Klein (2011) insist that subjectively perceived resource attributes, some of which are discovered or created through time, imply that resources tend to be owned by those who can best exercise “original judgment”, which is “the entrepreneurial formation and execution of a business idea”. However, this argument is only partially true, since in a competitive market, entrepreneurial managers must not only format and execute the original judgment, but must also protect the original judgment. Therefore, a more delicate approach is required since different resource characteristics contribute to sourcing decisions in different ways.

---

## Sourcing And Resource Characteristics

Resource characteristics determine the proper sourcing method. As Grant (1991) insists, a firm identifies required resources while it formulates a strategy. Based on his five-stage procedure of strategy formulation, managers identify their own resources and capabilities, appraise expected rents from various strategies, choose the best strategy, and identify required but not-yet-owned resources for the strategy. That is to say, entrepreneurial managers evaluate various resources through their entrepreneurial cognitive process, and conceive new combinations of resources for new competitive strategies. In addition, since they tend to generate and enjoy abnormal market returns, they try to make competitive advantages sustainable. Therefore, when entrepreneurs decide on a proper sourcing method, they must take into consideration whether the required resources contribute not only to the competitiveness of the firm, but also to the sustainability of that competitiveness.

The different dimensions of resource characteristics determine the level and sustainability of competitiveness. Competitiveness originates from the subjective characteristics of a resource. The subjective perspective of entrepreneurial managers creates a unique combination of resources. Execution of this strategy generates monopoly rent, since it is hard for competitors to understand subjective entrepreneurial judgment, which is the result of entrepreneurial managers' heterogeneous cognitive processes (Zander, 2007). Therefore, this strategy, which an entrepreneurial manager creates, is competitive. In the meantime, sustainable competition is obtained from the objective characteristics of resources. The competitive advantages are sustainable when incumbents or potential competitors cannot duplicate the competitive strategy. In general, the competitive strategy is hard to duplicate in the short term due to the subjective entrepreneurial judgment regarding the combination of resources, which hinders other market participants from understanding the competitive strategy (Aldrich & Fiol, 1994; Foss, Foss, Klein, & Klein, 2007; Foss & Klein, 2002, 2005; Jacobides & Winter, 2007; Klein, 2008; Lounsbury & Glynn, 2001). However, the monopoly rent is temporary. The cognitive capability of individuals develops through the learning process. Therefore, after the strategy is executed and generates abnormal market rents, competitors are able to mimic the strategy and dissipate competitiveness. The subjective characteristics of resources alone are not enough to sustain a competitive advantage, since they cannot prevent duplication of the strategy. However, objective characteristics of resources provide sustainability of competitiveness. Sustainability is accomplished by preventing competitors from utilizing resources. Even though entrepreneurs conceive highly unique ways to use resources, competitors are likely to mimic competitive strategies if they can acquire or substitute resources. Therefore, the proper sourcing methods to sustain competitive advantage have to prevent competitors from acquiring the valuable resources.

The ideal condition for a sustainable competitive advantage occurs if a firm owns valuable resources that cannot be substituted. This prohibits competitors from duplicating the competitive strategy. Therefore, the competitive advantage is sustainable. While invaluable semi-heterogeneous and perfectly homogeneous resources do not create value or a competitive advantage, perfectly heterogeneous resources satisfy the ideal conditions. Since entrepreneurial managers conceive subjectively heterogeneous ways to utilize rare resources, the ownership of these resources provides the firm with a sustainable competitive advantages by building a resource barrier (Wernerfelt, 1984).

Proposition 3-1. If entrepreneurial managers find subjectively and objectively heterogeneous characteristics of resources, the resource must be insourced to sustain the competitive advantage.

However, valuable semi-heterogeneous resources, which are subjectively heterogeneous but objectively homogeneous, cannot be the source of a sustainable competitive advantage. If the valuable resources are imitable or substitutable, the ownership of valuable resources does not provide sustainability. Even though entrepreneurial managers discover new subjective characteristics and create values, competitors can duplicate entrepreneurial judgments by using substitute resources and the competitive advantages from the valuable semi-heterogeneous resources are not sustainable. Therefore, the ownership of valuable semi-heterogeneous resources does not protect the competitive advantage of the firm and requires other methods such as patenting or copyrighting firm's products or services.

Proposition 3-2. If entrepreneurial managers perceive only subjective characteristics from objectively homogeneous target resources, then methods other than insourcing (i.e. patenting or copyrighting) are required for a sustained competitive advantage.

In conclusion, not only objective characteristics but also subjective characteristics of resources determine sourcing decisions. Resource based view (RBV) does not effectively explain why entrepreneurial managers are important in sourcing decisions, since it does not specify the origin of resource characteristics, and therefore, ownership of valuable, rare, and hard-to substitute resources is the only way to explain insourcing. However, subjective valuation of resources explains the role of entrepreneurial managers in sourcing decisions, since entrepreneurial managers determine the valuable of resources. Based on this approach, insourcing is the optimal sourcing method for a sustainable competitive advantage when the resource is perfectly heterogeneous. That is, when entrepreneurial managers discover or create subjective ways to use resources and when these resources are objectively rare and hard to imitate, ownership of these resources (insourcing) enables firms to sustain a competitive advantage. However, if the required valuable resource is semi-heterogeneous, entrepreneurial managers discover or create subjective ways to use resources that are not rare or are substitutable. In which case, insourcing cannot protect the competitive advantage of a firm without introducing supplemental methods.

## CONCLUSION

In sourcing decisions, entrepreneurial managers have to consider two factors: whether the market environment is favorable, and which resources have to be insourced. Entrepreneurship is the key for analyzing these factors. Entrepreneurship defines the environmental conditions for sourcing in a firm in two ways. First, the entrepreneurial perspective specifies uncertainty. Both the required flexibility and the risk of opportunistic behavior are important determinants of sourcing decisions in real option theory (RO) and transaction costs economics (TCE) respectively, and are proportionate to uncertainty. However, uncertainty is perceived subjectively. Asymmetric information, different experiences, and heterogeneous cognitive capabilities of individual entrepreneurs result in subjective perspectives of the future market. Individuals perceive market uncertainty subjectively due to their subjective perspectives. Therefore, different individuals require different degrees of flexibility. While outsourcing may be preferred when perceived uncertainty is high, insourcing is appropriate when subjectively

---

perceived market uncertainty is low or moderate. However, when a firm is in a transaction specific relationship, the risk of opportunistic behavior increases as subjective uncertainty increases. Therefore, the required degrees of flexibility are low and insourcing is favorable.

Second, entrepreneurial managers are able to determine resources to be insourced. The entrepreneurial perspective defines the characteristics of newly conceived entrepreneurial opportunities. The relationship between new opportunities and the current business should be considered in sourcing decisions. If a new opportunity is related to current business and improves products or services, there are more chances to insource resources. However, if a new opportunity is innovative, outsourcing is preferred. The perception of uncertainty is related to the perception of new opportunity. The relatedness between a new opportunity and current business is determined by knowledge. Since knowledge is the source of new opportunity, the characteristics of knowledge determine the characteristics of opportunity.

High subjective market uncertainty makes outsourcing preferred when a firm is not in a transaction specific relationship. But insourcing is appropriate when the firm is in a transaction specific relationship. When subjective market uncertainty is low or moderate, the perception of new opportunity and the characteristics of the opportunity are additional determinants in sourcing decisions. If the firm is in a contractual relationship, the preferred sourcing method is insourcing when entrepreneurial managers do not conceive any opportunity or they only conceive contributive opportunity, but the method is not decisive when the managers have innovative opportunities in mind. If the firm is in transaction specific relationship, outsourcing is the proper method for innovative opportunities. But, the proper sourcing method is not decisive when concerning contributive opportunities. When the appropriate sourcing method is not conclusive, the characteristics of target resources become more important in sourcing decisions.

While entrepreneurship defines the preferable environmental conditions for insourcing or outsourcing, it also plays an important role in defining the resources to be insourced. The characteristics of resources decide the target resource, and entrepreneurial managers delineate one characteristic of resources. Firms have a sustained competitive advantage when they utilize valuable, rare, and hard to imitate resources. Objective characteristics of resources are related to whether a resource is rare and hard to imitate, but the subjective characteristics of a resource, which entrepreneurial managers conceptualize, define the value of a resource. The subjective perspective enables entrepreneurial managers to create value by perceiving unique ways to utilize resources. Therefore, entrepreneurial managers determine the target resources to fulfill the conditions for a sustainable competitive advantage, and the conditions are satisfied by combining subjective and objective characteristics of resources. Among the various types of resources, subjective and objective heterogeneous resources are the proper target resources for insourcing.

## ENDNOTES

- 1 The various inevitable costs are sunk costs from irretrievable investment (McDonald & Siegel, 1986), costs from the consumption of obsolete inputs from in-house supplies (Harrigan, 1985a) or from the change of in-house suppliers (Porter, 1980), and costs from decreased flexibility of a firm facing the market uncertainty (Burns & Stalker, 1968; Harrigan, 1985a, b; Leifer & Huber, 1977; Porter, 1980)
- 2 While Barney (1991) distinguishes inimitability of resources and in-substitutability of resources, I treat the inimitability as a sub-concept of the in-substitutability. Resources are only imitable when they are perfectly homogeneous in time, space and quality, otherwise they are substitutable. That is, if any two resources have the same quality and are available at the same time and space, the competitive strategy that utilizes the resources are imitable. However, if there is any difference in time, space, or quality, then the resources or

the strategies are substitutable rather than imitable. Therefore, substitutability is a broader concept than imitability, and imitability is very special case of substitutability.

- 3 Entrepreneurial managers are different from mundane managers. While mundane managers make decisions about repeating everyday business based on historical data, entrepreneurial managers perceive and exploit new opportunities, and rely not only on historical data, but also subjective expectations of the future market.
- 4 Bewley (1989, 2002) provides other possible explanations of subjective uncertainty. He insists that entrepreneurs make decisions without precise, or even multiple, possible outcomes of alternatives. Along with information asymmetry, his argument may also insist subjective uncertainty.

## REFERENCES

- Aldrich, Howard E., & Fiol, C. Marlene. (1994). Fools Rush in? The Institutional Context of Industry Creation. *The Academy of Management Review*, 19(4), 645-670.
- Barney, Jay. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120.
- Barney, Jay B., & Arian, AM. (2001). The Resource-based View: Origins and Implications. In Michael A. Hit, R. Edward Freeman & Jeffrey S. Harrison (Eds.), *The Blackwell Handbook of Strategic Management*.
- Barney, Jay B., & Clark, Delwyn N. (2007). *Resource-based theory : creating and sustaining competitive advantage*. Oxford; New York: Oxford University Press.
- Barney, Jay, Wright, Mike, & Ketchen, David J., Jr. (2001). The resource-based view of the firm: Ten years after 1991. *Journal of Management*, 27(6), 625-641.
- Baron, Robert A. (1998). Cognitive mechanisms in entrepreneurship: Why and when entrepreneurs think differently than other people. *Journal of Business Venturing*, 13(4), 275-294.
- Baron, Robert A. (2004). The cognitive perspective: a valuable tool for answering entrepreneurship's basic "why" questions. *Journal of Business Venturing*, 19(2), 221-239.
- Baron, Robert A. (2006). Opportunity Recognition as Pattern Recognition: How Entrepreneurs "Connect the Dots" to Identify New Business Opportunities. *Academy of Management Perspectives*, 20(1), 104-119.
- Barzel, Yoram. (1997). *Economic Analysis of Property Rights*: Cambridge University Press.
- Bewley, Truman F. (1989). Market Innovation and Entrepreneurship: A Knightian View: Cowles Foundation for Research in Economics, Yale University.
- Bewley, Truman F. (2002). Knightian decision theory. Part I. *Decisions in Economics and Finance*, 25(2), 79-110.
- Buehler, Roger, Griffin, Dale, & Ross, Michael. (1994). Exploring the "planning fallacy": Why people underestimate their task completion times. *Journal of Personality and Social Psychology*, 67(3), 366-381.
- Burns, Tom, & Stalker, G. M. (1968). *The management of innovation* ([2d ed.]). [London]: Tavistock Publications.
- Busenitz, L. W., & Barney, J. B. (1997). Differences between entrepreneurs and managers in large organizations: biases and heuristics in strategic decision-making. *Journal of Business Venturing*, 12(1), 9-30.
- Cantillon, Richard. (2001). *Essay on the Nature of Commerce in General* Transaction Publishers.
- Casson, M. (1982). *The entrepreneur: An economic theory*. Totowa, N.J.: Barnes & Noble Books.
- Chi, Michelene T., & Koeske, Randi D. (1983). Network representation of a child's dinosaur knowledge. *Developmental Psychology*, 19(1), 29-39.
- Conrath, David W. (1967). Organizational Decision Making Behavior Under Varying Conditions of Uncertainty. *Management Science*, 13(8), B487-B500.
- Corbett, Andrew C. (2002). Recognizing high-tech opportunities: A learning and cognitive approach. *Frontiers of Entrepreneurship Research*, 12.
- Duncan, Robert B. (1972). Characteristics of Organizational Environments and Perceived Environmental Uncertainty. *Administrative Science Quarterly*, 17(3), 313-327.
- Espino-Rodríguez, Tomás F., & Padrón-Robaina, Víctor. (2006). A review of outsourcing from the resource-based view of the firm. *International Journal of Management Reviews*, 8(1), 49-70.
- Fiske, Susan T., & Dyer, Linda M. (1985). Structure and development of social schemata: Evidence from positive and negative transfer effects. *Journal of Personality and Social Psychology*, 48(4), 839-852.
- Folta, Timothy B. (1998). Governance and uncertainty: the trade-off between administrative control and commitment. *Strategic Management Journal*, 19(11), 1007-1028.

- Foss, Kirsten, Foss, Nicolai J., Klein, Peter G., & Klein, Sandra K. (2007). The Entrepreneurial Organization of Heterogeneous Capital\*. *Journal of Management Studies*, 44(7), 1165-1186.
- Foss, Nicolai J., & Klein, Peter G. (2002). Entrepreneurship and the firm: Austrian perspectives on economic organization: Edward Elgar.
- Foss, Nicolai J., & Klein, Peter G. (2005). Entrepreneurship and the Economic Theory of the Firm: Any gains from Trade? In Sharon A. Alvarez Rajshree Agarwal, Olav Sorenson (Ed.), *Handbook of Entrepreneurship: Disciplinary Perspectives*.
- Foss, Nicolai, & Klein, Peter G. (2011). *Organizing Entrepreneurial Judgment*.
- Frederick, David M. (1991). Auditors' Representation and Retrieval of Internal Control Knowledge. *The Accounting Review*, 66(2), 240-258.
- Galbraith, Jay R. (1973). *Designing complex organizations*. Reading, Mass.: Addison-Wesley Pub. Co.
- Gobbo, Camilla, & Chi, Michelene. (1986). How knowledge is structured and used by expert and novice children. *Cognitive Development*, 1(3), 221-237.
- Grant, Robert M. (1991). The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation. *California Management Review*, 33(3), 114-135.
- Harrigan, Kathryn Rudie. (1985a). Exit Barriers and Vertical Integration. *Academy of Management Journal*, 28(3), 686-697.
- Harrigan, Kathryn Rudie. (1985b). Vertical Integration and Corporate Strategy. *Academy of Management Journal*, 28(2), 397-425.
- Hayek, F. A. (1945). The Use of Knowledge in Society. *The American Economic Review*, 35(4), 519-530.
- Hébert, Robert F. , & Link, Albert N. . (1989). In search of the meaning of entrepreneurship. *Small Business Economics*, 1(1).
- Helfat, Constance E., Finkelstein., Sydney, Mitchell., Will, Peteraf., Margaret, Singh., Harbir, Teece., David, & Winter., Sidney G. (2007). *Dynamic Capabilities Understanding Strategic Change in Organizations*. Oxford: Blackwell Pub.
- Hogarth, R. M. (1987). *Judgement and choice: The psychology of decision* . John Wiley & Sons.
- Jacobides, Michael G., & Winter, Sidney G. (2007). Entrepreneurship and Firm Boundaries: The Theory of A Firm. *Journal of Management Studies*, 44(7), 1213-1241.
- Kahneman, D., & Tversky, A. (1977). *Intuitive prediction: Biases and corrective procedures*. DECISIONS AND DESIGNS INC MCLEAN VA.
- Kahneman, Daniel, & Lovallo, Dan. (1993). Timid Choices and Bold Forecasts: A Cognitive Perspective on Risk Taking. *Management Science*, 39(1), 17-31.
- Keh, Hean Tat, Foo, Maw Der, & Lim, Boon Chong. (2002). Opportunity Evaluation under Risky Conditions: The Cognitive Processes of Entrepreneurs. *Entrepreneurship Theory and Practice*, 27(2), 125-148.
- Kirzner, Israel M. (1966). *An essay on capital*: AM Kelley.
- Kirzner, Israel M. (1973). *Competition and Entrepreneurship*: University Of Chicago Pres.
- Kirzner, Israel M. (1997). Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach. *Journal of Economic Literature*, 35(1), 60-85.
- Klein, P. G., Barney, J. B., & Foss, N. J. (2012). Strategic entrepreneurship. *Encyclopedia of management theory*.
- Klein, Peter. G. (2008). Opportunity discovery, entrepreneurial action, and economic organization. *Strategic Entrepreneurship Journal*, 2(3), 175-190.
- Klimoski, Richard, & Mohammed, Susan. (1994). Team mental model: construct or metaphor? *Journal of Management*, 20(2), 403-437.
- Knight, Frank H. (1921). *Risk, uncertainty and profit*. New York: Houghton Mifflin.
- Kogut, Bruce. (1991). Joint Ventures and the Option to Expand and Acquire. *Management Science*, 37(1), 19-33.
- Kolb, David A. (1984). *Experiential learning : experience as the source of learning and development*. Englewood Cliffs, N.J.: Prentice-Hall.
- Leiblein, Michael J. (2003). The Choice of Organizational Governance Form and Performance: Predictions from Transaction Cost, Resource-based, and Real Options Theories. *Journal of Management*, 29(6), 937-961.
- Leiblein, Michael J., & Miller, Douglas J. (2003). An Empirical Examination of Transaction- and Firm-Level Influences on the Vertical Boundaries of the Firm. *Strategic Management Journal*, 24(9), 839-859.
- Leifer, Richard, & Huber, George P. (1977). Relations Among Perceived Environmental Uncertainty, Organization Structure, and Boundary-Spanning Behavior. *Administrative Science Quarterly*, 22(2), 235-247.
- Lipshitz, Raanan, & Strauss, Orna. (1997). Coping with Uncertainty: A Naturalistic Decision-Making Analysis. *Organizational Behavior and Human Decision Processes*, 69(2), 149-163.

- Lounsbury, Michael, & Glynn, Mary Ann. (2001). Cultural entrepreneurship: stories, legitimacy, and the acquisition of resources. *Strategic Management Journal*, 22(6-7), 545-564.
- Lumpkin, G. T., Hills, Gerald E., & Shrader, Rodney C. (2004). Opportunity Recognition. In Harold P. Welsch (Ed.), *Entrepreneurship : the way ahead*. New York: Routledge.
- McDonald, Robert, & Siegel, Daniel. (1986). The Value of Waiting to Invest. *The Quarterly Journal of Economics*, 101(4), 707-727.
- McGrath, Rita Gunther. (1997). A REAL OPTIONS LOGIC FOR INITIATING TECHNOLOGY POSITIONING INVESTMENTS. *Academy of Management Review*, 22(4), 974-996.
- McMullen, Jeffery S., & Shepherd, Dean A. (2006). Entrepreneurial action and the role of uncertainty in the theory of the entrepreneur. *Academy of Management Review*, 31(1), 132-152.
- Menger, Carl. (1950). *Principles of economics. First, general part*. Glencoe, Ill.: Free Press.
- Mises, Ludwig Von. (1949). *Human Action*. New Haven: Yale University Press.
- Mitchell, Will, & Singh, Kulwant. (1992). Incumbents' use of pre-entry alliances before expansion into new technical subfields of an industry. *Journal of Economic Behavior & Organization*, 18(3), 347-372.
- Palich, Leslie E., & Ray Bagby, D. (1995). Using cognitive theory to explain entrepreneurial risk-taking: Challenging conventional wisdom. *Journal of Business Venturing*, 10(6), 425-438.
- Peteraf, Margaret A. (1993). The Cornerstones of Competitive Advantage: A Resource-Based View. *Strategic Management Journal*, 14(3), 179-191.
- Peteraf, Margaret A., & Barney, Jay B. (2003). Unraveling the resource-based tangle. *Managerial and Decision Economics*, 24(4), 309-323.
- Porter, Michael E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*: Free Press.
- Quinn, J. B., & Hilmer, F. G. (1994). Strategic Outsourcing. *Sloan Management Review*.
- Quinn, James Brian. (1999). Strategic Outsourcing: Leveraging Knowledge Capabilities. *Sloan management review*, 40(4).
- Rothbard, Murray N. (2009). *Man, Economy, and state with Power and Market* (Second ed.). Auburn: Ludwig von Mises Institute.
- Rouse, William B., & Morris, Nancy M. (1986). On looking into the black box: Prospects and limits in the search for mental models. *Psychological Bulletin*, 100(3), 349-363.
- Sarasvathy, Saras D., Dew, Nicholas, Velamuri, S. Ramakrishna, & Venkataraman, Sankaran. (2003). Three Views of Entrepreneurial Opportunity. In Acs Zoltan J & Audretsch David B (Eds.), *Handbook of Entrepreneurship Research* (Vol. 1): Springer.
- Schumpeter, Joseph. (1934). *The Theory of Economic Development*. Cambridge: Harvard University.
- Shane, Scott. (2000). Prior Knowledge and the Discovery of Entrepreneurial Opportunities. *Organization Science*, 11(4), 448-469.
- Shane, Scott, & Venkataraman, S. (2000). The Promise of Entrepreneurship as a Field of Research. *The Academy of Management Review*, 25(1), 217-226.
- Simon, Herbert A. (1976). *Administrative behavior : a study of decision-making processes in administrative organization*. New York: Free Press.
- Simon, Mark, Houghton, Susan M., & Aquino, Karl. (2000). Cognitive biases, risk perception, and venture formation: How individuals decide to start companies. *Journal of Business Venturing*, 15(2), 113-134.
- Smithson, Michael. (1989). *Ignorance and uncertainty : emerging paradigms*. New York: Springer-Verlag.
- Steensma, H. Kevin, & Corley, Kevin G. (2001). Organizational Context as a Moderator of Theories on Firm Boundaries for Technology Sourcing. *The Academy of Management Journal*, 44(2), 271-291.
- Tirole, Jean. (2009). Cognition and Incomplete Contracts. *The American Economic Review*, 99(1), 265-294.
- Tversky, Amos, & Kahneman, Daniel. (1974). Judgment under Uncertainty: Heuristics and Biases. *Science*, 185(4157), 1124-1131.
- Verwaal, Ernst, Commandeur, Harry, & Verbeke, Willem. (2009). Value Creation and Value Claiming in Strategic Outsourcing Decisions: A Resource Contingency Perspective. *Journal of Management*, 35(2), 420-444.
- Wernerfelt, Birger. (1984). A Resource-Based View of the Firm. *Strategic Management Journal*, 5(2), 171-180.
- Williamson, Oliver E. (1985). *The economic institutions of capitalism : firms, markets, relational contracting*: Free Press.
- Williamson, Oliver E. (2008). Outsourcing: Transaction Cost Economics and Supply Chain Management. *The Journal of Supply Chain Management*, 44(2), 5-16.
- Witt, Ulrich. (1999). Do Entrepreneurs Need Firms? A Contribution to a Missing Chapter in Austrian Economics. *The Review of Austrian Economics*, 11(1), 99-109. doi: 10.1023/a:1007780124524

- Witt, Ulrich. (2000). Changing cognitive frames - changing organizational forms: an entrepreneurial theory of organizational development. *Industrial and Corporate Change*, 9(4), 733-755.
- Wofford, J. C. (1994). An Examination of the Cognitive Processes Used to Handle Employee Job Problems. *The Academy of Management Journal*, 37(1), 180-192.
- Zacharakis, Andrew L., & Shepherd, Dean A. (2001). The nature of information and overconfidence on venture capitalists' decision making. *Journal of Business Venturing*, 16(4), 311-332.
- Zander, Ivo. (2007). Do You See What I Mean? An Entrepreneurship Perspective on the Nature and Boundaries of the Firm. *Journal of Management Studies*, 44(7), 1141-1164.



# **WOMEN VERSUS MEN IN ENTREPRENEURSHIP: A COMPARISON OF THE SEXES ON CREATIVITY, POLITICAL SKILL, AND ENTREPRENEURIAL INTENTIONS**

**Simone T. A. Phipps, Middle Georgia State College  
Leon C. Prieto, Clayton State University**

## **ABSTRACT**

*Entrepreneurship is considered to be an essential driver of the economy and society, and thus, entrepreneurial intentions, an important precursor of entrepreneurial behavior, should be supported and developed. To effectively nurture these intentions, one must understand the gender differences that can influence them. Research has found that men are the dominant gender in entrepreneurship, and therefore, this study examines entrepreneurial intentions to determine if men also have higher intentions than women. Research has also found that creativity and political skill are correlated with entrepreneurial intentions. Hence, this study also determines gender differences in these constructs. Results revealed that men did have significantly higher entrepreneurial intentions and creativity perceptions than women, but that women had higher political skill perceptions than their male counterparts. Implications of these results are discussed, and direction for future inquiry as well as a detailed future research model are provided.*

*Keywords: Entrepreneurial Intentions, Creativity, Political skill, Gender*

## **INTRODUCTION**

Entrepreneurship is fundamental to economic growth and social development. On the economic side, small businesses aid in the creation of jobs. New business formation in a region positively impacts employment growth in that region as well as overall regional competitiveness (Baptista, Escária, & Madruga, 2008). Entrepreneurship also facilitates knowledge spillovers. By taking ideas that otherwise, may not have been commercialized, and introducing them to market through the creation of a new firm, entrepreneurship is shown to positively influence growth (Acs, Audretsch, Braunerhjelm, & Carlsson, 2012). On the social side, economic welfare is linked to social development. According to the Organization for Economic Co-operation and Development (OECD) (2008), in addition to economic growth, economic well-being also covers themes of standard of living, work, infrastructure and innovation. Also, entrepreneurship is the mechanism by which society more fully appropriates its investments in the creation of new knowledge, such as research and education (Audretsch, Keilbach, & Lehmann, 2006). Therefore, in the interest of both economic and social benefits, it is important to foster entrepreneurship.

One route toward encouraging an increase in entrepreneurial activity is getting women more involved as there is a gender gap in entrepreneurship. Statistics do show that women are less likely than men to engage in entrepreneurial activity. The Center for Women's Business Research (2009) reports that only 28.2% of all businesses in the United States are owned by

women, and Reynolds and White (1997) found that women were 60% less likely than men to be nascent entrepreneurs.

A key measure that would prove useful in understanding entrepreneurship, strategizing to increase entrepreneurial activity, and addressing the gender gap in entrepreneurship, is entrepreneurial intentions as these intentions precede entrepreneurial behavior. Entrepreneurs' intentions guide their goal setting, communication, commitment, organization, and other kinds of *work* (Bird, 1988). Their states of mind direct attention, experience and *action* toward a business concept (Bird, 1988). As such, entrepreneurial intentions help to fuel the individual's direction, intensity, and persistence as he/she embarks on the journey toward being an actual entrepreneur and exhibiting such behavior. Determining gender differences in entrepreneurial intentions and the contexts of these differences, and addressing them, may lead to increased entrepreneurial intentions, and as a result, increased entrepreneurial behavior.

Determining the reasons behind gender differences in entrepreneurial intentions is also crucial. Creativity and political skill have both been found to be significantly, positively correlated with entrepreneurial intentions (Phipps, 2012). Therefore, emphasis on increasing individuals' creativity and political skill may result in higher levels of self-efficacy, and positively affect both entrepreneurial intentions and entrepreneurial behavior. Considering all these aspects, the purpose of this research endeavor is to determine gender differences in entrepreneurial intentions, creativity, and political skill, as further insight into these differences will better allow academics and practitioners alike to target underlying factors that affect entrepreneurial behavior. If means are found to increase creativity, political skill, and entrepreneurial intentions among both men and women, a more holistic boost in entrepreneurship may be expected, while also addressing the gender disparity.

## THEORETICAL FOUNDATION

The theory of planned behavior (TPB) explains how intentions predict behavior, and how these intentions are preceded by attitudes, subjective norms, and perceived behavioral control (Ajzen, 1991). Therefore, in the case of entrepreneurship, an individual's entrepreneurial intentions would foreshadow his/her entrepreneurial behavior, and these intentions would be preceded by the individual's attitude towards entrepreneurship, his/her perceived social pressure to be an entrepreneur, and his/her perceived difficulty of being an entrepreneur. Both creativity and political skill are embraced by perceived behavioral control, as people may view entrepreneurial behavior as easier if they are creative and/or politically skilled, and thus, they may have greater entrepreneurial intentions.

According to the Knowledge Spillover Theory of Entrepreneurship, entrepreneurship facilitates the spread and commercialization of new ideas that may otherwise remain dormant within organizations. These spillovers may not exist without entrepreneurship serving as their conduit (Acs & Szerb, 2007). It is logical that creativity would enable these spillovers not only by playing a role in the development of novelties, but also by embracing inventive ways to share these novelties with the public. Furthermore, political skill would facilitate spillovers through the use of networking ability, interpersonal influence, social astuteness, and apparent sincerity to make strategic connections/ties and enter the market. Consequently, entrepreneurial intentions, followed by entrepreneurial activity, should result from both creativity and political skill.

---

## HYPOTHESES

An individual's rational, analytic, and cause-and-effect oriented processes structure intention (Bird, 1988). As such, the goals one sets are determined by one's own perspectives, perceptions, and reasoning mechanisms. An individual, therefore, would have higher entrepreneurial intentions if he/she determined that his/her personal characteristics, abilities, and history were sufficiently aligned to influence entrepreneurial success.

Men continue to be more active in entrepreneurship than women worldwide (Wilson, Kickul, & Marlino, 2007). Therefore, the history of fewer women may include the presence of female entrepreneurs from whom they can learn and draw inspiration, and who they can emulate. This lack of available mentorship may negatively influence their entrepreneurial self-efficacy, and consequently, their entrepreneurial intentions. It has been speculated that women possess less self-efficacy for male-dominated careers in which they are underrepresented (Betz & Hackett, 1981; Clement, 1987) although generally, males and females have about equal self-efficacy for careers dominated by their gender (Scherer, Brodzinski, & Wiebe, 1990).

*Hypothesis 1: Male undergraduate students will have significantly higher entrepreneurial intentions than female undergraduate students.*

Since creativity is positively correlated with entrepreneurial intentions (Hamidi, Wennberg, & Berglund, 2008; Olawale, 2010; Phipps, 2012), it may be one of those abilities individuals determine to be associated with entrepreneurial success, and it may also influence entrepreneurial self-efficacy. Entrepreneurs must come up with ideas for new goods or services that can be brought to a market, and having identified such, they must figure out how to effectively execute the entrepreneurial process (Hamidi, Wennberg, & Berglund, 2008). Therefore, entrepreneurial behavior involves the detection of opportunities based on unavailable or deficient products or services in the market, the speculation and then discovery of how to make them accessible to customers, and their actual provision to customers via the most effective and efficient means. Consistent with the theory of planned behavior, perceived behavioral control corresponds to perceived feasibility, one of the key factors of self-efficacy (Hamidi, Wennberg, & Berglund, 2008), and self-efficacy is seen as a tool to enhance entrepreneurial intentions (Boyd & Vozikis, 1994; Fayolle, 2005). If individuals perceive that they have the creative *ability* to exhibit the aforementioned entrepreneurial behavior, they are more likely to perceive it as feasible, and thus, they should be more likely to possess entrepreneurial intentions, and as a result, more inclined to actually *pursue* entrepreneurial behavior.

Considering the relationship between creativity and entrepreneurial intentions, and the gender disparity in entrepreneurial behavior, one would not be surprised to find gender differences in creativity levels and/or creativity perceptions. An assessment of undergraduate students resulted in male participants performing generally better than female participants on creativity measures (Stoltzfus et al., 2011). Kaufman (2006) found that creativity perceptions differed according to domains, with women rating themselves higher on social communication (which included emotions and interpersonal interactions) and visual artistic (which included art and craft), and men rating themselves higher on the science-analytic factor (which included general analytic thinking) and the sports factor. While interpersonal skills are needed for entrepreneurial success, one may argue that general analytic thinking is indispensable for the strategic development of plans and the effective and efficient execution of activities that guide an entrepreneurial venture from brilliant conception to rewarding reality.

*Hypothesis 2: Male undergraduate students will have significantly higher creativity perceptions than female undergraduate students.*

As political skill is positively correlated with entrepreneurial intentions (Phipps, 2012), individuals may also determine it to be associated with entrepreneurial success, and it may impact entrepreneurial self-efficacy. Ferris et al. (2003) recognize the value of political skill as an adaptability-enhancing ability that contributes to the behavioral flexibility that is so important in today's dynamic organizational environments. Thus, it can be argued that individuals, being aware of the competitive nature of business and the importance of being able to adapt to situations and to influence others in order to be successful in business, would have a greater tendency to possess entrepreneurial intentions and to engage in entrepreneurial behavior if they were confident that they were politically skilled.

Ahearn et al. (2004) and Ferris et al. (2005) define political skill as the ability to effectively understand others at work, and to use such knowledge to influence others to act in ways that enhance one's personal and/or organizational objectives. Therefore, political skill enables the individual to be cognizant of his/her environment and to act appropriately, while relating well with others. Political skill comprises of four key dimensions, namely social astuteness, interpersonal influence, networking ability, and apparent sincerity (Ferris et al., 2005).

Political skill can potentially reveal important findings concerning gender and entrepreneurship. Like entrepreneurship, politics is dominated by men, and many reasons have been suggested for the tendency of women to be underrepresented in the political arena, including their inclination to lack or underplay certain traits and skills that are favored among men. Lawless and Fox (2005) state that women, in essence, tend not to be socialized to possess the qualities the modern political arena demands, and whereas men are taught to be confident, assertive, and self-promoting, cultural attitudes, expectations of women's roles, and overarching male exclusiveness suggest to women that it is often inappropriate to possess these characteristics.

These aforementioned characteristics (i.e., confidence, assertiveness, and self-promotion) are embraced by the political skill dimensions. Perrewé and Nelson (2004) state that assertiveness and self-promotion are tactics used to control impressions and exercise influence. They explain that assertiveness involves open, honest, direct communication, and that it allows self-confidence and gains respect, increasing chances for honest relationships. They also explain that self-promotion must be done with political savvy, or it may be perceived as bragging, and thus, it is important to "know your audience" in order to promote one-self effectively.

According to Perrewé and Nelson (2004), women's reluctance to use politics stems from lack of competence, lack of confidence, failure to see the relevance of politics, and sometimes, pure distaste. The authors assert that women have a "political skill deficiency." When examining the gender gap in political ambition, Fox and Lawless (2004) found that women are significantly less likely than men to deem themselves qualified to run for office. The authors noted that more than 20% of Americans agreed that men are better suited emotionally for politics than are most women, and that regardless of their actual qualifications and credentials, women have likely been socialized to perceive themselves as less qualified to enter politics. It is the researchers' view that this self-perception of qualification reflects women's perception of their political skill, and that further examination of this skill among women holds promise for better understanding of entrepreneurial intentions and entrepreneurial activity among women.

---

*Hypothesis 3: Male undergraduate students will have significantly higher political skill perceptions than female undergraduate students.*

## METHODOLOGY

A sample of 5,340 full-time, degree-seeking, undergraduate students attending a research extensive university in the southern part of the United States of America was acquired to test the aforementioned hypotheses. 50% of these students were female. A total of 1,057 students completed the web-based survey, resulting in a response rate of 19.8%. Of these students, 61.6% were female. 78.5% of the respondents self-identified as Caucasian and 9.2% self-identified as African American. The remainder reported their ethnicities as Asian, Hispanic, and "Other." 96.6% were traditional students, ranging from 18 to 25 years of age. As regards classification, 26.5% of respondents were juniors, 26.4% were freshmen, 25.9% were seniors, and 21.2% were sophomores.

The ten-item Problem Solving/Creativity Subscale (PSCS) from the Self Description Questionnaire III (SDQ III), which was developed by Marsh and O'Neill (1984) was used to measure creativity. Two of the items were "I can often see better ways of doing routine tasks," and "I am not very original in my ideas, thoughts, and actions." The negatively-worded items, such as the latter, were reverse coded. Participants indicated how true or false each item was as a description of them, and the items were rated on an eight-point scale, ranging from 1 (definitely false) to 8 (definitely true). The coefficient alpha estimate of reliability for this scale was 0.84 (Marsh, 1990). For this study, Cronbach's alpha (also used to estimate the internal consistency of the creativity scale) was 0.813.

The eighteen-item Political Skill Inventory (PSI) developed by Ferris et al. (2005) was used to measure political skill. A sample item of the 6 item networking ability subscale of the PSI was "I am good at building relationships with influential people at work." A sample item of the 3 item apparent sincerity subscale was "I try to show a genuine interest in other people." A sample item of the 5 item social astuteness subscale was "I have good intuition or "savvy" about how to present myself to others." A sample item of the 4 item interpersonal influence subscale was "I am good at getting people to like me." All items were rated on a seven-point scale, ranging from 1 (strongly disagree) to 7 (strongly agree). The internal consistency reliability estimate for the entire 18-item scale was 0.90, while the subscales, networking ability, apparent sincerity, social astuteness, and interpersonal influence, yielded reliability estimates of 0.87, 0.81, 0.79, and 0.78 respectively (Ferris et al., 2005). For this study, the internal consistency reliability estimate for the entire 18-item scale was 0.943, while the subscales, networking ability, apparent sincerity, social astuteness, and interpersonal influence, yielded reliability estimates of 0.898, 0.857, 0.856, and 0.898 respectively.

The six-item Entrepreneurial Intention Questionnaire (EIQ) developed by Liñán and Chen (2009) was used to measure entrepreneurial intentions. One of the items was "I will make every effort to start and run my own firm." All items were rated on a seven-point scale, ranging from 1 (total disagreement) to 7 (total agreement). This scale has been found to have a high reliability coefficient, with a Cronbach's alpha of 0.94 (Liñán & Chen, 2009). For this study, analysis revealed an alpha of 0.956.

To test the study's hypotheses, data was analyzed using the Statistical Packages for Social Sciences (SPSS) software program. To compare the students' creativity, political skill, and entrepreneurial intentions by gender, independent t- tests were used to analyze the data.

## RESULTS

First, an independent samples t-test was conducted to compare the entrepreneurial intentions scores obtained by the male and female undergraduate students. Measures of central tendency were then reviewed. The mean entrepreneurial intentions score for the 379 males who responded to the survey was 3.87 (SD = 1.81), and the mean entrepreneurial intentions score for the 604 females who participated was 3.06 (SD = 1.69). The independent t-test statistic was then used to determine if there was a difference between males and females with regard to entrepreneurial intentions.

To determine the most appropriate t-value to be used in this comparison, the results of the Levene's test for equality of variances were inspected. The Levene's test was significant ( $F = 6.995$ ,  $p = 0.008$ ), so the separate variance estimate for not assuming equal variance was used. According to the findings, the independent t-test was significant ( $t(759.701) = 6.930$ ,  $p < 0.001$ ) at the 0.05 alpha level, revealing that male undergraduate students and female undergraduate students were significantly different with regard to their entrepreneurial intentions, with the male undergraduate students having significantly higher levels of entrepreneurial intentions than the female undergraduate students. Thus, hypothesis one was supported. This difference is illustrated in Table 1.

<b>Table 1</b>				
<b>COMPARISON OF ENTREPRENEURIAL INTENTIONS SCORES BY GENDER</b>				
<b>Gender</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>SE</b>
Male	379	3.87	1.811	0.093
Female	604	3.06	1.685	0.069
Total	983			

Note.  $t(759.701) = 6.930$ ,  $p < 0.001$

Second, an independent samples t-test was conducted to compare the creativity scores obtained by the male and female undergraduate students. Measures of central tendency were then reviewed. The mean creativity score for the 360 males who responded to the survey was 59.83 (SD = 9.384), and the mean creativity score for the 584 females who participated was 57.21 (SD = 9.932). The independent t-test statistic was then used to determine if there was a difference between males and females with regard to creativity.

To determine the most appropriate t-value to be used in this comparison, the results of the Levene's test for equality of variances were inspected. The Levene's test was not significant ( $F = 1.561$ ,  $p = 0.212$ ), so the pooled variance estimate for the assumption of equal variance was used. According to the findings, the independent t-test was significant ( $t(942) = 4.014$ ,  $p < 0.001$ ) at the 0.05 alpha level, revealing that male undergraduate students had significantly higher creativity perceptions than female undergraduate students. Thus, hypothesis two was supported. Table 2 illustrates this difference.

<b>COMPARISON OF CREATIVITY SCORES BY GENDER</b>				
<b>Gender</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>SE</b>
Male	360	59.83	9.384	0.495
Female	584	57.21	9.932	0.411
Total	944			

Note.  $t(942) = 4.014, p < 0.001$

Third, an independent samples t-test was conducted to compare the political skill scores obtained by the male and female undergraduate students. Again, measures of central tendency were reviewed. The mean political skill score for the 363 males who responded to the survey was 5.39 (SD = 0.96), and the mean political skill score for the 578 females who participated was 5.57 (SD = 0.89). The independent t-test statistic was then used to determine if there was a difference between males and females with regard to political skill.

To determine the most appropriate t-value to be used in this comparison, the results of the Levene's test for equality of variances were inspected. The Levene's test was not significant ( $F = 1.605, p = 0.206$ ), so the pooled variance estimate for the assumption of equal variance was used. According to the findings, the independent t-test was significant ( $t(939) = 2.964, p = 0.003$ ) at the 0.05 alpha level, revealing that female undergraduate students had significantly higher political skill perceptions than male undergraduate students. Thus, hypothesis three was not supported. Table 3 illustrates this difference.

<b>COMPARISON OF POLITICAL SKILL SCORES BY GENDER</b>				
<b>Gender</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>SE</b>
Male	363	5.39	0.958	0.050
Female	578	5.57	0.893	0.037
Total	941			

Note.  $t(939) = 2.964, p = 0.003$

## **CONCLUSIONS, IMPLICATIONS AND FUTURE INQUIRY**

First, male undergraduate students and female undergraduate students were significantly different with regard to their entrepreneurial intentions, with the male students having greater/higher intentions than the female students to be entrepreneurs in the future. These results are consistent with other studies in which women reported lower entrepreneurial career intentions (Wilson, Kickul, & Marlino, 2007; Zhao, Seibert, & Hills, 2005), and since intentions are the precursors to actual behavior, the results suggest compatibility with the ongoing tendency of fewer women than men pursuing entrepreneurial endeavors and engaging in entrepreneurial behavior.

If this trend is not addressed, women will continue to lag behind the men from generation to generation as regards entrepreneurship. Universities and other institutions need to be active advocates of entrepreneurship in general, and they also need to specifically target their female students, and to groom them for participation in entrepreneurial pursuits. Business/entrepreneurship incubators can be introduced on campuses, where women can have access to resources to develop entrepreneurial ventures, or simply gain the knowledge, skills, and abilities (KSAs) they will need for the future development of entrepreneurial ventures. Acquisition of these KSAs will inspire confidence in their ability to be successful entrepreneurs, and as a result, their entrepreneurial intentions will increase. Entrepreneurial self-efficacy has

been found to have a direct effect on entrepreneurial intentions, and entrepreneurship education has been found to significantly increase the self-efficacy of females in comparison to males (Wilson, Kickul, & Marlino, 2007). Therefore, business/entrepreneurship incubators should play a pivotal role in heightening women's entrepreneurial self-efficacy, and as a result, increasing their entrepreneurial intentions and activities.

Future inquiry should also be directed toward finding other factors that influence entrepreneurial intentions among women so that any inadequacies pertaining to those factors may be addressed as well. For example, attitudinal constructs and perceived subjective/social norms (including the impact of role models) underlie intentions (Ajzen, 1988; Ajzen, 1991; Krueger, Reilly, & Carsrud, 2000), and should be studied further, along with other relevant KSAs, to determine their effects on the entrepreneurial intentions of women. Future inquiry should also consider gender role and gender orientation in addition to mere gender. Stoltzfus et al. (2011) found that both men and women who reported strongly masculine gender role characteristics surpassed the creative performance of undifferentiated participants (i.e., participants with low masculinity and low femininity). Furthermore, Bandura (1997) stated that it is women with highly stereotypic feminine orientations who harbor self-doubts about their capabilities for nontraditional pursuits, and that those who take a more egalitarian view toward the roles of women display a higher sense of efficacy for traditionally male occupations and enter into them more frequently. Thus, gender role and gender orientation may also influence entrepreneurial intentions.

Second, male undergraduate students and female undergraduate students were significantly different with regard to their own creativity perceptions, with the male students perceiving themselves as more creative than the female students perceived themselves. This is unfortunate news concerning women because novel and useful ideas are the lifeblood of entrepreneurship (Ward, 2004). If they do not possess (or recognize) their own creativity, how will they be able to mobilize it toward entrepreneurial intentions and entrepreneurial activity? Educational institutions must embrace creativity and innovation among their core values and consistently provide opportunities for their students, especially their women, to think creatively and use their creative skills. A culture and climate of creativity and innovation must be established and maintained on campuses.

It may be that the male students in this study perceived themselves as more creative because the creativity measure was more cognitive in nature, and focused more on problem solving and thinking about new ideas and ways to accomplish tasks. However, creativity also encompasses a "softer" side. Lubart and Getz (1997) discussed how emotion influences creativity, and explained how emotions can elicit specific memories, contexts and concepts (endocepts) that may modulate thought and contribute to creative thinking.

The authors also discussed the importance of metaphors as regards creativity, explaining that metaphors are a medium for expressing and developing associations between concepts, and providing comparisons that can offer new perspectives, highlight similarities to other domains, and yield insights for problem redefinition. In addition, they proposed that individualized, experientially acquired emotion is a key for finding a metaphorically relevant link between concepts or images, which can then play a role in creative thinking, serving as a way to express and develop novel associations between distant concepts. Women are stereotypically known for their "softer" side, and may assess themselves as more creative if the "softer" side is included in the instrument used to measure creativity. Therefore, it is recommended that future inquiry incorporate a creativity measure that also reflects the emotional component.

---

Third, male undergraduate students and female undergraduate students were significantly different with regard to their own political skill perceptions, with the female students perceiving themselves as more politically skilled than the male students perceived themselves. This was surprising to the researchers, who expected men to be more secure in their political abilities. Perrewé and Nelson (2004) stated that one of the most formidable barriers to women's advancement is exclusion from informal networks, where matters of power and influence often take place, and networking is an important dimension of political skill. The authors also state that women are not as likely to use politics and influence to get ahead, but instead, they tend to play by the "stated or traditional" rules.

Findings for this study may be due to the sample (full-time undergraduate students). Undergraduate males may not yet have had the work experience that necessitated their discovery and use of their political skill, and allowed them to take advantage of the "political avenues" more available to them. It would be interesting to compare the male and female undergraduates on each dimension of political skill (social astuteness, networking ability, apparent sincerity, and interpersonal influence) separately, to determine in which dimensions they perceive themselves as more skilled. Students can then be coached in these areas. Future research pertaining to these issues should be conducted.

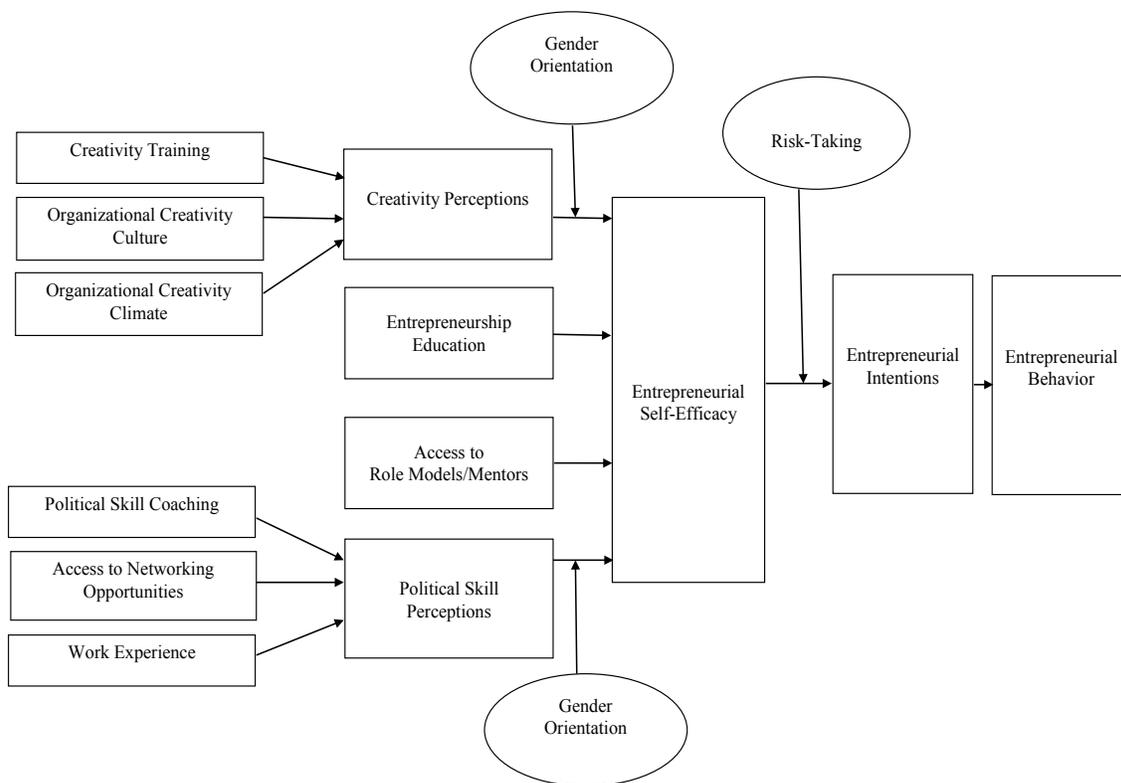
The results of this study, however, do paint an encouraging picture as regards women's perceptions of their political skill. They now need to recognize it as an asset and use it as a motivator to harbor entrepreneurial intentions and as a result, to engage in entrepreneurial behavior. Educational institutions need to provide opportunities for students to cultivate, and learn how to capitalize on their political skill in the context of entrepreneurship.

It should be noted that the likelihood is greater for women than men to restrict their career ambitions and pursuits because they consider themselves to be lacking in the necessary capabilities (Bandura, 1992). Although gender did not moderate the relationship between entrepreneurial self-efficacy and entrepreneurial intentions such that the relationship was stronger for women than men (Wilson, Kickul, & Marlino, 2007), the authors assert that their findings suggest that even if women believe they have some of the skills needed to be an entrepreneur, they are likely to choose another career path if they believe they have stronger skills in that area. Thus, women may perceive themselves as politically skilled, but opt out of pursuing an entrepreneurial opportunity because they view themselves as more skilled, and thus, more prepared for another endeavor. Therefore, for females more than males, competence is a major determining factor which influences their intention to engage in entrepreneurial behavior, and as a likely result, their actual entrepreneurial behavior. This finding suggests that men are more likely than women to intend to engage in entrepreneurial activity although they perceive themselves as ill-prepared or deficient in needed knowledge, skills, or abilities. This behavior may be linked to risk-taking disposition, and thus, it provides one of the possible explanations for the vast majority of entrepreneurs being men.

This study investigated gender differences in entrepreneurial intentions, creativity, and political skill in order to gain further insight into the factors that affect entrepreneurial behavior, so that entrepreneurship in general can be increased, and entrepreneurship among women in particular can be increased as well. However, it is not enough to simply encourage more entrepreneurship. Yes, entrepreneurship aids in job creation, but *quality*, in addition to quantity is important. Litwin and Phan (2013) found that because of small scale and constrained resources, many start-up companies do not provide their employees with proxies for job quality (e.g., health care coverage, retirement benefits), and their likelihood of offering these benefits increases only

marginally over their first six years of operation. Shane (2009) argues that policy makers' notion that more start-up companies will transform economically depressed regions is faulty, as start-ups are usually not innovative, create few jobs, and generate little wealth, and thus, the author advises that instead, the formation of high-quality, high-growth companies should be encouraged, and recommends the elimination of incentives to create "low-probability companies". One may certainly dispute this counsel as a bit extreme, but it is important to pay attention to the quality of the entrepreneurship being promoted, and thus, efforts geared toward developing entrepreneurial intentions among men and women should also reflect the need for quality.

**Figure 1**  
**Future Research Model**



**REFERENCES**

Acs, Z., Audretsch, D., Braunerhjelm, P., & Carlsson, B. (2012). Growth and entrepreneurship. *Small Business Economics*, 39(2), 289-300.

Acs, Z., & Szerb, L. (2007). Entrepreneurship, economic growth and public policy. *Small Business Economics*, 28(2/3), 109-122.

- Ahearn, K. K., Ferris, G. R., Hochwarter, W. A., Douglas, C., & Ammeter, A. P. (2004). Leader political skill and team performance. *Journal of Management*, 30(3), 309-327.
- Ajzen, I. (1988). *Attitudes, personality, and behavior*. Chicago: Dorsey Press.
- Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior & Human Decision Processes*, 50(2), 179-211.
- Audretsch, D. B., Keilbach, M. C., & Lehmann, E. E. (2006). *Entrepreneurship and economic growth*. New York, NY: Oxford University Press, Inc.
- Bandura, A. (1992). Exercise of personal agency through the self-efficacy mechanism. In R. Schwarzer (Ed.). *Self-efficacy: Thought control of action*. Washington, DC: Hemisphere Publishing Corporation.
- Bandura, A. (1997). *Self-efficacy: The exercise of control*. New York, NY: W. H. Freeman and Company.
- Baptista, R., Escária, V., & Madruga, P. (2008). Entrepreneurship, regional development and job creation: The case of Portugal. *Small Business Economics*, 30(1), 49-58.
- Betz, N. E., & Hackett, G. (1981). The relationship of career-related self-efficacy expectations to perceived career options in college women and men. *Journal of Counseling Psychology*, 28(5), 399-410.
- Bird, B. (1988). Implementing entrepreneurial ideas: The case for intention. *Academy of Management Review*, 13(3), 442-453.
- Boyd, N. G., & Vozikis, G. S. (1994). The influence of self-efficacy on the development of entrepreneurial intentions and actions. *Entrepreneurship: Theory and Practice*, 18(4), 63-77.
- Center for Women's Business Research (2009). *The economic impact of women-owned businesses in the United States*. Retrieved October 13, 2010, from <http://www.womensbusinessresearchcenter.org/Data/research/economicimpactstud/econimpactreport-final.pdf>.
- Clement, S. (1987). The self-efficacy expectations and occupational preference of females and males. *Journal of Occupational Psychology*, 60(3), 257-265.
- Fayolle, A. (2005). Evaluation of entrepreneurship education: Behavior performing or intention increasing. *International Journal of Entrepreneurship and Small Business*, 2(1), 89-98.
- Ferris, G. R., Perrewé, P. L., Anthony, W. P., & Gilmore, D. C. (2003). Political skill at work. In L. W. Porter, H. L. Angle, & R. W. Allen (Eds.). *Organizational influence processes* (pp. 395-407). Armonk, NY: M. E. Sharpe, Inc.
- Ferris, G. R., Treadway, D. C., Kolodinsky, R. W., Hochwarter, W. A., Kacmar, C. J., Douglas, C., & Frink, D. D. (2005). Development and validation of the political skill inventory. *Journal of Management*, 31(1), 126-152.
- Fox, R. L., & Lawless, J. L. (2004). Entering the Arena? Gender and the Decision to Run for Office. *American Journal of Political Science*, 48(2), 264-280.
- Hamidi, D. Y., Wennberg, K., & Berglund, H. (2008). Creativity in entrepreneurship education. *Journal of Small Business and Enterprise Development*, 15(2), 304-320.
- Kaufman, J. C. (2006). Self-reported differences in creativity by ethnicity and gender. *Applied Cognitive Psychology*, 20(8), 1065-1082.
- Krueger, N. F., Reilly, M. D., & Carsrud, A. L. (2000). Competing models of entrepreneurial intentions. *Journal of Business Venturing*, 15(5-6), 411-432.
- Lawless, J. L., & Fox, R. L. (2005). *It takes a candidate: Why women don't run for office*. New York, NY: Cambridge University Press.
- Liñán, F., & Chen, Y. W. (2009). Development and cross-cultural application of a specific instrument to measure entrepreneurial intentions. *Entrepreneurship Theory and Practice*, 33(3), 593-617.
- Litwin, A. S., & Phan, P. H. (2013). Quality over quantity: Reexamining the link between entrepreneurship and job creation. *Industrial and Labor Relations Review*, 66(4), 833-873.
- Lubart, T. I., & Getz, I. (1997). Emotion, metaphor, and the creative process. *Creativity Research Journal*, 10(4), 285-301.
- Marsh, H. W. (1990). *Self description questionnaire – III manual*. Retrieved June 25, 2010, from University of Oxford, SELF Research Center Web site: <http://www.self.ox.ac.uk/Instruments/SDQIII/SDQIIIManual.htm>.
- Marsh, H. W., & O'Neill, R. (1984). Self description questionnaire III: The construct validity of multidimensional self-concept ratings by late adolescents. *Journal of Educational Measurement*, 21(2), 153-174.
- OECD (2008). *Statistics, knowledge and policy 2007: Measuring and fostering the progress of societies*. Paris CEDEX 16, France: OECD Publishing.
- Olawale, F. (2010). Graduate entrepreneurial intention in South Africa: Motivations and obstacles. *International Journal of Business and Management*, 5(9), 87-98.

- Perrewé, P. L., & Nelson, D. L. (2004). Gender and career success: The facilitative role of political skill. *Organizational Dynamics*, 33(4), 366-378.
- Phipps, S. T. A. (2012). Contributors to an enterprising gender: Examining the influence of creativity on entrepreneurial intentions and the moderating role of political skill controlling for gender. *Academy of Entrepreneurship Journal*, 18(1), 77-90.
- Reynolds, P. D., & White, S. B. (1997). *The entrepreneurial process: Economic growth, men, women, and minorities*. Westport, CT: Quorum Books.
- Scherer, R., Brodzinski, J., & Wiebe, F. (1990). Entrepreneur career selection and gender: A socialization approach. *Journal of Small Business Management*, 28(2), 37-44.
- Shane, S. (2009). Why encouraging more people to become entrepreneurs is bad public policy. *Small Business Economics*, 33(2), 141-149.
- Stoltzfus, G., Nibbelink, B., Vredenburg, D., & Thyrum, E. (2011). Gender, gender role, and creativity. *Social Behavior and Personality: An International Journal*, 39(3), 425-432.
- Ward, T. B. (2004). Cognition, creativity, and entrepreneurship. *Journal of Business Venturing*, 19(2), 173-188.
- Wilson, F., Kickul, J., & Marlino, D. (2007). Gender, entrepreneurial self-efficacy, and entrepreneurial career intentions: Implications for entrepreneurship education. *Entrepreneurship: Theory & Practice*, 31(3), 387-406.
- Zhao, H., Seibert, S. E., & Hills, G. E. (2005). The mediating role of self-efficacy in the development of entrepreneurial intentions. *Journal of Applied Psychology*, 90(6), 1265-1272.

---

# WHAT INFLUENCES ENTREPRENEURIAL CAREER CHOICE?: AN EXPLORATORY ANALYSIS OF THE SALLY CAIRD'S GET2 FOR JAPANESE HIGH SCHOOL STUDENTS

**Junko Ishiguro, Japan Advanced Institute of Science and Technology**

## ABSTRACT

*To spread entrepreneurship education further amongst secondary education institutions in Japan, it is necessary to demonstrate its educational benefit. Therefore, we assess the participants' entrepreneurial abilities and personal qualities before an entrepreneurship educational program was launched. In particular, we conducted the Caird's (2013) GET2 (General measure of Enterprising Tendency test) for Japanese high school students.*

*The main purpose of this study is to reveal which characteristics influence the entrepreneurial career choice of high school students most by comparing the students who have the willingness or confidence to be entrepreneurs with those who do not. The results are expected to suggest the keys to develop effective contents of entrepreneurship education.*

*The current survey was conducted in June 2013, for 2,578 Japanese high school students in Aomori prefecture, which is located in the northern area of Japan. The study reveals that the biggest factor which influences the students' entrepreneurial mindset is the "ability to create ideas and put them into action". In other words, a student who thinks of himself/herself as "being good at creating ideas and putting them into action" tends to significantly have the willingness or confidence to be an entrepreneur.*

*Based on these findings, it appears that the entrepreneurship education for high school students should contain programs which encourage students to explore creative opportunities, to make ideas become a reality, and to receive practical training on created ideas.*

*Keywords: Entrepreneurship education, career choice, Japanese high school students*

## INTRODUCTION

Many statistics and studies are indicating that the Japanese are less entrepreneurial than most of the people in other countries. According to the Global Entrepreneurship Monitor annual report (Amorós et al., 2014), which generates relevant primary information on entrepreneurship, providing harmonized measures about the attitudes, activities and characteristics of individuals who participate in various phases of entrepreneurship in 70 economies, the Japanese figure for the Total Early-stage Entrepreneurial Activity (TEA) rate (percentage of adult population (18-64 years of age)) is 3.7%. The figure is the second lowest one amongst the surveyed economies.

According to the Japanese government statistics, the exit rate of Japanese enterprises is higher than the entry rate of that since the late 80's continuously for about two decades (Japan small business research institute, 2013). As the result, the number of Japanese enterprises in 2012 has been reduced by 1.56 million compared to its peak in 1986.

Considering a rapidly changing world business environment, however, it goes without saying that to cultivate entrepreneurship for Japanese is becoming increasingly important. With this background, the entrepreneurship education is attracting attention in Japan in these days, though the teaching fields do not accept the educational programs fully up to present. To spread entrepreneurship education further, it is necessary to demonstrate its educational benefit. To measure the effect correctly, we assess the participants' entrepreneurial conditions and personal qualities before the entrepreneurship educational program is launched. Therefore, we conducted the Caird's (2013) GET2 (General measure of Enterprising Tendency test) for Japanese high school students.

In this study, we reveal the entrepreneurial tendency of Japanese high school students, and compare the students who have the willingness or confidence to be entrepreneurs with who do not. The results are expected to suggest the keys to develop the effective contents of entrepreneurship education.

## LITERATURE REVIEW

Some literature focused on childhood experiences, in terms of the willingness or confidence to be an entrepreneur at the time of adolescence. Dyer (1992) found that significantly more entrepreneurs came from the families where their fathers or mothers were self-employed. Dyer and Handler (1994) concluded the parental role model as self-employed workers influenced their children to acquire entrepreneurial attitudes and behavior. Crant (1996) mentioned that entrepreneurial intentions were significantly associated with gender, education, having an entrepreneurial parent, and possessing a proactive personality (p. 42). Drennan et al. (2005) examined that the influence of childhood experiences through the survey of more than 1,000 university students. As the result of their study, they pointed out that perceptions of entrepreneurship were influenced not only by parental ownership of a business, but also by such childhood experiences as encountering many difficulties like the loss of a parent, parental divorce, and economic hardship, and as frequent relocation.

Amongst the Japanese studies, Ohe and Ohe (1996) pointed out, through the survey of 310 entrepreneurs and 334 corporate employees, the image of an entrepreneur is formed through the accumulation of experiences in three stages, namely, upbringing, childhood experience, and work experience. In particular, "role models played by their parents", "pseudo-entrepreneurial experiences" and "personal extraordinary experiences" were the important factors which influenced to form an image of an entrepreneur. Among these factors, "parental role models" and "extraordinary experiences" were beyond human control. Therefore, they concluded, in order for a person to form an image of an entrepreneur, it is particularly important to encourage him/her to have pseudo-entrepreneurial experiences during their childhood.

Though these literature emphasize the importance of the childhood experience to acquire the willingness and confidence to be entrepreneurs, what we can control is the "pseudo-entrepreneurial experiences" (Ohe & Ohe, 1996). The "pseudo-entrepreneurial experiences" are the critical component of entrepreneurship education. The entrepreneurial experiences consist of wide range of tasks and activities. However, the class hours for the entrepreneurship education are limited. Therefore, it is meaningful to reveal the most effective factor to be stressed in the course of entrepreneurship education.

This study aims to identify the characteristic factor which should be acquired by the high school students by comparing the entrepreneurial students to the non-entrepreneurial ones.

---

## CAIRD'S GET2 AND ENTREPRENEURIAL TRAITS

To measure the level of entrepreneurship of Japanese high school students, the author adopted the Caird's General measure of Enterprising Tendency Test (GET2) (2013). The test was developed in 1988 by Dr. Sally Caird and Mr. Cliff Johnson at Durham University Business School. Dr. Sally Caird developed the get2 test materials and website at The Open University <http://www.get2test.net>. They thought the enterprising person had entrepreneurial characteristics, and since these characteristics could be educated, they were able to be assessed.

This test is to measure five key qualities, i.e., the need for achievement, need for autonomy, creative tendency, calculated risk-taking, and internal locus of control.

McClelland (1961, 1962) pointed out the need for achievement (NAch) was one of the keys to entrepreneurial behaviors. Chell (2008) concluded achievement motivation was significantly related to both choice of career, specifically entrepreneurial career, and entrepreneurial performance, through meta-analysis of 41 studies about NAch. Caird (1991) defined the high score interpretations of this quality as "a future orientation; task orientation; strong work ethic; a tendency to set challenging goals; and a planning orientation for achievement", whereas low score interpretations as "a placid nature; a lack of ambition; an easy-going nature; a tendency either to give success a low priority or to disbelieve that success is an attainable goal for themselves" (p. 181).

The need for autonomy (NA) is pointed out as one of the essential traits for entrepreneurs. Brandstätter (1997) compared founders of businesses with the inheritors of businesses and demonstrated that founders, including nascent founders, are more independent and more self-assertive than inheritors. Caird (1991) defined the high score interpretations of need for autonomy in GET2 as "independence; poor employee potential in jobs which lack autonomy; the need to do things in an independent way; a stubborn and determined nature; and unconventionality", whereas low score interpretations as "a facilitating nature; flexibility in decision-making; a preference to others, rather than managing others"(p. 181).

Creative tendency (CT) is needed to develop to create new products and processes (Caird, 2013). Florida (2009) mentions entrepreneurship, including the creation of technologically dynamic, high-value added, high growth firms are intimately linked to creativity. As for creative tendency, Caird (1991) defined high score interpretations in GET2 as "an imaginative and innovative orientation; versatility: a preference for novelty; intuition; a tendency to have ideas; and sensitivity to opportunity", whereas low score interpretation as "a preference for stability; a practical orientation which is not given to flights of fancy; and a preference for implementing others' ideas" (p. 180).

An enterprising person recognizes business opportunities. Since such opportunities are inevitably followed by risks (Caird, 2013), they have to evaluate the degree of the risks. Entrepreneurs are not lovers of risk, but they measure the size of risk carefully and choose moderate ones (McClelland, 1961). Caird (1991) defines the high score of calculated risk taking (RT) qualities as "the ability to judge that a risk is worth taking when the consequences of failure do not outweigh the incentive value of success; the tendency to make decisions without exhaustively gathering information", whereas a low score as "a cautious nature; a painstaking approach to decision making; and a preference for working with certainty" (p. 179).

While people with higher internal locus of control (LOC) believe that they are able to control their life events, people with the higher external locus of control believe their life events

are the result of the external factors, such as luck, fate, or destiny (Rotter, 1966). Many studies show that internal locus of control is an important psychological concept which is associated with entrepreneurial attributes (Rotter, 1966; Berlew, 1975; Shapero, 1975; Brockhaus, 1982; Gartner, 1985; Shaver and Scott, 1991). These studies reveal entrepreneurs tend to have higher internal locus of control than the population at large. Caird (1991) defined high score interpretations in GET2 as “proactivity; self-reliance; self-determination; self-confidence; belief that achievement is due to ability and effort; and tendency to believe that ‘failure’ are lazy or stupid”, whereas low score interpretation as “the view that life is not controlled by self but by external factors; dependence; belief that success depends on fate, luck others or being in the right place at the right time; and consideration of others’ ‘misfortunes’” (p. 181).

The GET2 consists of 54 items. The need for achievement, locus of control, creative tendency, and calculated risk taking are measured by 12 items each, and need for autonomy is measured by 6 items. Half of these items represent positive entrepreneurial statements and the rest of them represent negative entrepreneurial statements. The participants must make an alternative choice between “agree” and “disagree”.

Amongst the surveys using the GET2, there is a study of Cromie and Callaghan (2007)’s. They compare the characteristics of entrepreneurs with MBA students and public sector employees with private sector employees in the UK. According to their study, entrepreneurs’ scores are significantly higher than that of MBA students in the three factors of the five, i.e., “autonomy”, “risk taking” and “creativity”, and private sector employees’ scores are significantly higher than that of public sector employees in four factors, i.e., “achievement”, “locus of control”, “risk taking” and “creativity”.

## METHODOLOGY

This survey was conducted in June 2013 at nine of the public, commercial high schools in the Aomori Prefecture which is located in the northern area of Japan. The number of participants was 2,578, and 62.4% of them were females. This study is the first to examine the entrepreneurial conditions of Japanese students in adolescence from the point view of characteristics at such a large scale with more than 2,500 participants.

The participants completed questionnaires that included GET2 items translated into Japanese by the author. They were asked to report, on a 4-point scale, (a) agree, (b) tend to agree, (c) tend to disagree, and (d) disagree, though the original Caird’s GET2 asks an alternative choice “agree” or “disagree”.

In addition, the participants were asked “whether you have a willingness to be an entrepreneur in your future” and “whether you have a confidence to be an entrepreneur in your future”. The results of these questions are shown in Table1. More than 70% of the students have neither confidence nor willingness to be entrepreneurs.

			Confidence		TOTAL	
			w/	w/o		
Intention	w/	Number	347	315	662	
		Ratio(%)	13.5%	12.2%	25.7%	
	w/o	Number	79	1,837	1,916	
		Ratio(%)	3.1%	71.3%	74.3%	
TOTAL		Number	426	2,152	2,578	
		Ratio(%)	16.5%	83.5%	100.0%	
Breakdown by gender	males	w/	Number	173	125	298
			Ratio(%)	18.6%	13.4%	32.0%
		w/o	Number	48	584	632
			Ratio(%)	5.2%	62.8%	68.0%
	total of males		Number	221	709	930
			Ratio(%)	23.8%	76.2%	100.0%
	females	w/	Number	158	189	347
			Ratio(%)	9.8%	11.7%	21.6%
		w/o	Number	27	1,235	1,262
			Ratio(%)	1.7%	76.8%	78.4%
	total of females		Number	185	1,424	1,609
			Ratio(%)	11.5%	88.5%	100.0%
	gender unknown	w/	Number	16	1	17
			Ratio(%)	41.0%	2.6%	43.6%
	w/o	Number	4	18	22	
		Ratio(%)	10.3%	46.2%	56.4%	
total of gender unknown		Number	20	19	39	
		Ratio(%)	51.3%	48.7%	100.0%	

## RESULTS

### 1) Common factor analysis

Some of the GET2 items show their score distribution to have biases. However, as one of the purposes of this study is to make the difference between Japanese high school students and others all items are analyzed without elimination.

Factor analysis by the main factor method with a Promax rotation with kappa set to four is conducted using the SPSS software (Version 19). Though the test items include both positive and negative descriptions of entrepreneurship, the scores are untransformed.

An examination of the scree plot reveals five factors which have been noted in previous research, with eigenvalues of 5.8, 4.0, 2.4, 2.0, and 1.6, accounting for 10.8%, 7.5%, 4.5%, 3.6%, and 3.0% of the variance. Then, using five factors, the factor analysis is conducted again. As the result, 15 items of which factor loadings are relatively low are removed. The final factor pattern with a promax rotation is shown in Table2. The five factors without rotation illustrate 24.4% of the total variance of 54 items.

The first factor consists of 12 items, including "I prefer doing things in the usual way rather than trying out new methods", "I would not mind routine unchallenging work if the pay and pension prospects were good", "You are either naturally good at something or you are not,

effort makes no difference”, etc. These items suggest conservativeness and stabilization. Then the first factor is named “tendency to be conservative” (‘conservativeness’ for short). We have to note that 11 items of the 12 items which configure this factor represent negative entrepreneurial statements. Therefore, “conservativeness” does not express entrepreneurial trait.

The second factor is made up with five items, including “Other people think that I’m always making changes and trying out new ideas”, “Sometimes people find my ideas unusual”, “Sometimes I have so many ideas that I feel pressured”, “At work, I often take over projects and steer them my way without worrying about what other people think”, “If I had a good idea for making some money, I would be willing to invest my time and borrow money to enable me to do it”. So the second factor is named “ability to create ideas and put them into action” (‘creativity’ for short).

The third factor is configured with seven items, including “I try to accept that things happen to me in life for a reason”, “If I wanted to achieve something and the chances of success were 50/50 I would take the risk”, “I would rather take an opportunity that might lead to even better things than have an experience that I am sure to enjoy”, “I find it easy to relax on holiday and forget about work”, etc. Third factor is named “ability not to be afraid to try something new and to accept the results” (‘challenge’ for short).

The fourth factor is with eight items, including “Sometimes I think about information almost obsessively until I come up with new ideas and solutions”, “I find it difficult to switch off from work completely”, “I like to have my life organised so that it runs smoothly and to plan”, “Before I make a decision I like to have all the facts no matter how long it takes”, “I do not like unexpected changes to my weekly routines”, etc. This factor is named “ability to take scrupulous planning and preparation” (‘scrupulousness’ for short).

The last factor is composed of seven items, including “Being successful is a result of working hard, luck has little to do with it”, “When I make plans I nearly always achieve them”, “People generally get what they deserve”, “I rarely day dream”, etc. The fifth factor is named “thoroughness in completing the tasks” (‘thoroughness’ for short).

**Table 2**  
**RESULT OF COMMON FACTOR ANALYSIS**

Factors found in this study	Items	Factors assumed in the original test <sup>a</sup>
Tendency to be conservative	I prefer doing things in the usual way rather than trying out new methods.	CR-
	I would not mind routine unchallenging work if the pay and pension prospects were good.	Nach-
	You are either naturally good at something or you are not, effort makes no difference.	LOC-
	Many of the bad times that people experience are due to bad luck.	LOC-
	I believe that destiny determines what happens to me in life.	LOC-
	If there is a chance of failure I would rather not do it.	RT-
	I would rather buy a lottery ticket than enter a competition.	RT-
	I tend not to like to stand out or be unconventional.	AUT-
	I would rather work on a task as part of a team rather than take responsibility for it myself.	Nach-
	I would rather work with a person I liked who was not good at the job, rather than work with someone I did not like even if they were good at the job.	Nach-
	If I am having problems with a task I leave it, forget it and move on to something else.	Nach-
	Capable people who fail to become successful have not usually taken chances when they have occurred.	LOC+
	Ability to create ideas and put them into action	Other people think that I'm always making changes and trying out new ideas.
Sometimes people find my ideas unusual.		CR+
Sometimes I have so many ideas that I feel pressurised.		CR+
At work, I often take over projects and steer them my way without worrying about what other people think.		AUT+
If I had a good idea for making some money, I would be willing to invest my time and borrow money to enable me to do it.		RT+

Ability not to be afraid to try something new and to accept the results		
	I try to accept that things happen to me in life for a reason.	LOC-
	If I wanted to achieve something and the chances of success were 50/50 I would take the risk.	RT+
	I would rather take an opportunity that might lead to even better things than have an experience that I am sure to enjoy.	RT+
	I find it easy to relax on holiday and forget about work.	Nach-
	When I am faced with a challenge I think more about the results of succeeding than the effects of failing.	Nach+
	I like to spend time with people who have different ways of thinking.	CR+
	I like to start interesting projects even if there is no guaranteed payback for the money or time I have to put in.	RT+
Ability to take scrupulous planning and preparation		
	Sometimes I think about information almost obsessively until I come up with new ideas and solutions.	CR+
	I find it difficult to switch off from work completely..	Nach+
	I like to have my life organised so that it runs smoothly and to plan.	CR-
	Before I make a decision I like to have all the facts no matter how long it takes.	RT-
	I do not like unexpected changes to my weekly routines.	CR-
	I like a lot of guidance to be really clear about what to do in work.	AUT-
	I get annoyed if people are not on time for meetings.	Nach+
	For me, getting what I want is a just reward for my efforts.	LOC+
Thoroughness in completing the tasks		
	Being successful is a result of working hard, luck has little to do with it.	LOC+
	When I make plans I nearly always achieve them.	LOC+
	People generally get what they deserve.	LOC+
	I rarely day dream.	CR-
	I get what I want from life because I work hard to make it happen.	LOC+
	It is more important to do a job well than to try to please people.	Nach+
	What we are used to is usually better than what is unfamiliar.	RT-
<p><sup>a</sup> The “+” sign after the brevity code of the factors of the original test shows that the items represents the positive entrepreneurial statement, whereas the “-” sign does negative one.</p>		

## 2) Logistic regression analysis

The author conducted a logistic regression analysis to evaluate which factor had the biggest impact on the willingness or the confidence to be an entrepreneur.

The results are shown in Table3. It shows that “creativity” has the biggest odds ratio (labeled “Exp(B)”) amongst the significant factors for both willingness and confidence to be entrepreneurs.

		Willingness						Confidence					
		B	SE	Wald	DOF	sig.	Exp(B)	B	SE	Wald	DOF	sig.	Exp(B)
Input indefinite number	conservativeness	-.165	.139	1.402	1	.236	.848	-.156	.164	.896	1	.344	.856
	creativity	1.428	.109	171.117	1	.000	4.170	1.761	.135	170.716	1	.000	5.817
	challenge	.315	.133	5.610	1	.018	1.370	.454	.164	7.680	1	.006	1.574
	scrupulousness	.183	.134	1.862	1	.172	1.201	-.200	.166	1.441	1	.230	.819
	thoroughness	.264	.128	4.271	1	.039	1.302	.644	.157	16.919	1	.000	1.904
	const	-6.198	.589	110.844	1	.000	.002	-8.051	.699	132.470	1	.000	.000

### 3) Relations between items

The scores and the alpha factors of each factor are shown in Table 4.

	<i>M</i>	<i>SD</i>	alpha factor
conservativeness	2.53	0.3906	.66
creativity	2.23	0.5553	.70
challenge	2.93	0.4451	.63
scrupulousness	2.96	0.4276	.63
thoroughness	2.60	0.4436	.61

The correlation coefficient of the each item is shown in Table 5. Moderate positive correlations are revealed between “challenge and creativity” and between “thoroughness and challenge” significantly. There are weak positive correlations between “scrupulous” and each of other factors, and in addition, “thoroughness and creativity” and “thoroughness and challenge”.

		conservativeness	creativity	challenge	scrupulousness	thoroughness
conservativeness	Pearson's correlation coefficient		.083 **	-.095 **	.274 **	-.035 $\Delta$
	significance probability	-	.000	.000	.000	.081
creativity	Pearson's correlation coefficient			.365	.205 **	.268 **
	significance probability	-	-	.000 **	.000	.000
challenge	Pearson's correlation coefficient				.212 **	.363 **
	significance probability	-	-	-	.000	.000
scrupulousness	Pearson's correlation coefficient					.234 **
	significance probability	-	-	-	-	.000
thoroughness	Pearson's correlation coefficient					
	significance probability	-	-	-	-	-

$\rho < .1$ , \* $\rho < .1$ , \*\* $\rho < .01$

### 4) Analysis according to the differences between males and females

To analyze the difference between males and females, t-test is conducted about the subscale scores. The result is shown in Table6 and Table7. As for the factors, i.e., “conservativeness” (  $t=2.51$ ,  $df=1,691$ ,  $\rho < .05$ ), “creativity”(  $t=7.56$ ,  $df=1,720$ ,  $\rho < .01$ ), and “challenge”(  $t=3.68$ ,  $df=1,869$ ,  $\rho < .01$ ), the males’ sample means are significantly higher than the

females’ means. Though there is no significant difference in the factor “conservativeness”, the males group has marginally higher “thoroughness” score compared to the females groups (  $t=1.85$ ,  $df=1,738$ ,  $\rho < .1$ ).

	males(n=930)			females (n=1,609)			t-value
	M	SD	SE	M	SD	SE	
conservativeness	2.55	0.42	0.01	2.51	0.37	0.01	2.505 *
creativity	2.34	0.59	0.02	2.16	0.52	0.01	7.560 **
challenge	2.98	0.45	0.01	2.91	0.44	0.01	3.680 **
scrupulousness	2.96	0.43	0.01	2.95	0.43	0.01	.826

$\Delta\rho < .1$ ,  $*\rho < .05$ ,  $**\rho < .01$

	sex	conservativeness	creativity	challenge	scrupulousness	thoroughness
conservativeness	m	-	.156 **	-.077 *	.268 **	.055
	f	-	.019	-.116 **	.274 **	-.104 **
creativity	m	-	-	.392 **	.291 **	.389 **
	f	-	-	.336 **	.141 **	.167 **
challenge	m	-	-	-	.258 **	.337 **
	f	-	-	-	.181 **	.376 **
scrupulousness	m	-	-	-	-	.282 **
	f	-	-	-	-	.201 **
thoroughness	m	-	-	-	-	-
	f	-	-	-	-	-

$*\rho < .05$ ,  $**\rho < .01$

5) Analysis according to the differences of entrepreneurial career choice

In this survey, the participants are asked if they have the willingness to be entrepreneurs and if they have the confidence to be entrepreneurs.

To evaluate the difference between presence and absence of “willingness” or “confidence” to be entrepreneurs t-test is conducted.

Table8 shows the mean scores of the group “with willingness” are significantly higher than the group “without willingness” among four of the five factors; i.e. “creativity”, “challenge”, “scrupulousness”, and “thoroughness”. As for “conservativeness” there is no significant difference by the willingness to be entrepreneurs.

	with willingness			without willingness			t-value
	M	SD	SE	M	SD	SE	
conservativeness	2.54	0.47	0.02	2.52	0.36	0.01	0.53
creativity	2.57	0.58	0.02	2.11	0.49	0.01	17.88 **
challenge	3.09	0.46	0.02	2.88	0.43	0.01	9.86 **
scrupulousness	3.03	0.43	0.02	2.93	0.42	0.01	5.39 **
thoroughness	2.73	0.48	0.02	2.56	0.42	0.01	7.52 **

\*\* $\rho < .01$

The result of the correlation coefficient by the willingness to be entrepreneurs is shown in Table9. As for “with willingness” group, every factor correlates positively to each other significantly except for “challenge and conservativeness”. There is a relatively strong positive correlation coefficient between “challenge and creativity” for “with willingness” group, whereas weak correlation is seen for “without willingness” group.

	willingness	conservativeness	creativity	challenge	scrupulousness	thoroughness
conservativeness	w/	-	.292 **	.060	.330 **	.217 **
	w/o	-	-.020	-.175 **	.253 **	-.161 **
creativity	w/	-	-	.430 **	.288 **	.385 **
	w/o	-	-	.276 **	.134 **	.160 **
challenge	w/	-	-	-	.328 **	.375 **
	w/o	-	-	-	.146 **	.328 **
scrupulousness	w/	-	-	-	-	.358 **
	w/o	-	-	-	-	.168 **
thoroughness	w/	-	-	-	-	-
	w/o	-	-	-	-	-

\*\* $\rho < .01$

The mean scores of the “with confidence” group are significantly higher than those of “without confidence” group concerning “creativity”, “challenge”, “scrupulousness” and “thoroughness” (See Table 10).

	with confidence			without confidence			t-value
	M	SD	SE	M	SD	SE	
conservativeness	2.55	0.51	0.03	2.52	0.36	0.01	1.12
creativity	2.72	0.56	0.03	2.14	0.50	0.01	19.60 **
challenge	3.15	0.44	0.02	2.89	0.43	0.01	11.01 **
scrupulousness	3.05	0.44	0.02	2.94	0.42	0.01	4.67 **
thoroughness	2.81	0.49	0.02	2.57	0.42	0.01	9.34 **

Correlation coefficient by the presence or absence of confidence to be entrepreneurs is shown on the Table11. In general, there is a tendency that the “with confidence” group has a stronger correlation between each combination of the items. There are moderate positive correlations between “challenge and creativity”, “thoroughness and scrupulousness” and “thoroughness and creativity” and “scrupulousness and challenge” for “with confidence” group.

	confidence	conservativeness	creativity	challenge	scrupulousness	thoroughness
conservativeness	w/	-	.338 **	.109 **	.368 **	.284 **
	w/o	-	.007	-.162 **	.250 **	-.136 **
creativity	w/	-	-	.409 **	.320 **	.397 **
	w/o	-	-	.292 **	.153 **	.167 **
challenge	w/	-	-	-	.384 **	.358 **
	w/o	-	-	-	.158 **	.328 **
scrupulousness	w/	-	-	-	-	.419 **
	w/o	-	-	-	-	.175 **
thoroughness	w/	-	-	-	-	-
	w/o	-	-	-	-	-

#### 6) The result of analysis of variance

The 2×2 analysis of variance is conducted; “willingness” and “confidence” are assigned to the independent variances, whereas the scores of the each items are assigned to the dependent variances. Significant interactions are observed on “scrupulousness” ( $F(1, 2536)=9.33, p<0.01$ ) and “thoroughness” ( $F(1, 2521)=15.74, p<0.01$ ). As those interactions are significant, simple main effects analyses are conducted on each of them. As for “scrupulousness”, the “with willingness” group has the significant simple main effect on the confidence ( $F(1, 2536)=12.19, p<0.01$ ). The “with confidence” group scores on “scrupulousness” significantly higher than the “without confidence” group. As for “thoroughness”, also the “with willingness” group has the significant simple main effect on the confidence ( $F(1, 2521)=63.30, p<0.01$ ). The “with confidence” group scores on “thoroughness” significantly higher than the “without confidence” group.

This result shows who has both willingness and confidence to be an entrepreneur tends to have “scrupulousness” and “thoroughness”.

## DISCUSSION

One of the purposes of this study was to grasp the level of entrepreneurship of Japanese high school students by assessing the suitability of GET2 for them.

The result of the factor analysis shows that the current survey consists of five factors which consistent with the assumption of the test designer Caird (2013), however, the items which compose each factor are so much different from the original test. The reasons may include that the test is originally designed in the UK and the environment of personal career and the industrial structure which the participants in the current survey are facing are so much different; in addition, the participants are high school students without enough working experience, and that may cause the difference from the expected result of the test designers.

The factors we set are “tendency to be conservative”, “ability to create ideas and put them into action”, “ability not to be afraid to try something new and to accept the results”, “ability to take scrupulous planning and preparation”, and “thoroughness in completing the tasks”. Amongst these factors, “tendency to be conservative” is evaluated to affect negatively entrepreneurial willingness and confidence through the logistic analysis. Therefore, it should rather be described as “tendency to be progressive”.

---

Another purpose of this study is to make clear the difference between the entrepreneurial high school students and the non-entrepreneurial ones, and to extract valuable information to reflect the programs of entrepreneurship education.

The result of the logistic regression analysis provides a clue. It shows that the biggest factor which influences the students' entrepreneurial mindset is "ability to create ideas and put them into action". In other words, a student who thinks himself/herself as "I am good at creating ideas and putting them into action" tends to have a willingness or confidence to be an entrepreneur. Though they have little working experience, they have opportunities to create ideas and put them in execution through the school activities. Since the students experienced both success and failure, they evaluated themselves with these items which composed this factor more precisely having reasonable grounds than other items. That might influence the students' self-understanding and cause a gap in their entrepreneurial career choice.

Though we cannot define a causal relationship through this survey, if the students have more opportunities to feel being able to come up with ideas and able to act, more students would be entrepreneurial. This is what the entrepreneurship education program should contain.

Furthermore, the correlation between "ability to create ideas and put them into action" and "ability not to be afraid to try something new and to accept the results" was stronger in the "with willingness group" and "with confidence group" than "without" group. It is also stronger in males than in females.

This suggests the effective entrepreneurship education programs should encourage students to explore creative opportunities, to make the idea become a reality, and to receive practical training on the created idea.

## CONCLUSION

In the current survey, the same items as the Caird's GET2 were used. However, with some additional items which are suitable for Japanese social situations and the environment surrounding Japanese adolescence, a new psychological test which would be adapted to the Japanese youth can be developed.

The results of this study show amongst the factors we set, "ability to create ideas and put them into action" is the biggest one to influence the participants' entrepreneurial mindset. This should be reflected in the composition elements of entrepreneurship education. As we discussed above, we cannot define a causal relationship between the students' tendency and their entrepreneurial condition through this survey. Therefore, it should be the key question for future research whether it has effects on the students to have an entrepreneurial career choice to encourage the students to create ideas and to put those into practice through the entrepreneurship education program.

In addition, the participants of this survey were from limited areas with limited industrial structure. To grasp the conditions of the entrepreneurial career choice of Japanese high school students throughly, it is necessary to conduct the similar survey in a broader area including both urban and rural areas.

## REFERENCES

- Amorós, J. E., Bosma, N., and Global Entrepreneurship Research Association (GERA) (2014) *Global Entrepreneurship Monitor 2013 Global Report*, <http://www.gemconsortium.org/docs/download/3106>, accessed 2014 Jan. 30.

- Berlew, D. (1975) "The Nature of Entrepreneurs". *Proceedings of project ISEED* (International Symposium on Entrepreneurship and Enterprise Development). Ohio:ISEED, pp.42-44.
- Brandstätter, H. (1997) "Becoming an entrepreneur — A question of personality structure?", *Journal of Economic Psychology*, Vol.18, April. pp.157-177.
- Brockhaus, R. H. and Horwitz, P. S. (1986) "The Psychology of the Entrepreneur". In Sexton, D. and Smilor, R., (Eds.), *The Art and Science of the Entrepreneurship*. MA: Cambridge Ballinger Publishing, pp.25-48.
- Caird, S. (2013) "General measure of Enterprising Tendency test", The Open University's repository of research publications and other research outputs, [http://oro.open.ac.uk/5393/2/Get2test\\_guide.pdf](http://oro.open.ac.uk/5393/2/Get2test_guide.pdf). Accessed 2014 Jan. 5.
- Caird, S. (1991) "Testing Enterprising Tendency in Occupational Groups". *British Journal of Management*, Vol.2, pp.177-186.
- Chell, E. (2008) *The Entrepreneurial Personality: A Social Construction. 2nd Edition*, NY: Routledge.
- Crant, J. M. (1996) "The Proactive Personality Scale as a Predictor of Entrepreneurial Intentions". *Journal of Small Business Management*, 34(3), pp.42-49.
- Cromie, S. and Callaghan, I. (2007) "Assessing Enterprising Attributes; the Usefulness of Caird's General Enterprising Tendency Test", *Small Business and Enterprise Development*, Vol.4, pp.65-71.
- Dyer, W. G. Jr. (1992) *The Entrepreneurial Experience: Confronting Career Dilemmas of the Start-Up Executive*, CA: Jossey-Bass.
- Dyer, W. G. Jr. and Handler, W. (1994) "Entrepreneurship and Family Business: Expressing the Connections", *Entrepreneurship Theory and Practice*, 19 (1), pp. 71-84.
- Drennan, J., Kennedy, J., and Renfrow, P. (2005) "Impact of Childhood Experiences on the Development of Entrepreneurial intentions". *Entrepreneurship and Innovation*, November, pp.231-238.
- Florida, R. (2009) "Entrepreneurship, Creativity, and Regional Growth". *The Emergence of Entrepreneurship Policy*, In Hart, D. M. (Ed.), Cambridge, Cambridge University Press, pp.39-59.
- Gartner, W. B. (1985) "A Conceptual Framework for Describing the Phenomenon of New Venture Creation". *Academy of Management Review*, 10 (4), pp.696-706.
- Japan small business research institute (2013) *White Paper on Small and Medium Enterprises in Japan*, <http://www.chusho.meti.go.jp/pamflet/hakusyo/>, Accessed 2014 Jan. 5.
- McClelland, D. C. (1961) *The Achieving Society*, NJ: Van Nostrand.
- McClelland, D.C. (1962) "Business Drive and National Achievement". *Harvard Business Review*, Vol.40, July-August, pp.99-112.
- Ohe, S. and Ohe, T. (1996) "Three Key Experiences of Japanese Entrepreneurs during Their Elementary and Secondary School Years, Paper presented at the Frontiers of Entrepreneurship Research, Babson Collage, Wellesley, MA.
- Rotter, J. B. (1966) "Generalized Expectations for Internal versus External Control of Retirement." *Psychological Monographs*. Vol.80, pp.1-28.
- Shapiro, A. (1975) "The Displaced, Uncomfortable Entrepreneur". *Psychology Today*, pp. 83-88.
- Shaver, K. G. and Scott, L. R. (1991) "Person, Process, Choice: The Psychology of New Venture Creation". *Entrepreneurship Theory and Practice*, pp. 23-45.

---

# **SOCIAL NETWORKS OF LATINO AND LATINA ENTREPRENEURS AND THEIR IMPACT ON VENTURE PERFORMANCE**

**Rowena Ortiz-Walters, Quinnipiac University**  
**Monica C. Gavino, Saint Xavier University**  
**Denise Williams, Metropolitan State University**

## **ABSTRACT**

*Latino<sup>1</sup> owned businesses experienced explosive growth and are expected to be a major player in the entrepreneurial landscape. While taking the lead in start-ups, ethnic and female entrepreneurs experience lower business performance. Thus, we explore the social networks of Latino business owners and the implications for venture growth (employee size) and sustainability (years in business). The data come from 176 business owners (56% Latino) participating in training in Chicago. We compared networking behaviors, size and frequency of contact with others for: a) Latino and non-Latino entrepreneurs and b) Latino male and Latina<sup>2</sup> entrepreneurs. Latino entrepreneurs had fewer contacts and met with them less often than non-Latino owners but, focused on weak ties (other business owners, business associations) more than strong ties (family, friends). Latina entrepreneurs, compared to Latino males<sup>3</sup>, had fewer contacts and relied on strong ties more but weak ties less for business-related information. Finally, results showed a positive relation between frequency of contact and growth for Latino firms. Implications and future research involve increasing training to build networking skills among Latino entrepreneurs and further exploration of network properties for building firm sustainability. The findings show empirical and theoretical support for hypotheses with contributions to ethnic and female entrepreneurship.*

## **INTRODUCTION**

As of 2010, the Census Bureau reported that more than 48 million people of Hispanic origin live in the United States, making up 16% of the total U.S. population (U.S. Census Bureau, 2010). This makes Hispanics the fastest-growing minority group and this trend is projected to continue into the near future. The explosive growth of Latinos has meant an increase in the number of businesses started with an equally profound impact on the economy. Between 2002 and 2007, Latino-owned businesses as a whole grew by 43.7% and represented 8.3% of all small businesses (U.S. Census Bureau, 2010). For Latinas, specifically, the growth in the number of ventures started shows a similar increasing trend (Smith-Hunter & Venezia, 2006). According to the U.S. Hispanic Chamber of Commerce, there are now nearly 3 million Hispanic-owned businesses in this country. Latino male and Latina owned businesses combined generate more than \$400 billion annually in revenues.

While growing in numbers and at a fast rate, businesses owned by Latinos are less financially sound and more likely to fail (Boden & Headd, 2002; Robb, 2002). Research on minority entrepreneurs including Latinos reports that they are more likely to start and fail at business start-ups than the majority population. (Brunner, 2011; Sullivan 2007). Indicators of performance also point to a lack of equality for female business owners – such as Latinas – as they experience lower annual sales, annual salaries, and firm survival rates than male owners (Green, Hart, Gatewood, Brush, & Carter, 2003; Robles & Cordero-Guzman, 2007). To help these businesses succeed, it has been recommended that minority and female entrepreneurs network more and develop strategic interpersonal contacts (Assudani, 2009; Hisrich & Brush, 1986; Ncube & Wasburn, 2010; Ram, 1994). In this study, we explore the degree to which this is a sound recommendation by studying Latino business owners' social networks – that is, the set of relationships designated by a business owner that provides resources to help start and run their businesses (BarNir & Smith, 2002). We do this by, first, comparing the composition of social networks as well as the networking behaviors of: a) Latino and non-Latino business owners and b) Latino male and Latina entrepreneurs. We then consider the implications of this recommendation by examining the linkage between properties of social networks, networking behaviors and the performance of Latino-owned ventures. In doing so, we begin to fill an area in the ethnic and ethnic female entrepreneurship literatures, which has not yet been fully explored.

Our study was conducted on entrepreneurs attending business development training workshops in Chicago. This is an ideal setting to study Latino entrepreneurs because Chicago represents the sixth largest Metropolitan Statistical Area (MSA) for the Latino population (U.S. Census Bureau, 2012). Additionally, Illinois is the seventh strongest state for Latino business owners with a 33.5% growth rate exceeding the U.S. national average of 30.6% (U.S. Census Bureau, Survey of Business Owners, 2007, 2002).

### **THE STATUS OF LATINO ENTREPRENEURSHIP**

Minority entrepreneurs like Latinos have historically demonstrated extensive business start-up growth exceeding that of the majority entrepreneur. However, these patterns are contradicted by their record business failure and lack of sustainability. Chaganti and Greene (2002) posit that ethnic minorities face similar barriers to entry and challenges to those that other small business owners experience. However, they and others also acknowledge that both ethnic and female entrepreneurs suffer from some issues more *intensely* than other small business owners (DeCarlo & Lyons, 1979; Hisrich & Brush, 1986). Difficulties faced by female owned companies include shortage of permanent employees, sales growth, and overreliance on family. (Soo Ha & Bum Kim, 2013). Langowitz & Minnitz's (2007) examination of women's entrepreneurial propensity finds they have a less favorable perception of both self and environment for business conditions. Subsequently, the role of gender and culture in entrepreneurial orientation influence performance (Lim, & Envick, 2013). These challenges are further complicated for female ethnic entrepreneurs like Latinas and therefore implications to the economy are even more crucial. Latina business owners face different obstacles than their male counterparts, such as family responsibilities, social and cultural values, and personal capital which can impact their business growth substantially (Coleman, 2007; DeMartino & Barbato, 2002). As a whole, the poorer performance of Latino-owned firms has been attributed to a lack of financial, human and social capital (Cooper, Gimeno, & Woo, 1994; Haber & Reichel, 2005).

Of these explanations, we chose to focus on social capital for various reasons. With respect to financial resources, there is a good deal of evidence to indicate that there are

disparities between demographic groups in terms of access to financial capital (Blanchflower, Levine, & Zimmerman, 2003; Cavalluzzo, Cavalluzzo, & Wolken, 2002; Coleman, 2004). Latinos have difficulty obtaining lines of credit (Shim & Eastlick, 1998), bank loans (Rosenthal, 2000; Smith-Hunter, 2006) and knowing how to manage debt (Shim & Eastlick, 1998). The research also demonstrates that Latino business owners lack relevant human capital such as educational background to run a business, pre-business owner experience (Smith-Hunter, 2006), the management skills and business savvy to successfully operate their ventures (Raijman & Tienda, 2000), and do not readily attend training workshops to enhance these skills (Gavino & Ortiz-Walters, 2011).

On the other hand, we know much less about the development and impact of social networks for this population of entrepreneurs though the limited research would suggest Latinos may be well positioned for networking. For example, Hispanic-owned small businesses are likely to be located in Hispanic majority neighborhoods (Birch, 2000) giving Latinos access to informal networks. Studies link collaboration in social networks with the entrepreneurial process of opportunity recognition as a result of business owners gaining vital information and resources from informal social networks, professional conferences and mentors ((Ozgen, 2009; Ozgen & Baron, 2007; Singh, Hills, Hybels & Lumpkin, 1999). Further, research on ethnic minority businesses note the importance of both the personal network and cultural dimensions of their social networks (Fadahunsi, Smallbone & Supri, 2000; Ozgen, 2012) highlighting that differences in community structures and cultural traditions can lead to differences in network intensity between ethnic communities (Ram, 1994). Moreover, Latino business owners tend to be involved in mentoring relationships ((Blancero, DelCampo, & Marron, 2007; Gonzalez-Figueroa & Young, 2005); and having social sources of support such as a mentor has been shown to be beneficial in recognizing opportunities for new ventures ((Ozgen & Baron, 2007). As well, their collectivistic values and approach to work ((Hofstede, 1986) suggest a relational-orientation that should make it much easier for Latino owners to develop network ties.

With the phenomenal growth of Latino businesses in the U.S. the relevance of this change agent is magnified. Combined with the fact that limited research exists, we turn our attention to a social network perspective to better understand the role of networking in the performance of Latino and Latina-owned enterprises.

### **A SOCIAL NETWORK VIEW OF LATINO AND LATINO-OWNED ENTERPRISES**

While a variety of ways have been presented to define networks, there is a general acceptance that personal or social networks includes the set of relationships designated by a business owner where there is direct, face-to-face contact with those individuals (BarNir & Smith, 2002; Ibarra, 1993). This is in contrast to the more recent and fast growing phenomenon of social media and its impact on marketing for the small business where interactions occur primarily, if not completely, via the use of technology. (Lacho & Marinello, 2010). PEW Research Center studies (2013) have distinguished both gender and cultural implications in social media. For example, young Hispanic males were less likely than young Hispanic females to use social networking sites for communication primarily with face to face interaction outside of work or school with their friends. However, in this paper, we are focused on the role of social networks rather than social media, although the latter seems important to consider as well but is beyond the scope of this study. For entrepreneurs, social networks are critical in linking resources and opportunities (Smith-Hunter & Boyd, 2004). Within the social network literature, there have been distinctions made with regard to types of networks (e.g., friendship networks;

innovation networks). In this study, we focus on informational networks that provide business-related advice, tips and information to entrepreneurs for starting and operating their businesses.

Social networks are conceptualized as having different properties. One factor or aspect that has been investigated at length is the size of the network (BarNir & Smith, 2002; De Carolis, Litzky, & Eddleston, 2009). This is reflected in the total number of contacts reported by the business owner with some networks consisting of few contacts (i.e., small networks) and others involving a larger number of personal relationships (i.e., large networks). Business start-ups benefit from networks with stronger quality and number of ties (Larson & Starr, 1993). Pinho and Sampaio de Sa (2013) found that underlying structural patterns of connected systems relate to entrepreneurial venture performance. We investigate the number of contacts in business owners' networks because network size is positively related to growth and initial performance (Aldrich, Rosen, & Woodward, 1987; Chandler & Hanks, 1993; Hansen, 1995).

Another important distinction made is that relations with others – often referred to as ties – can range in quality or strength (BarNir & Smith, 2002; Granovetter, 1973). That is, business owners may have close ties to some individuals in their networks that have defining characteristics such as strong levels of liking, closeness and trust. These are referred to as strong ties. Often, and especially for ethnic entrepreneurs, strong ties include links to family members, friends and the local community (Ram, 1994). In contrast, weak ties are those relationships with others where trust is limited and so is emotional closeness and reciprocity. Mutual trust and reciprocity are necessary to mobilize social capital as an asset in the venture development process (Galbraith, Rodriquez & Stiles, 2007). Weak, and more formal, ties can include membership in local business associations (Blisson & Rana, 2001) and networking with other business owners as these relationships tend to be more superficial in nature when compared to familial or communal exchanges.

Entrepreneurial venture growth is also related positively to the frequency of contact, which is measured by how often members of a network interact with each other (Hansen, 1995). High business performers tend to have more frequent communication with employees, customers, and financiers than lower performers (Van de Ven, Hudson, & Schroeder, 1984). Therefore, a final aspect we investigate is the networking behaviors of entrepreneurs and, in particular, how frequently they meet with others for obtaining business-related information such as market and economic trends that should help them run their businesses more effectively.

It has been suggested that while social networks can be beneficial to all entrepreneurs (De Carolis, Litzky, & Eddleston, 2009; Lechner, Dowling, & Welppe, 2006), the fact that they face many more challenges makes networking especially vital to the success of minority-owned business ventures (Assudani, 2009; Hisrich & Brush, 1986) due to the resources that can be realized. The resources or benefits of networks can be classified as expressive or intangible and include social support, friendship, and encouragement (Ibarra, 1993). Resources can also be instrumental or tangible in nature such as the provision of financial capital, exchange of job-related information, and advice-giving (Ibarra, 1993). Sandberg (2003) study confirms that women consider family and friends as the first source of resource support while men turn to professional acquaintances. Robinson & Stubberud (2009) confirmed this finding in their analysis of European Union data on business ownership and performance as results rendered women more likely than men to name family and friends as a source of advice, which may limit their access to vital information and resources.

To explore the potential contributions of networking for Latino male and Latina businesses, we draw from the literatures on ethnic minority entrepreneurship (e.g., Assudani,

---

2009; Chaganti & Green, 2002; Hisrich & Brush, 1986; Menzies, Fillion, Brenner, & Elgie, 2007; Ram, 1994), female entrepreneurship (Brush, 1992; DeCarlo & Lyons, 1979; Greene et al., 2003) and social network theory (Granovetter, 1985; Ibarra, 1993; Miller & Besser, 2005) to suggest that there will be an effect of ethnicity and gender on the composition of business owners' networks. We first turn our attention to the impact of ethnicity and gender on the size of business owners' networks. Cultural differences impact the rate of innovation and capacities for entrepreneurial activities (Torodovic & McNaughton, 2007). We then continue our discussion with an examination of network composition and our expectation that the degree to which strong versus weak ties is accessed will vary by the ethnicity and gender of the entrepreneur as well as influencing business owners' networking behaviors. Finally, we conclude our investigation with a look at the implications for firm performance of Latino owners utilizing social networks.

## **Comparison of Ethnicity and Gender on Size of Network**

### **Latinos vs. non-Latinos**

Several individual- and venture-level differences have been found among business owners that may provide an explanation for how and why ethnicity and gender impact the size of entrepreneurs' networks. First, very few Latinos form partnerships with other business owners to run a venture (Hisrich & Brush, 1986; Shim & Eastlick, 1998) preferring instead to be organized as sole proprietorships (Shim & Eastlick, 1998). However, a lack of partners may be a limiting factor in the size of their networks compared to non-Latino entrepreneurs. Latino business owners similarly forgo the opportunity to create new contacts as it has been found that they do not attend training workshops or seminars overall to a great extent (Gavino & Ortiz-Walters, 2011). Latinos also have ventures that are small as measured by the number of employees and are more likely to have never been in business before (Hisrich & Brush, 1986) in comparison to non-Latinos (Vincent, 1996). Not having previous business venture experience with an established network or a larger firm may potentially limit the number of contacts that business owners can access and may result in a comparatively smaller network. For example, one study found a positive correlation between number of alliances formed by a firm and the size of the owner/manager's network. In other words, as the number of alliances the firm makes with other firms increases, so does the size of the network of the owner/manager (BarNir & Smith, 2002).

### **Latinas vs. Latino males**

With regard to gender, Latinas employ significantly fewer workers than Latino male-owned ventures (Shim & Eastlick, 1998). Latinas have also been in business for fewer years than Latino males (Shim & Eastlick, 1998), which could mean that Latinas have not yet had sufficient time to develop many ties and form large networks from which to draw information and advice. Fewer numbers of contacts or smaller networks may explain why, when compared to Latino male entrepreneurs, Latina owners report many more business problems such as obtaining lines of credit and help with pricing strategies and customer database management (Shim & Eastlick, 1998). On the other hand, Latino males may not perceive these problems to the same extent as they draw support, information and advice from their larger networks. For example, Hispanic males feel they need less help with financial and accounting matters for their businesses compared to Hispanic females (Jones & Tullous, 2002). Finally, Latinas' gender and cultural preferences for strong ties may mean fewer interpersonal contacts in their networks than Latino

male business owners because the literature on social networks argues that strong ties, as compared to weak ties, require greater effort and time to maintain (Granovetter, 1985).

In all, it seems several personal and firm-level factors combine to constrain the size of networks of Latino owners compared to non-Latino entrepreneurs and Latinas compared to Latino male owners. Therefore, we argue that:

*H1 Latino entrepreneurs will have fewer contacts in their networks than non-Latino business owners.*

*H2 Latina entrepreneurs will have fewer contacts in their networks than Latino male business owners.*

### **Comparison of Ethnicity and Gender on Composition of Network**

With respect to Latino entrepreneurs, an interesting paradox exists in the literature in that two different and competing conceptual perspectives exist regarding how their ethnicity may impact their usage of strong versus weak network ties. Strong ties for entrepreneurs include family and close friends (Pinho & Sampaio de Sa, 2013) and are usually associated with the exchange of key information, resource generation, and tacit knowledge. Edelman, Bursh, Monolova and Greene (2010) studies found differences in minority and non-minority motivations and performance in entrepreneurial ventures. However, research on Latino entrepreneurial behavior has been limited and fragmented. (Canedo, Stone, Black & Lukaszewski, 2014; Shinnar & Young, 2008). As suggested by Menzies and colleagues "...the various theoretical perspectives utilized in the study of ethnic minority entrepreneurs has been found wanting by some scholars" (2007, p. 278). Thus, alternative views on the same issue seem warranted at this early stage in the development of the Latino entrepreneurship literature.

On the one hand, a cultural perspective highlights inclusion of family and close communal relations in the networks of ethnic entrepreneurs (Ram, 1994) especially in the Hispanic culture (Marin & Marin, 1991). Here it is argued that the role of strong ties – that is, family, personal friends, and community – in the start-up and day-to-day maintenance of the business are emphasized in Latino-owned enterprises (Zarrugh, 2007). For example, many Hispanics employ family (Smith-Hunter, 2006) and friends to work in the enterprise (Smith-Hunter & Boyd, 2004). Moreover, Hispanics are highly motivated to become entrepreneurs when there is the presence of an ethnic enclave - areas composed of businesses owned and operated by individuals of the same ethnic group where there is access to co-ethnic consumers, co-ethnic suppliers and where they can employ co-ethnic workers (Shinnar & Young, 2008). Presumably this creates the potential for greater access to strong ties for information gathering and advice-seeking.

On the other hand, according to a human capital (Coleman, 2004; 2007) as well as a structural perspective (Ibarra, 1993), it may be the case that Latinos seek information and advice more from weak ties. For instance, evidence suggests that minority entrepreneurs such as Latinos and Latinas do not have parents who themselves were previous business owners and/or had limited schooling (Hisrich & Brush, 1986; Shim & Eastlick, 1998) so they have few, if any, close role models to go to for support in running their businesses yet the importance of role models has been shown to impact both entry into self-employment and feelings of confidence as a business owner (BarNir, Watson, & Hutchins, 2011). This is especially critical for Latinos since overall, they have fewer years of experience running a business (Shim & Eastlick, 1998) and lower education levels compared to Whites (Smith-Hunter & Boyd, 2004). And, like other minority entrepreneurs they may have limited management skills, business knowledge and pre-ownership

experience (Hisrich & Brush, 1986). Thus, for Latino entrepreneurs, a human capital perspective may override the value of strong ties. In order to compensate for being disadvantaged to begin with, they may strategically go “outside” of their immediate circle or traditional network and seek assistance and information from out-group ties (Assudani, 2009). This would make a case for supporting the conjecture that they draw from weak ties more than strong ties. In support of this, Triana, Welsch, & Young (1984) found that Hispanic business owners sought information to solve a host of business problems from professional sources such as lawyers, bankers, and accountants the most. On the other hand, they did not seek any information for general management, operations, finance, or marketing problems from personal sources such as family, community and neighborhood ties (Triana et al., 1984). Finally, work conducted on the social networks of racial minorities in an organizational setting suggests that structural constraints in access to same-race relationships may shape their networks such that they use weak ties more than strong ties (Ibarra, 1993).

Since it is unclear from the literature, which view is dominant and both seem equally plausible, we posit the following competing hypotheses:

*H3a Latino entrepreneurs will be more likely to access strong network ties than weak network ties for business-related information.*

*H3b Latino entrepreneurs will be more likely to access weak network ties than strong network ties for business-related information.*

### **Latinos versus non-Latinos.**

Latinos prescribe to different cultural values than non-Latinos (Marin & Triandis, 1985; Van Auken, Stephens, Fry, & Silva, 2006; Vincent, 1996), which may have consequences for the composition of their networks and who they tend to rely on for information and support in operating their ventures. As collectivists, it would be expected that in-group, strong ties such as relationships with friends matter significantly more to Latino owners as they operate their businesses. The use of friends for business-oriented information limits risk for Latinos because strong ties serve as credible sources of information (Granovetter, 1985) and Hispanics dislike taking risks (Marin & Triandis, 1985). Moreover, being less individualistic (Marin & Triandis, 1985) means Latinos prefer to involve personal sources of information when seeking assistance for their ventures (Triana et al., 1984).

Another important cultural value that differentiates the Latino from the non-Latino and should have implications for social networking is their degree of attachment and loyalty to family (Marin & Marin, 1991). When it comes to the decision-making process, Mexican owners are influenced by the number of family members employed in the venture (Vincent, 1996), thus relatives appear to serve in a capacity as advisors for business-related matters. Moreover, close familial ties including fathers, mothers, siblings and other relatives are more influential in determining the entrepreneurial career intentions of Mexicans than non-Mexicans, whose intentions are influenced more by other non-relatives (Van Auken et al., 2006).

While some research finds contradictory expected relationships – for example, Vincent (1996) finds family support to be more important to Anglo-American owners when making entrepreneurial decisions than Mexican-Americans – the vast majority of the literature would indicate that, at least in the context of being a business owner, differences in cultural values and

expectations would mean Latinos seek out information more from strong ties than non-Latinos, who would be expected to draw more heavily from weak ties.

*H4a Latino entrepreneurs will be more likely to access strong network ties than non-Latino entrepreneurs for business-related information.*

*H4b Non-Latino entrepreneurs will be more likely to access weak network ties than Latino entrepreneurs for business-related information.*

### **Latinas versus Latino males.**

Aside from cultural issues, gender should also play a role in the strength of network ties of business owners especially in the Latin American culture where gender roles are very well defined and established (Hofstede, 2001). Specifically, the emphasis on emotional closeness and the relational aspects of female interactions in the Hispanic culture are expected to result in gender differences such that Latina owners will access strong ties more than Latino male owners, who will emphasize weak tie networking.

Latinas are more likely than other women entrepreneurs to have a strong family presence in the business. In one study, 75% of Latina business owners reported immediate family being involved in the day-to-day operations of their ventures (Rosenthal, 2000). This may explain why, in a comparative analysis of business owners, Latinas were found to depend significantly more on information from spouses and family than Latino males (Shim & Eastlick, 1998). Moreover, minority female entrepreneurs like Latinas tend to start their businesses at an older age (DeCarlo & Lyons, 1979) presumably for childcare reasons and spending time as homemakers for so long may provide greater access to strong familial and friendship ties. While studies find that female's propensity for creativity is strongly correlated with entrepreneurial intentions, this characteristic is not supported as a motivator for Latina business start-ups (Phipps, 2012).

In contrast, Latino males use more formal information sources such as accountants and lawyers to a greater extent than Latina owners when seeking information for their businesses (Shim & Eastlick, 1998). Findings in a predominantly Hispanic male sample similarly show they use professional weak ties the most (Triana et al., 1984). Latinas, on the other hand, have reported limited help from different sources in their networks (other than family) at both start-up and during the operating stage of the business including organizations that assist small firms (Smith-Hunter, 2006). Thus, we expect that Latinas will seek advice and information from strong ties – that are based on intense, predictable interactions – more so than Latino males.

*H5a Latina entrepreneurs will be more likely to access strong network ties than Latino male entrepreneurs for business-related information.*

*H5b Latino male entrepreneurs will be more likely to access weak network ties than Latina entrepreneurs for business-related information.*

### **Comparison of Ethnicity and Gender on Networking Behaviors**

Studies have demonstrated that differences exist in gender and ethnicity factors where networks are established and maintained (Chell, Haworth, & Brearley, 1991; Dhaliwal, 2000).

---

Social networking by minority entrepreneurs is moderated and driven by the norms and practices of culture (Klyver & Foley, 2012). Social capital is a catalyst for entrepreneurial productivity and influenced by the cultural context (Light & Dana, 2013). Specifically, the research on network orientation (Phelan, Davidson, & Yu, 1998) suggests that ethnicity and gender influence both: a) network skills impacting the actor's ability to adapt to environmental demands, stressors, and opportunities; and b) frequency of contact with other business owners.

### **Latinos vs non-Latinos.**

Hispanic entrepreneurs may be more influenced by family social capital for business start-up decisions and preparation than non-Hispanics (Chang, Memili, Chrisman, Kellermanns, & Chua, 2009). Regarding this, Hispanic males were found to contact Small Business Development Centers (SBDCs) less frequently for accounting help than Anglo males and Anglo females (Jones & Tullous, 2002). Latinos may network less frequently with other business contacts because they do not feel comfortable networking. This proposition is indirectly supported by Lewellen-Williams and colleagues (2006), who found among a sample of minority professionals that the vast majority reported needing assistance with networking skills the most. The lower frequency of use of their networks could also be related to how Latino entrepreneurs, as compared to non-Latino owners, perceive networking. For example, Latinos might see using others from one's network for personal gain as exploitative (Blancero & DelCampo, 2005) rather than as a win-win situation discouraging them from networking more frequently. An additional factor that could account for ethnic differences in frequency of networking behaviors is job-choice dispositions or preferences. When compared to Anglo-Americans, Hispanic-Americans are more likely to prefer time off from work (Stone, Johnson, Stone-Romero, & Hartman, 2006). If Hispanics view networking as a function of working for the business, they may be less inclined to engage in it, especially as it may interfere with family life. Therefore, we predict that:

*H6 Latino entrepreneurs will meet less frequently with other business owners than non-Latino entrepreneurs.*

### **Latinas vs Latino males.**

As Triana and his colleagues point out: "Since the problems they experience tend to determine how entrepreneurs spend their time, this [problem-based] approach could help determine how Hispanic business owners allocate their managerial efforts" (1984: 43). Furthermore, a cultural perspective (Hofstede, 2001) complements a problem-based perspective in predicting how frequently Latina and Latino male entrepreneurs interact with other business owners in their personal networks.

In the Hispanic culture, gender roles and values are clearly defined with Hispanic men being encouraged to be aggressive, show their machismo and to be independent. It is reasonable therefore to project that the cultural drivers of the male Latino would present a lower proclivity to "help-seeking" orientation (Stanton-Salazar, Chavez, & Tai, 2001) necessary for the networking process. But these are not the qualities expected of or reinforced for Hispanic females, which may limit their self-confidence in running a business venture, influence their perceptions of their abilities to handle problems (Jones & Tullous, 2002) and ultimately impact their networking or information-seeking behaviors to solve those problems (Triana et al., 1984). For example, female owners identify different information needs than male owners (Nelson,

1987), specifically, Hispanic females feel they need more help with financial and accounting matters for their businesses compared to Hispanic males (Jones & Tullous, 2002). Therefore, it is no surprise that Latinas were found to seek assistance for business needs from SBDCs more often than Latino males, spending significantly more time with SBDC consultants in person (Jones & Tullous, 2002). Moreover, research indicates that Latina female owners experience a great number and variety of business-related problems (Smith-Hunter, 2006) in comparison to Latino male owners (Shim & Eastlick, 1998). The number and variety of problems faced by Latinas – combined with the fact that women report lower levels of entrepreneurial self-efficacy than men (Chowdury & Endres 2005) – should correlate positively with the frequency of meeting their network contacts to try to remedy the problems.

Thus, by combining a problem- and culture-based perspective, we expect to find that Latina entrepreneurs will interact with other business owners for support, information and business advice more than Latino male business owners.

*H7 Latina entrepreneurs will meet with other business owners more frequently than Latino entrepreneurs.*

### **The Impact of Networking on Firm Performance**

The goal of this study was guided by the fact that, for Hispanic firms, the earning potential is lower and the failure rates higher in comparison to non-Hispanic-owned businesses (Carvajal, 2004; Hisrich & Brush, 1986). At the same time, social networks and the ability to create social capital have been proposed as one avenue for promoting firm performance (Aldrich et al., 1987; Baron & Markman, 2003; Chandler & Hanks, 1993; Hansen, 1995), such as survivability and growth, because networks make instrumental and expressive resources available to business owners (Smeltzer & Fann, 1989). Thus, in this section, we explore the performance implications of network composition and behaviors for Latino-owned ventures since they typically have limited human and financial resources to start and operate a business (Cooper et al., 1994; Haber & Reichel, 2005).

Strategic decision-making and planning should correlate positively to firm performance yet, Vincent (1996) finds Mexican-American entrepreneurs to be less likely than Anglo-American owners to a priori formulate decision-making criteria when evaluating whether they would pursue a venture project or not. It may be the case that since they lack business relevant human capital, Hispanic owners do not understand or appreciate the value of decision-making and planning and thus need role models and mentors, which may be gained via networking. A specific example of this comes from Mexican-owned enterprises, which act as training grounds for would-be Mexican entrepreneurs. More specifically, Rajjman and Tienda (2000) found that Mexicans owners who previously worked for other Mexican entrepreneurs acquired business-relevant skills to help them establish and manage their own venture enterprises. In addition, they were provided with technical and financial assistance from their former bosses (Rajjman & Tienda, 2000), which should help them in growing their businesses and make their firms more competitive for increased sustainability.

Latino business owners appear to draw on social networks composed of close ties such as relatives and friends (Zarrugh, 2007) and these close ties should also affect training opportunities since Latino business owners will usually prefer their family members when assigning managerial or supervisory responsibilities (Rajjman & Tienda, 2000) due to high levels of “confianza” or trust (Zarrugh, 2007). Strong ties seem to be further beneficial for firm

performance in Hispanic-owned firms. Those which employed more family members, compared to those with fewer, were also more likely to have well-established decision-criteria and strategies for evaluating venture failure or success (Vincent, 1996). However, their interactions are not limited to just strong ties. Research documents that they draw from some sources outside of the co-ethnic community and reach out to others, even non-Latinos, such as previous bosses, vendors and landlords (Zarrugh, 2007) and networking, even with weakly-held ties, provides access to learning about and recognizing new business opportunities (Ozgen & Baron, 2007; Farr-Wharton & Brunetto, 2007) as does networking with strong ties. Additional resources obtained through the networks of business owners include ideas and advice, emotional support, referrals to other business contacts (Diaz Garcia & Carter, 2009; Ibarra, 1993; Klyver, 2011) and inter-firm cooperation (BarNir & Smith, 2002). For all of these reasons, we expect that the different aspects of networks of Latinos should contribute positively to the growth and sustainability of their firms.

- H8      *Networking (strong ties, weak ties, frequency of contact) will be positively related to the growth of Latino-owned firms.*
- H9      *Networking (strong ties, weak ties, frequency of contact) will be positively related to the survivability of Latino-owned firms.*

## METHODS

### Sample

Our sample consists of 176 small business owners who attended a series of workshops in two Chicago communities with a strong minority population. The data collected was part of a larger survey developed for the workshops with the purpose of identifying the business owners' needs as well as their access and use of people in their communities for information related to starting and operating their businesses. The survey was available in both English and Spanish, as the workshops were bilingual. Some business owners chose to complete the survey on-line, also available in both languages.

Of the business owners who reported demographic information, 56% were Latino; 43% were female; 6.3% younger than 30; 21% were between 30 and 40 years of age; 38% between 41 and 50; and 14% were older than 50. With regards to the businesses, 78% reported employing less than five employees; 9% employed between 6 and 10; 11% between 11 and 20; 1% between over 20 and 50 and 1% over 50 workers. Ten percent had been in business less than 1 year; while 47% between 1 and 5 years; 17% between 5 and 10 years; and 27% over 10 years.

### Variables

Business owners reported their *gender* on the questionnaire, which was subsequently coded as 1=Male and 2=Female. Business owners reported their *ethnicity* as well and this variable was coded as 1=Latino and 0=non-Latino.

We established four networking variables to measure network composition and behaviors. Participants were asked to answer the question "How did you find out about offices and services to contact when starting your business?" They were able to check one or more of

the following options: a family member, another business owner, a personal friend, or a local business association. A numeric value of one represents *strong ties* for those who contacted a family member or a personal friend and zero for those that did not contact either. The same coding of one and zero was used to designate *weak ties* for those who contacted either another business owner or a local business association. *Total contacts* represent an index created by adding the number of choices selected by each entrepreneur, thus the maximum could be 4 network contacts. To measure their *frequency of contact*, owners were asked to designate “how often do you met with other business owners to talk about operating your business” by choosing one of the following options: weekly, monthly, annually, or rarely/never.

To assess the performance of their firms, business owners were asked to report the number of years in business, which we utilized as a measure of *survivability*. Business owners were asked to also report the number of workers employed in their ventures; this was used as a measure of firm *growth*.

## Analysis

Several analyses were undertaken to test the hypotheses. T-tests were conducted to test Hypotheses 3a and 3b. We conducted univariate general linear modeling (GLM) using SPSS to test Hypotheses 1, 2, and 4 through 7. Since the properties of social networks are likely to be inter-related (Ibarra, 1993), using GLM allowed us to partial out extraneous effects in order to get a more realistic picture of the social networks of Latino business owners. For example, the strength of ties has been shown to be significantly correlated with the number of contacts in a network (BarNir & Smith, 2002). Moreover, research suggests that networks may differ based on gender and ethnicity (Ibarra, 1993).

To assess the impact of networking on firm performance, specifically, growth (Hypothesis 8) and survivability (Hypothesis 9), we ran hierarchical regression analyses controlling for the possible effects of other variables. Doing this gives us a more conservative assessment of the impact of networking and allows us to better understand whether and how networking matters for the performance of Latino-owned ventures. Thus, in the first step of the regression equation, we entered the control variables and, in the second step, all of the variables associated with networks were entered together.

## Findings

We compared the competing hypotheses regarding network composition for Latino entrepreneurs by testing the means associated with the variables strong and weak ties. Our finding did not support Hypothesis 3a but, rather the alternative Hypothesis 3b that Latino entrepreneurs are more likely to access weak ties than strong ties ( $t = 4.960$ ;  $p < .001$ ). This means that they seek information from other business owners and local business associations ( $x = .3625$ ) significantly more than from family and friends ( $x = .2375$ ).

We then compared the number of contacts that Latino versus non-Latino entrepreneurs access, controlling for gender. Our finding suggests that Latino entrepreneurs did indeed have fewer contacts than non-Latino business owners ( $p < .046$ ), supporting Hypothesis 1. To test for differences in usage of strong ties, we controlled for gender and weak ties (Hypothesis 4a) but, the result was opposite to what we predicted. It appears that non-Latino owners were relying more on strong ties than Latinos ( $p < .10$ ). After controlling for gender and strong ties, no differences exist in the utilization of weak ties between non-Latinos versus Latinos, rejecting

Hypothesis 4b. Regarding frequency of contact, our finding suggests that Latino entrepreneurs meet with other business owners less often than non-Latino entrepreneurs ( $p < .043$ ; controlling for gender, strong ties, weak ties) thereby supporting Hypothesis 6.

In Hypothesis 2, we argue that Latina entrepreneurs have fewer contacts in their networks than Latino male business owners. In order to assess this, we controlled for composition of network (strong and weak ties) in the analysis and found that Latino males have more network contacts than Latina entrepreneurs ( $p < .071$ ) supporting Hypothesis 2. Our results also suggest that Latina entrepreneurs access family and friends more than Latino male entrepreneurs when we controlled for weak ties ( $p < .088$ ), while Latino male entrepreneurs seem to contact business associations and other business owners more than Latina entrepreneurs after controlling for strong ties ( $p < .046$ ). Therefore, our findings support both Hypotheses 5a and 5b. However, there was no difference in how often Latina entrepreneurs met with other business owners compared to Latino male entrepreneurs. Therefore, we found no support for Hypothesis 7. Results are summarized in Table 1.

	Latino	N	Non-Latino	N	F	Sig.	Latino Males	Latinas	F	Sig.
Total Contacts	.5152	99	.7222	54	4.031 <sup>1</sup>	.046*	.6364	.6250	3.353 <sup>3</sup>	.071 <sup>+</sup>
Strong Ties	.1919	99	.2963	46	2.713 <sup>2</sup>	.10 <sup>+</sup>	.2273	.2500	2.993 <sup>6</sup>	.088 <sup>+</sup>
Weak Ties	.3030	99	.3704	54	1.428 <sup>3</sup>	ns	.4091	.3056	4.102 <sup>7</sup>	.046*
Frequency of Contacts	.7610	98	1.268	50	4.160 <sup>4</sup>	.043*	.9091	.8889	.000 <sup>8</sup>	ns

\* $p < .05$

<sup>+</sup>  $p < .10$

n = 44 for Latino male owners; n = 36 for Latina owners.

<sup>1</sup> Controlled for gender; <sup>2</sup> Controlled for gender and weak ties; <sup>3</sup> Controlled for gender and strong ties; <sup>4</sup> Controlled for gender, strong ties and weak ties; <sup>5</sup> Controlled for strong ties and weak ties; <sup>6</sup> Controlled for weak ties; <sup>7</sup> Controlled for strong ties; <sup>8</sup> Controlled for strong ties and weak ties.

The results of the multiple regression analyses are reported in Table 2. Hypothesis 8 predicted that strong ties, weak ties, and frequency of contact would each positively influence firm growth; and Hypothesis 9 predicted that strong ties, weak ties, and frequency of contact would each be positively related to firm survivability, controlling for gender in both models. Support was found for frequency of contact positively predicting growth in Latino-owned firms ( $B = .37$ ,  $p < .001$ ). Therefore, the results partially support Hypothesis 8; however no support was found for the networking variables predicting firm survivability in Hypothesis 9.

	Growth (# of employees)		Survivability (# of years in business)	
	B	$\Delta R^2$	B	$\Delta R^2$
<b>Step 1:</b>				
Gender	-.09		.05	
<b>Step 2:</b>				
Strong Ties	.07		-.03	
Weak Ties	.08		.02	
Frequency of Contacts	.37*		.05	
		.146		.01
F-statistic	3.408*		0.137	
Total R <sup>2</sup>	.15		.01	

n=79 for the Latino and Latina sample only. Model statistics are Betas (standardized coefficients).

\* $p < .001$

## DISCUSSION

A study of highly successful Cuban-American entrepreneurs noted that some of the business owners mentioned the importance of networks – social relationships, collaborations, business and political contacts – yet, the extent to which personal networks promote a supportive environment for Latino entrepreneurship is still very limited and remains indiscernible (Peterson & Roquebert, 1993). Our empirical findings suggest that some aspects of networks may indeed create the supportive conditions and context for Latino-owned ventures to thrive however, our results also show that other properties of social relationships have little to no association with firm performance. Findings from the study also highlight differences in the structure and use of network ties among ethnic groups and by gender therefore, further theoretical examination on the relationship between the properties of social networks, networking behaviors and the performance of Latino-owned ventures is warranted.

### Latino versus non-Latino Differences

Latino entrepreneurs demonstrated a proclivity to access weak network ties more than strong network ties for business-related information. This result is contradictory to the strongly characterized Latino socialization as family-oriented suggesting they are more inclined to include strong (family, friends) social ties in business but, as such, the finding makes a significant contribution to the ethnic entrepreneurship literature by demonstrating that, despite pressures to conform to cultural norms, Latino entrepreneurs do recognize the value of building relationships among the non-core weak ties that are more functional and critical to their business operations. Recognition of their value is more explicitly seen and pronounced in that their efforts in utilizing weak ties were similar to those of non-Latino entrepreneurs.

Though this is good news from a purely business perspective, the bad news is that Latino entrepreneurs had fewer contacts in their networks and meet less frequently with them than non-Latino business owners. Despite their recognition of the value of seeking more functional ties and resources offered outside of their core social circle of family and friends, what these findings suggest is that this diverse entrepreneur remains restricted by either behavioral, social or institutional obstacles to reaching equal opportunity in network size and diversity critical for venture performance. For example, the quantity and diversity of network relationships are fundamentally characterized by the ability to establish trust (Stanton-Salazar et al., 2001) which is a key factor in the role social networks play in ethnic business development (Fadahunsi et al., 2000). Minority entrepreneurs traditionally look inside of their own group to develop those strong bonds of mutual solidarity, trust (Bonacich & Modell, 1980), and social capital (Butler & Greene, 1997). The ethnic entrepreneur's establishment of this social capital is based on establishing a culture of trust and tolerance in their voluntary associations and networks (Welzel, Inglehart, & Klingemann, 2003) and may represent a challenge to establishing the diversity of contacts outside of their ethnic enclaves necessary for entrepreneurial venture success. Viewing network size and composition from this socio-economic perspective suggests a need for future research that explores in greater detail the role of trust, the establishment of trust inside and outside of the ethnic enclave as well as the specific nature of the formation and maintenance of strong and weak tie networking.

---

Another difference our study indicated is that non-Latino entrepreneurs will be more likely than Latino entrepreneurs to access strong network ties for business-related information. On the surface this seems like a counter-intuitive difference in that it can be expected ethnic entrepreneurs would be rooted in communities with businesses functioning as ethnic enclaves (Chaganti & Greene, 2002) and therefore core strong network ties may be easily accessible to Latino entrepreneurs. However, these strong ties may unlikely provide the skills, knowledge, and resources that would be useful for the Latino entrepreneur whereas it is more likely that the strong network ties for non-Latino entrepreneurs would have the experience, resources, and connections that would be useful to share, providing an explanation in usage of strong ties between the varying ethnic groups.

### **Latina versus Latino male Differences**

Despite the extensive growth in the Latino population and business start-ups, the research on the Latino small business owner is very limited (Gavino & Ortiz-Walters, 2011) and even less available on the Latina entrepreneur. Our study found that Latina entrepreneurs compared to Latino male entrepreneurs will: a) have fewer network contacts, b) be more likely to access strong network ties; and c) be less likely to access weak network ties for business-related information. These findings are counter-intuitive to the more traditional perspective on female entrepreneurship where studies have found no significant gender differences in terms of entrepreneurs' psychological traits of growth-orientation (Sexton & Bowman-Upton, 1990); activity levels in networking (Cromie & Birley, 1992); or consultation levels with family and friends (Birley, Cromie, & Myers, 1991; Cromie & Birley, 1992). In as far as the results generalize, our study make a compelling contribution to the emerging literature on female entrepreneurship since the findings highlight the uniqueness of Latina business owners and the implication is a need for continued research on this sample of entrepreneurs.

When further evaluating why we may find gender difference in networking among the Latino business community, we turn to the social psychology literature. Social psychological aspects of social embeddedness involve the proclivity of individuals to have help-seeking orientation and openness to support in times of need (Stanton-Salazar et al., 2001). Social research notes that the relationship between the perceived availability of support and the willingness to ask for support (Stanton-Salazar et al., 2001; Vaux, Burda, & Stewart, 1986) influences the strength of network building and varies by gender. Female relationships are often characterized by intimacy and emotional support (Youniss & Smoller, 1985) resulting in a larger base of strong social support than males as women, such as Latinas, are more willing and likely to ask for support (Turner, 1994). On the other hand, the family orientation of the Latino culture and the lower access to organizational work experience may have contributed to more centralized efforts of networking with fewer contacts by the Latina entrepreneur. Finally, traditional male gender socialization roles are instructed early in life to resist help-seeking orientations and emotional displays and to focus more on independence, competitiveness, and providing more practical or task-focused instrumental support (Blyth & Foster-Clark, 1989). Even more socially embedded in this direction is the male Latino whose characterization of "maschismo" is viewed as a favorable asset in the community. These Hispanic cultural orientations would suggest explanations for the findings on the greater reliance of weak ties by Latino males than Latina business owners.

## **Social Networks and the Performance of Latino ventures**

The personal network of the entrepreneur has been viewed as being one of the most strategically significant resources of the firm (Johannisson, 1990) and positively correlated with venture performance (Aldrich et al., 1987; Hansen, 1995). For these rapidly emerging Latino businesses, the frequency of contact with the network (Duchesneau & Garner, 1988) impacts firm growth as measured by employee size. This result confirms prior research on the impact of social networks on performance (Aldrich et al., 1987; Chandler & Hanks, 1993) but is a new finding not yet shown for Latinos and implies that the building of networking skills and competencies would be a valuable and critical asset for the businesses of Latino entrepreneurs. From the practitioner perspective, this finding suggests Latino and Latina entrepreneurs would benefit greatly by an increase in training workshops that address the more subtle skill development in networking through face to face with weak (but also strong) ties. This is because establishment of and interactions with formal networks differs from the more social exchanges with strong social ties that seem to be their comfort area especially for the Latina owner. Network relationships with suppliers, customers, intermediaries, and professional or trade associations must be learned to be developed as they are important factors affecting innovation performance and productivity (Pittaway, Robertson, Munir, Denyer, & Neely, 2004).

### **Limitations**

The data for this study were sourced from workshops held in Chicago with Latino and non-Latino business owners. The relatively small sample size is not optimal and presents a limitation to this study therefore, we consider the data directional in nature. While Chicago presents the sixth largest city for Hispanic population and the seventh largest state for Hispanic business owners, we recognize that the results may have challenges being generalizable across other geographically dense locations in the U.S. for Latino small business ownership nevertheless, it offers a starting point by which to quantify the effects of networking and consequences for firm performance.

### **Concluding Thoughts and Future Research**

Both the process of networking and the structure of the individual personal network have been strategically tied to venture performance. Minority and women business owners have the strongest growth in new start-ups nationally but, they continue to lag behind in building networks. The smaller network of the ethnic/minority entrepreneur is a function of historically fewer minorities in organizations and business overall (Knouse & Webb, 2001) based on restrictions to opportunities in both organizational contexts and mainstream entrepreneurial ventures. This explanation is in line with Granovetter's (1985) theory of embeddedness where social relations are related to institutional agents, social hierarchies, or the old boy's networks. These groups often systematically exclude the out-group represented by members who are diverse in race, ethnicity, religion, class, and gender. Therefore, excluded from informed strong social ties and restricted by the nature of out-group membership, the Latino entrepreneur's network size is restricted. The resulting questions now are how to increase network size, despite the barriers for both Latino and Latina entrepreneurs, and create opportunities for strengthening and sustaining both strong and weak ties. In other words, what type of research can we, as scholars, engage in that adds value in providing an "equal opportunity" to network development?

---

Our study focused on size, frequency, and strength of ties among Latino, Latina, and non-Latino entrepreneurs and found there to be significant differences in these network properties. However, other important network features for consideration include density, composition (e.g., specific status of contacts), the degree of homophily among personal contacts, as well as network range or diversity (Marsden, 1990). Longitudinal studies of these factors would help address questions of which properties of social networks are correlated with the number of years in business since the dependent variable of business survival has limited research overall and the contribution to minority and Latino entrepreneurship would be positive.

A next step in support of equal access to networking could include further investigation of Latino owners and their proclivity, skills, knowledge and attitudes about technology and the use of technology. Knouse and Webb (2001) suggest that the use of virtual networking and technology would help to address the innate barriers faced by minority entrepreneurs. Lacho & Marinello (2010) convey that the future impact of technology on the capacity to build social networks represents a strong consideration for the entrepreneurial practitioner and researcher. By utilizing technology to increase the more formalized networking process, it may be an equalizer for this target group. Latino business owners' capacity for technology adoption may impact the social network development and influence subsequent access to resources and venture sustainability. The questions that arise from this stream of research include: how do Latino entrepreneurs currently use and perceive technology and, what is their level of competency and how does it fit with the cultural orientation for more face-to-face interactions?

Finally, the limited research available on the behavior and motivation drivers of the ethnic enclave would provide another layer of understanding to this rapidly emerging group of change agents and entrepreneurs. Specifically, a potential obstacle for Latino entrepreneurs in building the diversity of their networks despite their openness to focusing on weak ties could be the inherent cultural value for establishing trust. When trust exists, people are more willing to provide information (Andrews & Delahay, 2000) but, how is trust established outside of the ethnic enclave? Research on the antecedents of establishing trust among entrepreneurs and exploration of the levels of trust necessary to engage in business may provide interesting insights into this cultural orientation. For example, some Latino business owners are expanding and exceeding the Latino market in conducting business as reported by business associations such as the Latin American Chamber of Commerce of Charlotte, North Carolina. But, what accounts for Latino entrepreneurs who do move beyond an ethnic enclave—consisting of a Latino market, Latino suppliers, and Latino labor force? What factors internally and externally motivate this decision or predict this capacity? So many questions remain, thus more research needs to examine these and other issues for the Latino and Latina business owner to generate actionable knowledge that supports entrepreneurial success.

## ENDNOTES

- 1 For the purposes of this research, we use the terms Hispanic and Latino interchangeably to refer to individuals of Spanish descent such as Puerto Rican, Cuban, Mexican and Latin American.
- 2 Latinas refer to a woman of Hispanic or Latino descent.
- 3 Latino males refer to a man of Hispanic or Latino descent.

## REFERENCES

- Aldrich, H., B. Rosen, & W. Woodward (1987). The impact of social networks on business founding and profit: A longitudinal study. *Frontiers of Entrepreneurship Research*, 7(154), 68.
- Andrews, K.M., & B.L. Delahay (2000). Influences on knowledge processes in organizational learning: The psychosocial filter. *Journal of Management Studies*, 37, 797-810.
- Assudani, R. (2009). Ethnic entrepreneurship: The distinct role of ties. *Journal of Small Business & Entrepreneurship*, 22(2), 197-205.
- BarNir, A. & K.A. Smith (2002). Interfirm alliances in the small business: The role of social networks. *Journal of Small Business Management*, 40(3), 219-232.
- BarNir, A., W.E. Watson, & H.M. Hutchins, (2011). Mediation and moderated mediation in the relationship among role models, self-efficacy, entrepreneurial career intention, and gender. *Journal of Applied Social Psychology*, 41(2), 270-297.
- Baron, R.A. & G.D. Markman (2003). Beyond social capital: The role of entrepreneurs' social competence in their financial success. *Journal of Business Venturing*, 18, 41-60.
- Birch, D. (2000, September). Small business research summary: Analysis of Hispanic-owned companies. Retrieved on August 1, 2014 from <http://www.sba.gov/advocacy/archived-owner-demographic-economic-research>.
- Birley, S., S. Cromie, & A. Myers (1991). Entrepreneurial networks: their emergence in Ireland and overseas. *International Small Business Journal*, 9(4), 56-74.
- Blancero, D.M., & R.G. DelCampo (2005). Hispanics in the workplace: Experiences with mentoring and networking. *Employment Relations Today*, 32(2), 31-38.
- Blancero, D.M., R.G. DelCampo, & G.F. Marron (2007). Hired for diversity, rewarded for conformity: retaining Hispanic talent in corporate America. *Business Journal of Hispanic Research*, 1, 13-25.
- Blanchflower, D., P. Levine, & D. Zimmerman (2003). Discrimination in the small business credit market. *Review of Economics & Statistics*, 85, 930-943.
- Blisson, D., & B.K. Rana, (June, 2001). The role of entrepreneurial networks: The influence of gender and ethnicity in *British SMEs. Presented at 47th ICSB World Conference*, Taipei, Taiwan.
- Blyth, D.A., & F.S. Foster-Clark (1987). Gender differences in perceived intimacy with different members of adolescents social networks. *Sex Roles*, 17, 689-719.
- Boden, R.J., & B. Headd, B (2002). Race and gender differences in business ownership and business turnover: An empirical study using a new, unique data series. *Business Economics*, 37(4), 61-72.
- Bonacich, E., & J. Modell (1980). *The economic basis of ethnic solidarity: Small business in the Japanese American community*. Berkeley, CA: University of California Press.
- Bruner, D.C. (2011). Identifying and comparing characteristics of successful minority and majority businesses. *McNair Scholars Research Journal*, 3(1), 8.
- Brush, C.G. (1992). Research on women business owners: Past trends, a new perspective and future directions. *Small Business Critical Perspectives in Business and Management*, 1038-70.

- 
- Butler, J.S., & P.G. Greene (1997). Ethnic Entrepreneurship: The continuous rebirth of American Enterprise. In D.L. Sexton & R.W. Smilor (Eds.), *Entrepreneurship 2000* (pp. 267-287), Chicago, IL: Up Start Publishing Company.
- Canedo, J.C., D.L. Stone, S. Black, & K. Lukaszewski (2014). Individual factors affecting entrepreneurship in Hispanics. *Journal of Managerial Psychology*, 29(6), 9-9.
- Carvajal, M.J. (2004). Measuring economic discrimination of Hispanic-owned architecture and engineering firms in South Florida. *Hispanic Journal of Behavioral Sciences*, 26(1), 79-101.
- Cavalluzzo, K., L. Cavalluzzo, & J. Wolken, (2002). Competition, small business financing, and discrimination: Evidence from a new survey. *Journal of Business*, 75, 641-680.
- Chaganti, R., & P. Greene (2002). Who are ethnic entrepreneurs? A study of entrepreneurs' ethnic involvement and business characteristics. *Journal of Small Business Management*, 40(2), 126-143.
- Chandler, G.N., & S.H. Hanks (1993). Measuring the performance of emerging businesses: A validation study. *Journal of Business Venturing*, 8, 391-408.
- Chang, E.P.C, E. Memili, J.J. Chrisman, F.W. Kellermanns, & J.H. Chua, J.H. (2009). Family social capital, venture preparedness, and start-up decisions: A study of Hispanic entrepreneurs in New England. *Family Business Review*, 22(3), 279-292.
- Chell, E., J. Haworth, & S. Brearley (1991). *The entrepreneurial personality-concepts, cases and categories*. London, England: Routledge.
- Chowdhury, S., & M.L. Endres (2005). Gender Difference and the Formation of Entrepreneurial Self-Efficacy. *Entrepreneurship in a Diverse World*, 8, 2005.
- Coleman, S. (2004). Access to debt capital for women- and minority-owned small firms: Does educational attainment have an impact? *Journal of Developmental Entrepreneurship*, 9(2), 127-143.
- Coleman, S. (2007). The role of human and financial capital in the profitability and growth of women-owned small firms. *Journal of Small Business Management*, 45(3), 303-319.
- Cooper, A.C., J. Gimeno, & C.Y. Woo (1994). Initial human and financial capital as predictors of new venture performance. *Journal of Business Venturing*, 9, 371-395.
- Cromie, S., & S. Birley (1992). Networking by female business owners in Northern Ireland. *Journal of Business Venturing*, 7(3), 237-251.
- DeCarlo, J.F., & P.R. Lyons (1979). A comparison of selected personal characteristics of minority and non-minority female entrepreneurs. *Journal of Small Business Management*, 17(4), 22-29.
- De Carolis, D.M., B.E. Litzky & K.A. Eddleston (2009). Why networks enhance the progress of new venture creation: The influence of social capital and cognition. *Entrepreneurship Theory & Practice*, 33(2), 527-545.
- DeMartino, R., & R. Barbato (2002). Differences between women and men MBA entrepreneurs: exploring family flexibility and wealth creation as career motivators. *Journal of Business Venturing*, 18, 815-832.
- Dhaliwal, S. (2000). Entrepreneurship – a learning process: the experiences of Asian female entrepreneurs and women in business. *Education and Training*, 42(8), 445 – 453.
- Diaz Garcia, M.C, & S. Carter (2009). Resource mobilization through business owners' networks: Is gender an issue? *International Journal of Gender and Entrepreneurship*, 1(3), 226-252.
-

- Duchesneau, D.A., & W.B. Garner (1988). A profile of new venture success and failure in an emerging industry. In B.A. Kirchoff (Ed.), *Frontiers of Entrepreneurship Research* (pp. 372-386). Babson College, Wellesley, MA.
- Edelman, L.F., C.G. Brush, T.S. Manolova, & P.G. Greene (2010) Start up motivations and growth intentions of minority nascent entrepreneurs. *Journal of Small Business Management*, 48(2), 174-196.
- Fadahunsi, A., D. Smallbone, & S. Supri (2000). Networking and ethnic minority enterprise development: Insights from a North London study. *Journal of Small Business and Enterprise Development*, 7(3), 228-240.
- Farr-Wharton, R., & Y. Brunetto, (2007). Women entrepreneurs, opportunity recognition and government-sponsored business networks. *Women in Management Review*, 22(3), 187-207.
- Galbraith, C.S., C.L. Rodriguez, & C.H. Stiles (2007). Social capital as a club good: The case of ethnic communities and entrepreneurship. *Journal of Enterprising Communities: People and Places in the Global Economy*, 1(1), 38-53.
- Gavino, M.C., & R. Ortiz-Walters (2011). Use of business resources by Latino and Latina entrepreneurs: Toward a better understanding of this under-utilization dilemma. *Business Journal of Hispanic Research*, 5(1), 16-30.
- Gonzalez-Figueroa, E., & A.M. Young (2005). Ethnic identity and mentoring among Latinas in professional roles. *Cultural Diversity & Ethnic Minority Psychology*, 11(3), 213-226.
- Granovetter, M. (1973). The strength of weak ties. *American Journal of Sociology*, 78, 1360-1380.
- Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, 91(3), 481-510.
- Greene, P.G., M.M. Hart, E.J. Gatewood, C.G. Brush, & N.M. Carter (2003). Women entrepreneurs: Moving front and center; An Overview of research and theory. *Coleman Whitepaper Series*, 3, 1-47. Retrieved August 1, 2014 from <http://www.usasbe.org>.
- Haber, S., & A. Reichel (2005). The cumulative nature of the entrepreneurial process: The contribution of human capital, planning and environment resources to small venture performance. *Journal of Business Venturing*, 22, 119-145.
- Hansen, E.L. (1995). Entrepreneurial networks and new organization growth. *Entrepreneurship Theory and Practice*, 19(4), 7-19.
- Hisrich, R.D., & C. Brush (1986). Characteristics of the minority entrepreneur. *Journal of Small Business Management*, 24, 1-8.
- Hofstede, G. (1986). Cultural differences in teaching and learning. *International Journal of Intercultural Relations*, 10(3), 301-320.
- Hofstede, G. (2001). *Culture's consequences: Comparing values, behaviors, institutions, and organizations across nations*. Newbury Park, CA: Sage Publishing.
- Ibarra, H. (1993). Personal networks of women and minorities in management: A conceptual framework. *Academy of Management Review*, 18 56-87.
- Johannison, B. (August, 1990). Building an entrepreneurial career in a mixed economy. *Presented at the Academy of Management Annual Meeting*, San Francisco, CA.

- 
- Jones, K., & R. Tullous (2002). Behaviors of pre-venture entrepreneurs and perceptions of their financial needs. *Journal of Small Business Management*, 40(3), 233-249.
- Klyver, K. (2011). Gender differences in entrepreneurial networks: Adding an alter perspective. *Gender in Management: An International Journal*, 26(5), 332-350.
- Klyver, K. & D. Foley (2012) Networking and culture in entrepreneurship. *Entrepreneurship and Regional Development: An International Journal*, 24(7-8), 561-588.
- Knouse, S.B. & S.C. Webb. (2001). Virtual networking for women and minorities. *Career Development International*, 6(4), 226-228.
- Lacho, K.J. & C. Marinello (2010). How small business owners can use social networking to promote their business. *The Entrepreneurial Executive*, 15, 127-133.
- Langowitz, N. & M. Minnits (2007). The entrepreneurial propensity of women. *Entrepreneurship Theory and Practice*, 31, 341-364.
- Larson, A., & J.A. Starr (1993). A network model of organization formation. *Entrepreneurship Theory and Practice*, 17, 5-5.
- Lechner, C., M. Dowling, & I. Welpel (2006). Firm networks and firm development: The role of the relational mix. *Journal of Business Venturing*, 21, 514-540.
- Lewellen-Williams. C., V. Johnson, L.A. Deloney, B.R. Thomas, A. Goyol, & R. Henry-Tillman (2006). The POD: A new model for mentoring underrepresented minority faculty. *Academic Medicine*, 81(3), 275-279.
- Light, I. & L. Dana (2013). Boundaries of social capital in entrepreneurship. *Entrepreneurship Theory and Practices*, 37(3), 603-624.
- Lim,S. & B.R.Envick (2013). Gender and entrepreneurial orientation: A multi-country study. *International Entrepreneurship Journal* 18(1), 77-90.
- Marin, G., & B.V. Marin (1991). *Research with Hispanic populations*. Newbury Park, CA: Sage.
- Marín, G. & H.C. Triandis (1985). Allocentrism as an important characteristic of the behavior of Latin Americans and Hispanics. In R.Díaz-Guerrero (Ed.), *Cross-cultural and National Studies in Social Psychology* (pp. 85-104). Amsterdam: Elsevier Science Publisher.
- Marsden, P. (1990). Network data and measurement. *Annual Review of Sociology*, 16, 435-463.
- Menzies, Teresa V. and L.J. Fillion, G.A. Brenner, & S. Elgie (2007). Measuring ethnic community involvement: development and initial testing of an index. *Journal of Small Business Management*, 45(2), 267-282.
- Miller, N.J. and T.L. Besser (2005). Comparing networked to non-networked small U.S. business: A firm-level investigation of strategic network theory. *Journal of Developmental Entrepreneurship*, 10 (2), 167- 186.
- Ncube, L.B. & M.H. Wasburn (2010). Strategic collaboration and mentoring women entrepreneurs: A case study. *Academy of Entrepreneurship Journal*, 16(1), 71.
- Nelson, G. (1987). Information needs of female entrepreneurs. *Journal of Small Business Management*, 25, 38-44.
- Ozgen, E. (2009). The collaborative frontiers of social networks and opportunity recognition in convergent technologies. *Academy of Entrepreneurship Journal*, 15(2), 111-128.
-

- Ozgen, E. (2012). The effect of the national culture on female entrepreneurial activities in emerging countries: An application of the globe project cultural dimensions. *International Journal of Entrepreneurship*, 16.
- Ozgen, E., & R.A. Baron (2007). Social sources of information in opportunity recognition: Effects of mentors, industry networks, and professional forums. *Journal of Business Venturing*, 22, 174-192.
- Peterson, M.F., & J. Roquebert (1993). Success patterns of Cuban-American enterprises: Implications for entrepreneurial communities. *Human Relations*, 46(8), 921-938.
- Pew Research Center (2013), "Closing the Digital Divide: Latinos and Technology Adoption". Retrieved August 1, 2014 from: [http://www.pewhispanic.org/files/2013/03/Latinos\\_Social\\_Media\\_and\\_Mobile\\_Tech\\_03-2013\\_final.pdf](http://www.pewhispanic.org/files/2013/03/Latinos_Social_Media_and_Mobile_Tech_03-2013_final.pdf).
- Phelan, P., A.L. Davidson, & H.C. Yu (1998). *Adolescents' worlds: Negotiating family, peers, and school*. New York: Teachers College Press.
- Phipps, S.T.A. (2012). Contributors to an enterprising gender: Examining the influence of creativity on entrepreneurial intentions and the moderating role of political skill controlling for gender. *Academy of Entrepreneurship Journal*, 18(1), 77-90.
- Pinho, J.C. & E. Sampaio de Sa (2013). Entrepreneurial performance and stakeholders' relationships: A social network analysis perspective. *International Journal of Entrepreneurship*, 17, 1.
- Pittaway, L., M. Robertson, K. Munir, D. Denyer, & A. Neely (2004). Networking and innovation: A systematic review of the evident. *International Journal of Management Reviews*, 5(6), 137-168.
- Raijman, R. & M. Tienda (2000). Training functions of ethnic economies: Mexican Entrepreneurs in Chicago. *Sociological Perspectives*, 43(3), 439-456.
- Ram, M. (1994). Unraveling social networks in ethnic minority firms. *International Small Business Journal*, 12(3), 42-53.
- Robb, A.M. (2002). Entrepreneurial performance by women and minorities: The case of new firms. *Journal of Developmental Entrepreneurship*, 7, 383-398.
- Robinson, S. & H.A. Stubberud (2009). Sources of advice in entrepreneurship: Gender differences in business owners' social networks. *International Journal of Entrepreneurship*, 13, 83-101.
- Robles, B.J. & H. Cordero-Guzman (2007). Latino self employment and entrepreneurship in the United States: An overview of the Literature and data sources. *The Annals of the American Academy of Political and Social Science*, 613(1), 192.
- Rosenthal, B. (2000). Latina entrepreneurs – National Foundation for Women Business Owners survey – Industry Overview – Statistical Data Included. *Los Angeles Business Journal*, 22, 36.
- Sandberg, K.W. (2003). An exploratory of women in micro enterprises: Gender-related differences. *Journal of Small Business and Enterprise Development*, 10(4), 408-417.
- Sexton, D.L., & N. Bowman-Upton (1990). Female and male entrepreneurs: Psychological characteristics and their role in gender related discrimination. *Journal of Business Venturing*, 5, 29-36.
- Shim, S., & M.A. Eastlick (1998). Characteristics of Hispanic female business owners: An exploratory study. *Journal of Small Business Management*, 36(3), 18-34.

- 
- Shinnar, R.S., & C.A. Young (2008). Hispanic immigrant entrepreneurs in the Las Vegas metropolitan area: Motivations for entry into and outcomes of self-employment. *Journal of Small Business Management*, 46(2), 242-262.
- Singh, R., G. Hills, R. Hybels, & G. Lumpkin (1999). Opportunity recognition through social network characteristics of entrepreneurs. *Frontiers of Entrepreneurship Research*, 228-241.
- Smeltzer, L.R., & G.L. Fann (1989). Gender differences in external networks of small business owner/managers. *Journal of Small Business Management*, 27(2), 25-32.
- Smith-Hunter, A.E. (2006). An initial look at the characteristics of Hispanic women business owners and their businesses. *Business Renaissance Quarterly*, 1(2), 101-140.
- Smith-Hunter, A.E., & R.L. Boyd (2004). Applying theories of entrepreneurship to a comparative analysis of white and minority women business owners. *Women in Management Review*, 19(1), 18-28.
- Smith-Hunter, A.E. & C. Venezio (2006). Hispanic women entrepreneurs: Human capital, financial capital, and network structure relationships. *Journal of Business and Economic Research*, 4(7), 29-47.
- Soo, Ha, K. & S. Bum Kim (2013). Are women's attitudes toward business and desire to start a business different from men's? *Academy of Entrepreneurship Journal*, 19(3), 43-62.
- Stanton-Salazar, R.D., L.F. Chavez, & R.H. Tai, R.H (2001). The help-seeking orientations of Latino and non-Latino urban high school students: A critical-sociological investigation. *Social Psychology of Education*, 5, 49-82.
- Stone, D.L., R.D. Johnson, E.F. Stone-Romero, & M. Hartman (2006). A Comparative Study of Hispanic-American and Anglo-American cultural values and job choice preferences. *Management Research*, 4, 8-21.
- Sullivan, D.M. (2007). Minority entrepreneurship: More likely to try but less likely to succeed? *The Academy of Management Perspectives* 27(1), 78-79.
- Todorovic, Z.W., & R.B. McNaughton (2007). The effect of culture resources and quality of entrepreneurship on economic development: A conceptual framework. *International Journal of Entrepreneurship and Small Business*, 4(4), 383-396.
- Triana, A.R., Welsch, H.P., & Young, E.C. (1984). Information search patterns among Hispanic entrepreneurs. *Journal of Small Business Management*, 22, 39-48.
- Turner, S.P. (1994). *The social theory of practices: Tradition, tacit knowledge and presuppositions*. Chicago: University of Chicago Press.
- U.S. Census Bureau, *U.S. Survey of Small Business Owners. (2007, 2002)*. Retrieved on August, 1, 2014 from <https://www.census.gov/econ/sbo/07menu.html>.
- U.S. Hispanic Chamber of Commerce Website. (2011). Retrieved on August 1, 2014 from <http://www.usbcc.com/index.cfm?fuseaction=Page.viewPage&pageId=564>.
- U.S. Census Bureau News. (2010). *Hispanic heritage month 2010: Sept. 15 – Oct. 15*. Retrieved on August 1, 2014 from [https://www.census.gov/newsroom/releases/archives/facts\\_for\\_features\\_special\\_editions/cb10-ff17.html](https://www.census.gov/newsroom/releases/archives/facts_for_features_special_editions/cb10-ff17.html).
- U.S. Census Bureau (2012). *The 2012 Statistical Abstract*. Retrieved on August 1, 2014 from <http://www.census.gov/compendia/statab/2012edition.html>.
-

- Van Auken, H., P. Stephens, F.L. Fry, & J. Silva (2006). Role model influences on entrepreneurial intentions: A comparison between USA and Mexico. *Entrepreneurship Management*, 2, 325-336.
- Van de Ven, A.H., R. Hudson & D.M. Schroder (1984). Designing new business startups: Entrepreneurial, organizational, and ecological considerations. *Journal of Management*, 10(1), 87-107.
- Vaux, A., P.C. Burda, & D. Stewart (1986). Orientation toward utilization of support resources. *Journal of Community Psychology*, 14(2), 159-170.
- Vincent, V. (1996). Decision-making policies among Mexican-American small business entrepreneurs. *Journal of Small Business Management*, 34(4), 1-13.
- Welzel, C., R. Inglehart, & H.D. Klingemann (2003). The theory of human development: A cross cultural analysis. *European Journal of Political Research*, 42, 341-379.
- Youniss, J., & J. Smoller (1985). *Adolescent relations with mothers, fathers, and friends*. Chicago: University of Chicago Press.
- Zarrugh, L.H. (2007). From workers to owners: Latino entrepreneurs in Harrisonburg, Virginia. *Human Organization*, 66(3), 240-248.

# **CORPORATE ENTREPRENEURSHIP AND ENTREPRENEURIAL ORIENTATION IN CORPORATE ENVIRONMENT: A DISCUSSION**

**Zelimir William Todorovic, IPFW  
Daniel Todorovic, University of Waterloo  
Jun Ma, IPFW**

## **ABSTRACT**

*Corporate entrepreneurship (CE) and entrepreneurial orientation (EO) has been discussed in literature substantially in the last few years. Although there seems to be a good overlap between the fields, there appears to be little discussion that includes both constructs. This paper explores the corporate entrepreneurship (CE) literature and the role of two CE perspectives, organizational activities and organizational characteristics from the perspective of EO. This paper builds a deeper understanding of the role that enabling characteristics and entrepreneurial orientation have as the prerequisites of CE. CE is presented as a process that has unique company prerequisites (referred to as enabling conditions). These conditions must be looked at and evaluated by the company executives. A careful management of these characteristics will lead to better organizational performance through higher CE within the organization.*

## **INTRODUCTION**

Corporate entrepreneurship is an exciting topic that generates significant attention in both academic and practitioner circles. It holds the promise of rejuvenating our organizations, reducing bureaucratic red tape, and making us more competitive in the global environment.

Progress in this field, however, has been hindered by the lack of agreement on the definition of corporate entrepreneurship itself and various related terminology (McFadzean, O'Loughlin, & Shaw, 2005). Notwithstanding, an observation is made that practitioners stand to benefit from the application of the accumulated academic knowledge, thereby aiding to the munificent considerations practitioners face daily. As a former practitioner turned academic, present author perceives an opportunity to explore corporate entrepreneurship from a new viewpoint, thereby attempting to marry different perspectives with significant theoretical and practitioner relevance.

Further, it is readily observed that bringing corporate entrepreneurship into an organization is more complex than previously assumed. Corporate entrepreneurship is significantly affected by, and likely represents an outcome of an entrepreneurial organizational culture (i.e., entrepreneurial orientation) as well as enabling conditions such as favorable policies, appropriate structure, vision, and so on. From practitioner perspective, a greater focus is needed in order to develop heightened understanding of enabling conditions that lead to, and facilitate the establishment of, corporate entrepreneurial outcomes.

Building on these observations, employing past research, this paper presents the reader with the framework designed to help with the implementation of CE within a firm or organization. This paper integrates concepts of EO and CE in a complementary fashion, in a manner useful to practitioner audience also.

## **CORPORATE ENTREPRENEURSHIP**

Corporate entrepreneurship (CE) gained tremendous attention from both academics and practitioners due to its demonstrated potential to increase organizational profitability (Zahra, 1995). As managers try to ensure the continued sustainable growth, their attempts at implementing corporate entrepreneurship in their organizations are all too often frustrated by the lack of guidance and related know-how.

It is widely accepted that corporate entrepreneurship (CE) is related to firm performance (PER) (Nihat, 2006; Vozikis, Bruton, Prasad, & Merikas, 1999; Yang, Li-Hua, Zhang, & Wang, 2007; Zahra & Garvis, 2000). For example, Yang et. al.,(2007) found that each of the key dimensions of CE has a differentiated impact on performance of firms in China. Further, Nihat (2006) found that human resource management practices mediate CE – performance relationship. Similar sentiments were also expressed by Zahra and Garvis, (2000) when discussing international CE and firm performance, as well as Vozikis, et al., (1999) who examined the linkage between CE and value creation.

The importance of corporate entrepreneurship is further enhanced with the increased hostility of the global environment. Environmental hostility presents organization's management with the added uncertainty about the conditions that they will face tomorrow. It is observed that entrepreneurial organizations are more effective in hostile environments (Khamalla 1977; Filatotchev, Wright, Buck, & Zhukov, 1999; Zahra, 1993; Zahra, Covin, & Slevin, 1995; Zahra & Garvis, 2000), often attributed to the observation that CE-PER relationship is moderated by the presence of the environmental hostility (Filatotchev, Wright, Buck, & Zhukov, 1999; Zahra, 1993; Zahra, Covin, & Slevin, 1995; Zahra & Garvis, 2000). As global competition increases, it is shown that presence of corporate entrepreneurship helps firms, competing in hostile environments, to “shed past behaviors, adopt policies fostering entrepreneurship and accumulate innovative resource bundles” (John & Charles, 1994, p.521) a necessary requirement for industry leadership.

Noting the potential of CE, and given increased environmental hostility of the global environment, one may wonder why then is not corporate entrepreneurship more widespread. One challenge is found in the lack of consensus on the definition of corporate entrepreneurship (Sharma & Chrisman, 1999); Jennings & Lumpkin, 1989; Stopford & Baden-Fuller, 1994; Wortman. 1987; Zahra, 1991). Sharma and Chrisman (1999) state that “similar to the study of entrepreneurship in general, there has been a striking lack of consistency in the manner in which these activities have been defined.” Second concern is that there is ample discussion of CE, compared to very sparse examination of best implementation practices of CE. This paper posits to resolve the dilemma to clarify CE concepts, thereby providing practitioners with the tools necessary to enable its implementation.

## ENTREPRENEURIAL ORIENTATION

Recognizing that there is a close relationship between entrepreneurial organizational culture (also referred as entrepreneurial orientation) and corporate entrepreneurship, any discussion of CE must involve an examination of Entrepreneurial Orientation (EO).

The study of EO has its roots in the field of strategy research (e.g., Child, 1972; Miles & Snow, 1978; Mintzberg, 1973). Both Mintzberg (1973) and Miles and Snow (1978) wrote about entrepreneurial firms, referring to them as “entrepreneurial organizations” in the case of former, and “prospector firms” in the latter. One frustration in the field of entrepreneurship, like that of CE, is that there is no agreement on the definition on entrepreneurship, especially at the individual level (Gartner, 1988). Some of the problems may be summarized in the observation that entrepreneurship is often discussed and evaluated at different levels (Lee, Lee, & Pennings, 2001). Further, entrepreneurial orientation literature appears to concur that CE and EO are a firm-level variables, thereby suggesting organizational level analysis to be appropriate for the examination of these concepts (Covin & Miles, 1999; Miller, 1983). In fact, Lee et al. (2001) defines EO as entrepreneurship at the organizational level.

Entrepreneurial orientation (EO) is a multi-dimensional construct, necessitating a discussion of the development of the different dimensions. Most of the studies on EO are in some way based on the early works of Miller and Friesen (1978), which identify eleven strategy-making process dimensions, including adaptiveness, analysis, integration, risk-taking, and product-market innovation. In fact, in his later study, Miller (1983) provided what is probably the first operationalization of the EO construct, including innovation, risk-taking, and proactiveness. This definition is the basis for several studies (e.g., Covin & Slevin, 1989; Lumpkin & Dess, 2001; Wiklund, 1999).

### CORPORATE ENTREPRENEURSHIP, ENTREPRENEURIAL ORIENTATION AND PERFORMANCE

There is strong evidence that both CE and EO affect firms’ financial performance and their ability to promote internal innovation. CE’s effect on performance can be weakened or strengthened by external factors such as environmental hostility. Zahra (1995) demonstrated the importance of the CE-performance relationship to the firm. Further, he also demonstrated that this relationship is positively mediated by hostility of the external environment. Along a similar line of thought, Antoncic and Hisrich (2004) found that CE makes a difference in organizational wealth creation, growth, and profitability, suggesting that CE contributes to long-term firm development. Nihat (2006) argues that CE affect performance both directly and indirectly, presenting human resource management as a mediator.

Similarly, literature provides strong support for a positive relationship between EO and organizational performance. In his study of the EO-performance relationship, Wiklund (1999) found that EO produces long-term sustainable improvement in performance. This relationship has also been confirmed by the findings of other studies (Covin & Slevin, 1989; Lumpkin & Dess, 2001; Smart & Conant, 1994). Consequently, the following is a second hypothesis of this study:

*H1. Both CE and EO are positively correlated to organizational performance*

## THE EFFECT OF CE AND EO ON ORGANIZATIONS

Both EO and CE emphasize of the innovation process within a firm (Cemal & Eren, 2007; Elizabeth, Andrew, & Elspeth, 2005; Jin, Zhaohui, & Wang, 2005; Kevin Zheng, Chi Kin, & David, 2005; Lassen, Gertsen, & Riis, 2006; McFadzean et al., 2005; Teece, 2006; Yuan, Yi, Yi, & Mingfang, 2008). Elpeth et al. (2005) and Elizabeth et al. (2005) first identified the missing link between CE and innovation process. Other authors examined the direct impact of CE on innovation performance. Likewise, Jin (2005) found that CE enhances firms' innovation performance, while Lassent (2006) found that CE has a direct impact on the radical innovation.

Other studies took a different approach to innovation performance. Bhardwaj (2007) examined the effect of CE process on a number of new products/services developed, number of new markets explored, number of new features added to the existing product, and number of ideas generated for process improvement. CE is found to be positively correlated with these measures. Examining these measures carefully, however, one can conclude that these variables measure firms' innovation activities mainly focusing on product development.

### Two Perspectives Of CE

Although different researchers examined different aspects of CE, these variant views have been roughly divided into two perspectives. One perspective explains CE from organizational activities, while the other explores at the characteristics of the organization. Organizational perspective examines topics such as corporate venturing, innovation, and strategic renewal (Sharma & Chrisman, 1999). Characteristics of the organization examine the internal orientation of the organization, including dimensions such as innovation, risk-taking and proactiveness (Barringer & Bluedorn, 1999).

### Organizational Activities

The first perspective, that of organizational activities, includes three types of activities: corporate venturing, innovation, and strategic renewal (Sharma & Chrisman, 1999)(CE5). Corporate venturing is also posited to include internal and external venturing. Researchers observe that corporate venturing and strategic renewal represent the manifestation of CE (Bing-Sheng, 2007; Verbeke, Chrisman, & Yuan, 2007). Guth and Ginsberg (1990, p.5) define strategic renewal as the "transformation of organizations through renewal of key ideas on which they are built." Sharma and Chrisman (1999, p.19) see strategic renewal as an activity that brings about "significant changes to an organization's business or corporate level strategy." On the other hand, most of the leading researchers refer to corporate venturing as the creation of a new business within an existing organization (Guth & Ginsberg, 1990; Sharma & Chrisman, 1999; Verbeke et al., 2007). From the organization's point of view, corporate entrepreneurial activities show strong potential for organization's development and growth, as corporate entrepreneurial activities are positively related to organizational performance. Supporting this viewpoint, Zahra (1991, 1993, 2000) found that CE is associated with organizational survival, profitability, growth, and renewal. Bostjan (2004) reached a similar conclusion, noting that companies with higher CE activities will create more wealth, grow faster, and have higher profitability than companies with lower CE activities. Studying from the viewpoint of Chinese cultural context, Zhong et al. (2007) identified

three dimensions of CE, which are innovativeness, new business venturing, and self renewal. They also found that each of the three dimensions of CE is related to marketing performance of firms in China.

The perspective of organizational activities is very useful in indentifying and focusing on the outcomes found to be desirable within a corporate setting. Unfortunately, this perspective provides very little guidance ascertaining the manner in which one should build the organizational culture capable of sustaining entrepreneurial culture. To this end, we turn to the perspective of organizational characteristics.

## ORGANIZATIONAL CHARACTERISTICS

Second perspective of CE, and a significant focus for this paper, considers the characteristics of the organization. This approach answers the question of “How do we build the organization so that it can produce CE outcomes?” (i.e., Organizational Activities Perspective). For example, Barringer & Bluedorn (1999) defined CE as a firms’ orientation characterized as being highly proactive, innovative, and risk-taking. Other authors demonstrated that innovation, proactiveness and risk-taking are the dimensions of CE (Aloulou & Fayolle, 2005; Lassen et al., 2006; Zahra & Garvis, 2000). Proactivity, innovativeness, and risk-taking are shown to be the dimensions of EO also (Dess & Lumpkin, 2005; Lee et al., 2001; Max, 2007; Schlosser & Todorovic, 2006; Zahra & Garvis, 2000).

It is observed from the literature that CE and EO constructs are highly related and integrated (Covin & Miles, 1999; Dess & Lumpkin, 2005; María, Martina, & Luz, 2007). This is especially true if one considers the organizational perspective of CE. Academic literature provides support for the notion that EO and CE are correlated to firm performance (PER). Further, academic literature points to the realization that CE is an outcome of a corporate business culture (organizational activities perspective especially). In other words, corporate entrepreneurship, to a significant extent, is the byproduct of entrepreneurial culture (also termed Entrepreneurial Orientation), as well as other enabling conditions that help make it happen. Ireland, Donald, & Michael (2006a) find that corporate entrepreneurship is a result of entrepreneurial mindset, often perceived as a component of entrepreneurial culture. This supposition is further supported by the observation that EO (just like CE) is closely related to firm performance (Wiklund, 1999; Yang et al., 2007; Zahra, 1993). Further, a central theme of EO is innovation – a dimension of EO (Covin & Miles, 1999; Todorovic, 2004). A similar finding is echoed in the CE literature, concluding that the central theme of CE is also innovation (Bjorn Willy & Lars, 2005; Covin & Miles, 1999; Ireland et al., 2006a; Ireland, Donald, & Michael, 2006b; John, 2004).

We observe that both organizational characteristics perspective of CE and EO represent organizational level entrepreneurship (Lee et al., 2001), both consist of same dimensions (innovation, risk-taking and proactiveness) (Dess & Lumpkin, 2005; Lee et al., 2001; Max, 2007; Schlosser & Todorovic, 2006; Zahra & Garvis, 2000), both are related to firm performance (Wiklund, 1999; Zahra, 1993) and both are multidimensional, latent variables (Lee & Tsang, 2001). Therefore, we propose that:

*P2. The organizational characteristics perspective of CE is analogous with EO, representing a same construct, and*

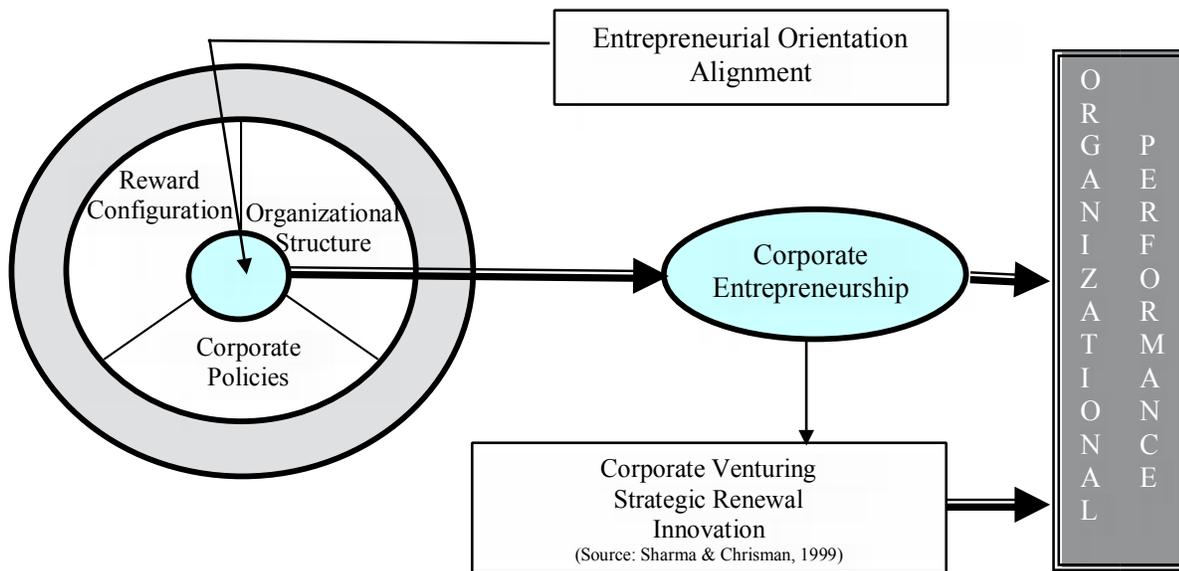
*P3. EO Organizational culture is a prerequisite of organizational; activities perspective CE*

In interest of clarity, through the reminder of this paper we will refer to the organizational perspective of CE as CE, and organizational characteristics perspective of CE as EO, representing the need for entrepreneurial culture within the organization.

### DISCUSSION: ENABLING CHARACTERISTICS

The essence of this paper is presented in Figure 1. Corporate entrepreneurship as a progression is not a stand alone process. It involves a number of enabling conditions as a prerequisite of its development. In this paper, three such conditions are indentified. Three conditions indentified, referred as enabling characteristics, are Reward Configuration, Organizational Structure and Corporate Policies. Although this should not be assumed to be an exhaustive list, these conditions are posited to be the dominant across industries and organizations.

#### Appropriate Reward Structure



Fátima, et al., (2008, p.32) found that factors such as “the internal development and integration of relevant technological knowledge, human resources (HR) policies, organizational flexibility, knowledge management tools based on IT, and purchase of companies and cooperation agreements for the acquisition of external knowledge” are crucial in the development of CE (from the knowledge-based perspective). Amongst human resource policies, rewards take a dominant role, both in monetary and non-monetary forms. Bhardwaj et al., (2007) specifically emphasized rewards, measured in terms of recognition, appraisal, increasing job responsibilities, and removing obstacles. Yarzebinski (1992, p.32) finds that people who engage with entrepreneurial mindset require “tangible and meaningful rewards.” Van Praag & Cramer (2001) find that rewards must include an assessment of individual ability and risk attitude. This is especially true if one considers that rewards must encourage an individual to take prudent risks, rather than shying away from them. Phil, Yuan-Chieh, & Ming-Huei (2006) also find that five key success factors fostering

entrepreneurship include entrepreneurial rewards. Appropriate rewards are often used to align the activities and interests of the employees to those of the organization, and are thus necessary to promote corporate entrepreneurship within a corporate entity.

Whereas the need for human resource capital and appropriate reward system is well recognized in the literature, many papers discuss the need to strategically integrate these aspects of firm operations. Chandler (1962, p.13) defines strategy as "...the determination of the basic long term goals and objectives of the enterprise and the adoption of courses of action and the allocation of resources necessary to carry out those goals." Both Mintzberg (1978) and Miles and Snow (1978) argue that strategy is not a highly situational art of insightful managers, but rather the stream of major and minor decisions about the future goals of an organization.

## **Organizational Structure**

Bhardwaj et al., (2007) also points to the "flexible organizational boundaries" as a requirement of corporate entrepreneurship process. The idea that organizational structure affects corporate entrepreneurship is also voiced by other researchers. Fatima (2008) in their study of corporate entrepreneurship from a knowledge-based perspective (as an extension of the Resourcebased View), found that organizational flexibility is one "of the most important factors contributing to the success of this strategy." Similar sentiment is also expressed by (Bhardwaj & Momaya, 2006, p.37), who states that "in order to remain competitive in global markets, an organization needs to focus on corporate entrepreneurship. This requires an organizational structure that allows organizational flexibility." Further, Bhardwaj (2006) found that flexible structure is a requirement for the development of CE and

*"In a nutshell, it can be concluded that a key factor in competing for the future is to practice CE that helps in achieving sustainable competitive advantage. The CE and flexibility provide gateways for new business development and should constitute the focus for strategy formulation and implementation (p.43)."*

Hilton and Art (1998) built a model (CEFMO) and examined the relationships among various factors and business performance. They found corporate entrepreneurship (CE), flexibility (F), and market orientation (MO) to be key success factors in the increasingly competitive, global economy. Zahra (1991) proposed a model that identifies potential environmental, strategic, and organizational factors that may spur or stifle corporate entrepreneurship. Using a data from 119 of the Fortune 500 during a period 1986 to 1989 industrial firms, Zahra (1991) developed five hypotheses, which they thereafter developed and tested. They found that "the scanning, formal communication, and integration components of organizational structure are positively related to corporate entrepreneurship, as are clearly defined organizational values. Corporate entrepreneurship activities are associated with company financial performance and reduced systematic risk" (p.259). Similar observations were made by Harris & Jackson (1999) and Karim (2003).

Above literature shows that structure, as well as flexible boundaries are important to the development of CE. Research also suggests that these are integrated and intertwined, and must be treated as such if CE is to occur and flourish.

## Corporate Policies

This need is widely recognized in the literature (although utilizing different labels). For example, Kuratko and Goldsby (2004) suggest that internal network issues consist of (1) system, (2) structures and (3) policies and procedures. There is a strong incentive to adjust policies and procedures to be aligned with the requirements of the more flexible environment required for corporate entrepreneurship mindset. They list “long complex approval cycles, extensive documentation requirements and unrealistic performance criteria” as the main culprits in this category (Kuratko & Michael, 2004). Further, they also recognize the need for strategic direction embodied in the concepts of top management vision, commitment and role modeling. Covin and Slevin (1991) identified strategic variables which include the mission strategy and the firm's business practices and competitive tactics. Further, Auger BarNir, & Gallagher (2003) found an association between policy and entrepreneurial orientation when they examined the use of Internetbased electronic commerce, especially when competitive pressures were high.

## IMPLICATIONS AND CONCLUSIONS

The significance of this paper is the recognition that practitioners must evaluate the presence of the enabling characteristics in their organizations, before more significant investments are made into the promotion of corporate entrepreneurship. This paper covers three more dominant enabling conditions, as example of the types of considerations executives must consider.

Enabling conditions presented here are not meant to be an exhaustive list, in part because it is recognized that every company, in every industry, is likely to have their own unique conditions. Consequently, a specifically tailored approach is needed to address the unique needs of the organizations in question.

This paper recognizes and focuses on the danger of providing a “one size fits all” recipe to the development of CE. Although the phenomenon of study, in this case CE, is similar in many corporate environments, enabling conditions are often not. Specific and unique company level conditions must be ascertained and indentified. Once such enabling conditions are indentified and promoted, corporate entrepreneurship stands a much better chance of being established in the organization.

There is also a theoretical contribution made by this paper. It appears that there is a significant overlap in the literature between EO and CE. Although the constructs are not the same, in many studies there is little differentiation between the two constructs. This paper provides a more clear delineation between CE and EO, thereby more clearly delineating the overlap. Consequently, practitioners and academics alike can focus more directly on understanding the complete process that leads to the development of CE within an organization.

There has been much discussion in the literature on the topics of corporate entrepreneurship and entrepreneurial orientation (EO). This paper explores the CE literature and the role of two CE perspectives, organizational activities and organizational characteristics. Identifying organizational activities with EO, this paper introduces a deeper understanding of the role that enabling characteristics and entrepreneurial orientation have as the prerequisites of CE.

CE is presented as a process that has unique company prerequisites (referred to as enabling conditions). These conditions must be looked at and evaluated by the company executives. A

careful management of these characteristics will lead to better organizational performance through higher CE within the organization.

## REFERENCES

- Aloulou, W., & Fayolle, A. (2005). A conceptual approach of entrepreneurial orientation within small business context. *Journal of Enterprising Culture*, 13(1), 21-45.
- Antonic, B., & Hisrich, R. D. (2004). Corporate entrepreneurship contingencies and organizational wealth creation. *The Journal of Management Development*, 23(5/6), 518-551.
- Auger, P., BarNir, A., & Gallagher, J. M. (2003). Strategic orientation, competition, and internet-based electronic commerce. *Information Technology and Management*, 4(2-3), 139.
- Barringer, B. R., & Bluedorn, A. C. (1999). The relationship between corporate entrepreneurship and strategic management. *Strategic Management Journal*, 20(5), 421-445.
- Bhardwaj, B. R., & Momaya, K. (2006). Role of organizational flexibility for corporate entrepreneurship: Case study of fedex corporation. *Global Journal of Flexible Systems Management*, 7(1/2), 37-45.
- Bhardwaj, B. R., Sushil, & Momaya, K. (2007). Corporate entrepreneurship: Application of moderator method. *Singapore Management Review*, 29(1), 47-59.
- Bing-Sheng, T. (2007). Corporate entrepreneurship activities through strategic alliances: A resource-based approach toward competitive advantage\*. *The Journal of Management Studies*, 44(1), 119-143.
- Bjorn Willy, A. M. O., & Lars, K. (2005). Organizational strategy, individual personality and innovation behavior. *Journal of Enterprising Culture*, 13(1), 7-21.
- Cemal, Z., & Eren, M. S. (2007). Field research on impacts of some organizational factors on corporate entrepreneurship and business performance in the turkish automotive industry. *Journal of American Academy of Business, Cambridge*, 10(2), 170-177.
- Chandler, A. D. (1962). *Strategy and structure: Chapters in the history of the industrial enterprise*. Cambridge: M.I.T. Press.
- Child, J. (1972). Organization structure and strategies of control - a replication of the aston study. *Administrative Science Quarterly*, 17(2), 163-177.
- Covin, J. G., & Miles, M. P. (1999). Corporate entrepreneurship and the pursuit of competitive advantage. *Entrepreneurship Theory and Practice*, 23(3), 47-63.
- Covin, J. G., & Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 10(1), 75-88.
- Covin, J. G., & Slevin, D. P. (1991). A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory and Practice*, 16(1), 7-26.
- Dess, G. G., & Lumpkin, G. T. (2005). The role of entrepreneurial orientation in stimulating effectiev corporate entrepreneurship. *The Academy of Management Executive*, 19(1), 147-156.
- Elizabeth, S., Andrew, O. L., & Elspeth, M. (2005). Corporate entrepreneurship and innovation part 2: A role- and process-based approach. *European Journal of Innovation Management*, 8(4), 393-409.
- Fátima, G., Mario, J. D., & Jesús, D. S. d. P. (2008). Knowledge management for corporate entrepreneurship and growth: A case study. *Knowledge and Process Management*, 15(1), 32-45.
- Filatotchev, I., Wright, M., Buck, T., & Zhukov, V. (1999). Corporate entrepreneurs and privatized firms in russia, ukraine, and belarus. *Journal of Business Venturing*, 14(5,6), 475-493.
- Gartner, W. B., (1988). "Who is an entrepreneur?" Is the wrong question. *American Journal of Small Business*, 88, 11-32.
- Guth, W. D., & Ginsberg, A. (1990). Guest editor's introduction: Corporate entrepreneurship. *Strategic Management Journal*, 11(5), 5-16.
- Harris, L., & Jackson, P. (1999). Management and the spirit of entrepreneurship. *Journal of General Management*, 25(2), 31-44.
- Hilton, B., & Art, W. (1998). The effect of market orientation and organizational flexibility on corporate entrepreneurship. *Entrepreneurship Theory and Practice*, 23(1), 57-71.
- Ireland, R. D., Donald, F. K., & Michael, H. M. (2006a). A health audit for corporate entrepreneurship: Innovation at all levels: Part i. *The Journal of Business Strategy*, 27(1), 10-18.

- Ireland, R. D., Donald, F. K., & Michael, H. M. (2006b). A health audit for corporate entrepreneurship: Innovation at all levels: Part ii. *The Journal of Business Strategy*, 27(2), 21-31.
- Jin, C., Zhaohui, Z., & Wang, A. (2005). A system model for corporate entrepreneurship. *International Journal of Manpower*, 26(6), 529-546.
- John, L. T. (2004). Innovation through people. *Management Decision*, 42(9), 1082-1095.
- John, M. S., & Charles Wf, B.-F. (1994). Creating corporate entrepreneurship. *Strategic Management Journal (19861998)*, 15(7), 521-536.
- Karim, M. (2003). Strategic entrepreneurship and managerial activities in smes. *International Small Business Journal*, 21(2), 197-213.
- Kevin Zheng, Z., Chi Kin, Y., & David, K. T. (2005). The effects of strategic orientations on technology- and marketbased breakthrough innovations. *Journal of Marketing*, 69(2), 42-61.
- Kuratko, F. D., & Michael, G. G. (2004). Corporate entrepreneurs or rogue middle managers? A framework for ethical corporate entrepreneurship. *Journal of Business Ethics*, 55(1), 13-30.
- Lassen, A. H., Gertsen, F., & Riis, J. O. (2006). The nexus of corporate entrepreneurship and radical innovation. *Creativity and Innovation Management*, 15(4), 359-372.
- Lee, C., Lee, K., & Pennings, J. M. (2001). Internal capabilities, external networks, and performance: A study on technology-based ventures. *Strategic Management Journal*, 22(6/7), 615-640.
- Lee, D. Y., & Tsang, E. W. K. (2001). The effects of entrepreneurial personality, background and network activities on venture growth. *The Journal of Management Studies*, 38(4), 583-602.
- Lumpkin, G. T., & Dess, G. G. (2001). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of Business Venturing*, 16(5), 429-451.
- Maria, R.-M., Martina, M.-B., & Luz, S.-P. (2007). Entrepreneurial orientation and international commitment. *Journal of International Entrepreneurship*, 5(3-4), 65-84.
- Max, C. (2007). The role of entrepreneurial orientation on firm performance and the potential influence of relational dynamism. *Journal of Global Business and Technology*, 3(1), 29-40.
- McFadzean, E., O'Loughlin, A., & Shaw, E. (2005). Corporate entrepreneurship and innovation part 1: The missing link. *European Journal of Innovation Management*, 8(3), 350-373.
- Miles, R. E., & Snow, C. C. (1978). *Organizational strategy, structure, and process*. Toronto: McGraw-Hill Book Company.
- Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science*, 29(7), 770-792.
- Miller, D., & Friesen, P. H. (1978). Archetypes of strategy formulation. *Management Science*, 24(9), 921-934.
- Mintzberg, H. (1973). *The nature of managerial work*. New York: Harper & Row.
- Mintzberg, H. (1978). Patterns in strategy formation. *Management Science*, 24(9), 934-949.
- Nihat, K. (2006). The impact of human resource management practices and corporate entrepreneurship on firm performance: Evidence from turkish firms. *The International Journal of Human Resource Management*, 17(12), 2074-2090.
- Phil, Y. Y., Yuan-Chieh, C., & Ming-Huei, C. (2006). Factors nurturing academic entrepreneurship in taiwan. *Journal of Enterprising Culture*, 14(4), 267-291.
- Schlosser, F. K., & Todorovic, Z. W. (2006). Entrepreneurial charisma: A key to employee identification? *Journal of Small Business and Entrepreneurship*, 19(1), 49-62.
- Sharma, P., & Chrisman, J. J. (1999). Toward a reconciliation of the definitional issues in the field of corporate entrepreneurship. *Entrepreneurship Theory and Practice*, 23(3), 11-28.
- Smart, D. T., & Conant, J. S. (1994). Entrepreneurial orientation, distinctive marketing competencies and organizational performance. *Journal of Applied Business Research*, 10(3), 28-39.
- Teece, D. J. (2006). Reflections on "Profiting from innovation". *Research Policy*, 35(8), 1131-1146.
- Todorovic, Z. W. (2004). The framework of static and dynamic components: An examination of entrepreneurial orientation and university ability to teach entrepreneurship. *The Journal of Small Business and Entrepreneurship*, 17(3), 300-316.
- Van Praag, C. M., & Cramer, J. S. (2001). The roots of entrepreneurship and labour demand: Individual ability and low risk aversion. *Economica*, 68(269), 45-62.
- Verbeke, A., Chrisman, J. J., & Yuan, W. (2007). A note on strategic renewal and corporate venturing in the subsidiaries of multinational enterprises. *Entrepreneurship Theory and Practice*, 31(4), 585-601.
- Vozikis, G. S., Bruton, G. D., Prasad, D., & Merikas, A. A. (1999). Linking corporate entrepreneurship to financial theory through additional value creation. *Entrepreneurship Theory and Practice*, 24(2), 33-43.

- 
- Wiklund, J. (1999). The sustainability of the entrepreneurial orientation - performance relationship. *Entrepreneurship Theory and Practice*, 24(1), 37-50.
- Yang, Z., Li-Hua, R., Zhang, X., & Wang, Y. (2007). Corporate entrepreneurship and market performance: An empirical study in china. *Journal of Technology Management in China*, 2(2), 154-163.
- Yarzebinski, J. A. (1992). Understanding and encouraging the entrepreneur. *Economic Development Review*, 10(1), 32-36.
- Yuan, L., Yi, L., Yi, D., & Mingfang, L. (2008). Entrepreneurial orientation, strategic flexibilities and indigenous firm innovation in transitional china. *International Journal of Technology Management*, 41(1/2), 223-246.
- Zahra, S. A. (1993). Environment, corporate entrepreneurship, and financial performance: A taxonomic approach. *Journal of Business Venturing*, 8(4), 319-341.
- Zahra, S. A. (1995). Corporate entrepreneurship and financial performance: The case of management leveraged buyouts. *Journal of Business Venturing*, 10(3), 225-248.
- Zahra, S. A., Covin, J. G., & Slevin, D. P. (1995). Contextual influences on the corporate entrepreneurship performance relationship: A longitudinal analysis. *Journal of Business Venturing*, 10(1), 43-59.
- Zahra, S. A., & Garvis, D. M. (2000). International corporate entrepreneurship and firm performance: The moderating effect of international environmental hostility. *Journal of Business Venturing*, 15(5,6), 469-493.



---

# **BUSINESS TRAINING OPPORTUNITIES FROM CHAMBERS OF COMMERCE**

**Kenneth J. Lacho, The University of New Orleans-Lakefront**  
**Erich N. Brockmann, The University of New Orleans-Lakefront**

## **ABSTRACT**

*Chambers of Commerce are an invaluable but often overlooked resource, especially to the small business owner. Chambers provide low cost ways of business education which are frequently underutilized or neglected by the small business owner. This paper presents a case study of one chamber's services which can be used to improve the business skills of small business owners.*

## **INTRODUCTION**

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness (SparkNotes Editors, 2011).

The above quote from the *Tale of Two Cities* by Charles Dickens is set in 1775 in England and France. Though conditions are different in the United States in 2011, many small business owners would argue these are the worst of times. For one, there is a weak domestic economic recovery. A survey by the National Federation of Independent Businesses showed that 50 percent of the respondents cited weaker sales, rising costs in labor, materials, and insurance as severe problems. Seven percent blamed higher taxes and regulatory costs. Weak sales are reflected by weak consumer purchases in services, a sector dominated by small business (Small Business Don't See Recovery Panning Out: NFIB, April, 2010).

The small business owner of today is faced with difficult economic times, real or perceived, increased government regulation at all levels and fast changing technology as reflected by the increased role of Facebook, Twitter, and email marketing.

To keep up with a very competitive environment and changing times, the small business owner must update or sharpen his or her business skills. There are many opportunities to do so. Universities, colleges, and community colleges offer noncredit certificate programs in small business management. Maidment (2008) found that 52 community colleges across the United States offered 66 noncredit certificate programs in Entrepreneurship. He concluded that community colleges need to take a more active role in small business/entrepreneurship education. Programs, courses, and workshops are offered both on-site and over the Internet. Educational programs are offered by state and local economic development agencies. For example, the Louisiana Economic Development agency has launched a new online training portal for Small and Emerging Business Development-Certified businesses. The online resource is designed to provide small businesses access to more than 40 course options, including marketing, strategic planning, computer skills, accounting, budget management, customer service, and business etiquette. This service is free (Louisiana Economic Development...July 1, 2001). Training is also made available by Small Business Development Centers (free or at a low cost) and chapters of the Service Corps of Retired Executives.

Proprietary programs are available such as the on-site Constant Contact Boot Camp-Email Marketing and Social Media Marketing. Trade associations, both state and national, provide

learning opportunities at yearly conventions such as the 58<sup>th</sup> (2011) Annual Louisiana Foodservice Expo. Workshops and seminars were conducted on such topics as “Making the Most of the Recovery Through Menu Marketing and Managing” and “Food Handler Training.” One other source of training is the local Chamber of Commerce.

### **PURPOSE**

The purpose of this paper is to illustrate how small business owners, especially chamber members, can use the training and educational opportunities offered by a local chamber to improve business skills. It is a natural assumption that business owners with better skills should avoid costly mistakes; at the very least this should reduce the risks of business failure while hopefully increasing the performance of his or her business. The effectiveness of the different training methods is not evaluated here due to space constraints. Such evaluation is left for future research.

This study also serves as an impetus to future research studies on chambers of commerce, a topic which has been neglected by academic researchers. However, readers should note that this is an exploratory case and is not readily generalizable to the larger population of chambers of commerce.

### **BACKGROUND**

The Jefferson Chamber of Commerce is located in Jefferson Parish (county), a suburb of New Orleans, Louisiana. It was founded in 1997 and is a private nonprofit, membership driven organization with a 501© 6 IRS designation. The chamber has over 1,000 members and is managed by a 73-member voluntary Board of Directors and 17 non-voting community representatives. A president and eight staff members manage the day-to-day affairs of the chamber.

The chamber has seven primary standing committees; they are: Business Development and Growth, Communications, Education, Government, Membership, Special Events, and

Diplomats. Within these committees numerous subcommittees and task forces are formed and staffed as needed.

### **LITERATURE REVIEW**

The concept of a chamber of commerce first appeared in Europe at the end of the 17<sup>th</sup> century. The earliest locally-based chamber in North America was established in Charleston, South Carolina in 1772 (Morro Bay, n.d.). Today there are 2,800 state and local chamber chapters and 3,000,000 business members in the U.S. (U.S. Chamber of Commerce, n.d.).

As with their ancestral guilds, the activities of early U.S. chambers were limited to commerce, at least initially. However, over time, the role of chambers expanded to include recruiting new businesses to an area, job creation and other socioeconomic concerns such as housing, public education, workforce development, community services, and unemployment. More recently, chambers have become active in the legislative areas of local, state, and federal government in order to look out after the interests of business members and the economic and social welfare of their communities (Morro Bay, n.d.).

Chambers of commerce are an important force in any community, large or small, yet little academic research has been done on them. Studies include one by Dawley, Stephens, and Stephens (2005) who studied the multi-dimension ability of organization commitment of volunteer

---

chambers of commerce board members. Modeling was used to examine the affects of organizational commitment on several critical roles the board member is to perform. Study results showed that normative, affective, and continued commitment based on few alternatives had a positive effect on the role of board members. Another study by Lacho, Bradley, and Cusack (2006), investigated the role of business nonprofit organizations in helping with the survival of small businesses in the New Orleans Metropolitan Area in the aftermath of Hurricane Katrina. The business nonprofits, including three chambers of commerce, made extensive use of email in communicating with their members as well as holding workshops on disaster relief topics such as SBA loan programs and insurance. Cooperation or partnering on events with government economic development agencies was carried out.

Lacho (2008) studied the government affairs activities of four chambers of commerce in suburban New Orleans. Each of the studied chambers has a standing government affairs or public policy/committee which monitors local, state, and federal issues and informs the membership about them. Members have the opportunity to interact with local, state, and nationally elected officers at locally-based forums such as luncheons or meet them at the state legislature. A recent development is for government affairs committees to work with similar committees of other chambers on issues of common concern.

The Schapiro Group (2007) studied if consumers really patronize businesses because they are chamber members. Data came from a scientific web-based survey of 2,000 adult consumers nationwide. Their findings show if consumers know that a small business is a chamber member the chamber enjoys a 44% increase in consumer favorability rating and a 63% increase in the likelihood that consumers will patronize the business in the future. (The Schapiro Group, 2007.).

Lacho and Brockman (2011) studied how a small business could be promoted through the services of a chamber of commerce. Their study of a single chamber showed that print and online listings are used. Event sponsorships are available. There are many opportunities for networking, e.g., at luncheons or special networking events. Other help included grand openings, sponsorships, and allowing the chamber logo to be used in the business member's advertising and letterhead.

## **RESEARCH METHODOLOGY**

An exploratory study format was used given the very early stages of any theory development concerning relationships between chambers of commerce and small business owner members (Siggelkow, 2007). Such a method is applicable to the current situation because of the lack of significant studies and because it allows for richer data (Eisenhardt & Graebner, 2007; Eisenhardt, 1989, 1991).

The chamber president, selected committee chairs and staff members of the Jefferson Chamber of Commerce were interviewed in person or by telephone. The interviews lasted 30 to 60 minutes. Secondary sources such as the chamber website, email notices, and chamber printed materials and newsletters were used. In addition, both of the authors drew on their experience as members of the Chamber's Business Growth and Development Committee during the past ten years and two years respectively.

## **LIMITATIONS**

This study shows how the educational services of a chamber of commerce can be opportunities to improve the business skills of the small business owner. It is an exploratory case study of a single chamber of commerce and thus limits the generalizability of the findings to the

population of chambers of commerce (Eisenhardt & Graebner, 2007; Eisenhardt, 1991). Obviously, there are differences among the many chambers of commerce. There is no intent to suggest that chambers throughout the United States behave the same as the one described in this study.

The impact of the external environment on the Jefferson Chamber is not part of this study. Such factors as urban versus rural, local economic conditions, geographic, socio-cultural, employment levels and the dominant nature of the local economy, e.g., tourism, manufacturing, a distribution center are not considered as part of this study.

## FINDINGS

The chamber staff was questioned about educational services provided by the chamber. The chamber hierarchy made it clear that education of its members was a priority and that they tried to give members what they wanted.

The activities sponsored/arranged by the chamber were assigned to a typology having three categories; these are summarized here and expanded on in the next section. First, chamber events where there was a clear intent to transfer knowledge were categorized as Traditional Educational type. This category is akin to a student-teacher (i.e., classroom) environment. An attendee could reasonably expect to increase his or her knowledge about the basic tools necessary for running a business. Second, events which were less formal than a classroom setting but still possessing intent to transfer knowledge were classified as Passive Educational type. These events included luncheons where a speaker delivered a topical address. Third, events that were not explicitly designed for knowledge transfer but provided an avenue for less structured education were classified as Casual Educational type. These latter events were normally intended for networking but did include an opportunity for knowledge transfer. Each of these three types are expanded in the following paragraphs.

The Traditional Educational-type events offered by this chamber are referred to as the “Stayin Alive” program. Even the name invokes an image of needing to learn how to better run a business to avoid failure. On average, eight sessions were offered annually with attendance ranging from 30-120 (average 50 from a population of 1,000 members). The venue was a centrally located public library which had room to facilitate a 130 person meeting. Topics spanned those necessary to run any business and included taxes, labor law, social networking, sales promotion, and ethics. The topics were determined by the Business Growth and Development committee of the chamber which then tailored the offerings to reflect the members’ desires. The following list presents the session titles from the last year. Most recently, the focus has become “How to Improve Sales” because of the current economic environment.

### Topics from 2010/11:

- Keeping it Simple-Tax Basics for Small Business
- Sink or Swim: How to dive into Social Media and WIN the Gold for your Business
- Retirement Planning in a Crazy Market-to Roth or Not to Roth
- Grow My Sales
- Increasing Sales, Building Relationships, and Adding Value in Tough Times
- An Employer/Employee Relationship Has Ruptured-What Now?
- The Power of Email Marketing for Business and Entrepreneurs
- Sales Boot Camp
- The 10 Commandments of the Ethical Sales Person

The Passive Educational opportunities consist of speakers at luncheon/breakfast meetings and field trips to the state and federal legislatures. On average, six luncheon/breakfast events occur each year with attendance ranging from 60-110 (average 75). As with the Traditional Educational events, speakers are determined by the Business Growth and Development committee of the chamber. However, the topics for these sessions are reliant on speaker availability. The speakers are normally members of the National Speakers Association (NSA). Because of personal involvement by the chair of the Business Growth and Development committee in the National Speakers Association, the committee learns when an association speaker may be in town. He or she is then contacted by the chamber and invited to talk to the members. This "Speaker of Opportunity" process keeps the costs to a minimum while still benefitting from having nationally known speakers present to the chamber. The topics for the last year were:

Grow Your Business  
Outrageous Business Growth

The Passive Educational opportunities also consist of field trips to state and federal legislatures. In addition to national speakers, the chamber also arranges for presentations from elected officials. These events involve a cooperative arrangement between the Business Growth and Development committee and the Government committee of the chamber. Topics normally include traditional State of the City/Parish/State updates, Tax Changes and Quality of Life issues. The presentations from elected officials for the last year are listed below:

Speakers from 2010/11:

Local Parish (County) Assessor on Property Taxes  
U.S. Congressman from the local district  
State Speaker of the House of Representatives  
Parish President  
Parish (County) Sheriff  
President of the local Parish (County) School Board

Another recurring Passive Educational opportunity occurs in conjunction with every legislative session. The state business lobby group, the Louisiana Association of Business and Industry (LABI), briefs the chamber membership on issues of interest that may apply to businesses. This event is normally a paying luncheon but garners 140 attendees on the average. In addition to the local briefings, the chamber arranges field trips to both the state and the federal capitals. The trip to the Louisiana state capital begins with a breakfast where the LABI provides a welcome and preview of upcoming legislation. After breakfast, the members meet with the state representatives about what bills are under consideration. In the afternoon, they attend committee meetings and observe the House and Senate sessions. Due to physical space limitations, the attendance for these field trips is normally limited to 30. The trip to Washington D.C. is a three-day event with much the same agenda albeit on the federal level. Again, due to costs and space constraints, the member participation in the Washington D.C. trip is limited to 30. The cost is \$1,500 per person.

Other Passive events include speakers who are scheduled whenever a specific need is perceived by the chamber hierarchy. For instance, when the new health care legislation was being considered, the local Blue Cross/Blue Shield representative suggested that she brief local businesses on potential impacts. The chamber president decided that this was a worthwhile topic and arranged a breakfast. Other topics included an update on the construction of a multi-million

dollar medical center and business set asides. On average, three events of this type covering emerging issues occur annually.

The Casual Educational opportunities consist mostly of networking events; these were not intended as “knowledge transferring.” However, any meeting between business owners presents a vehicle for learning. For instance, during casual conversation members may meet someone who could solve a particular business problem. While such knowledge exchange is contextual, these networking events do present an educational opportunity and are therefore considered as educational events.

Business card exchanges, fund raisers and monthly breakfast meetings fell into the Casual Educational category. The monthly breakfast meetings, referred to as “Business and Breakfast” events, are analogous to Speed Dating and garner an average attendance of 70 members. At tables of six to eight, members have two minutes each in which to describe his or her business to the others. The business card exchanges also occur monthly but are less structured than the breakfast meetings. This event type is more of a social gathering where food and drinks may be available and are often held in conjunction with the opening announcement of a business. The attendance at these events average 80 with quarterly “special” events getting an attendance of 160+. Fund raising events occur quarterly and have an average attendance of 500 members and non-members.

## DISCUSSION

It was obvious from our discussions that those persons in leadership positions in the Chamber value education. From a holistic perspective, one could infer that everything the chamber does involves educating its members to some degree. For that reason, the findings of this research show that the Jefferson Chamber offers a continuum of educational opportunities for its members. These opportunities include: Traditional education or pure instruction, Passive education with a mixture of education and networking, and Casual education consisting of pure networking albeit with some knowledge transfer. Although the focus of this paper was a local chamber, the types of education and the lessons learned from their use can be easily extrapolated to just about any chamber of commerce.

Several lessons have been learned with the “Stayin Alive” program which has been very successful relying mostly on local speakers. For instance, the title of the individual event is very important and has to suggest that the event will help one’s business, especially in sales. Also, early programs drew people who expected to listen and network. It was made clear that education was the objective of the event, not networking. Interestingly, even after it was made clear that education was the main, if not the only, purpose of the event, attendance went up. Apparently, some members were so used to networking at chamber events that they assumed networking was a natural part of a “Stayin Alive” event. It was also noted that the educational events tended to draw mostly those over the age of 40. The chamber is exploring ways to involve the younger business owners.

Other programs revealed some interesting findings. For instance, the governmental programs were initially viewed as a Passive Educational opportunity. However, a significant amount of interaction between some of the members and the speaker went beyond general educational exchange. That is, some members viewed the ‘educational’ event as an opportunity to gain access to the speaker for other reasons. For example, a commissioner was discussing redevelopment plans for a local neighborhood that had the intent of providing a pedestrian friendly environment to help customers reach businesses. Some of the incumbent business owners felt that they were being slighted and took the opportunity to vent their frustrations out on the commissioner.

While the example above is somewhat slanted in the negative, these interchanges between business owners and governmental officials more often have positive outcomes that fit well with the educational intent of the chamber. For instance, voter activism is increasing as illustrated by the notoriety of the Tea Party. Such activism is similarly reflected in the increasing attendance at events with government speakers as well as increased participation on Government committees at chamber meetings. The net effect of increased participation and activism is a corresponding increase in the level of knowledge by both the attendees and the speaker. In these events, the knowledge exchange is bi-directional-the attendees learn about programs the government is providing and the speakers learn what priorities the local business owners hold.

The government luncheons and member visits to the state and federal legislatures reflect a growing interest or activism by chamber members in the business-government interface. It also reflects a growing activism on the part of the chamber of commerce management in government affairs. As an example, a new benefit to the Jefferson Chamber member is the voter VOICE which provides internet-based tools that will allow the chamber to launch and manage grassroots campaigns concerning issues. The software uses email actions to alert the members of current political activities that will affect the parish and allows them to connect directly with their representatives at local, state, and federal levels (Lacho, 2008). Also, the future of chamber government activities may well lie in the development of coalitions with other chambers and business organizations as regionalism for economic development increases (Lacho, 2008).

The topic/speaker selection decisions are dominated by three persons, the chamber president, and the heads of the Business Growth and Development (BGD), and Government committees. Feedback on topics is encouraged from chamber members, especially by the BGD. One concern is the fact that the head of the BGD is leaving after his year of tenure. He is a member of the National Speakers Association and has connections to speakers who are coming to New Orleans. His leaving will leave a vacuum in working with the NSA network.

The Jefferson Chamber gets the word out about its educational (and other) events by email, fliers, Internet, Facebook, and the chamber website. It also collaborates with other organizations and groups. For example, a major noncredit small business education program being conducted by locally-based Delgado Community College is shown on the chamber website. Similarly, workshops or lectures in technology-related topics conducted by the Louisiana Technology Council (LTC) are cited on the chamber website. In turn, the LTC promotes chamber events on its website.

One future avenue to explore is the use of technology to video chamber education events on the website. For example, events could be taped and later (or simultaneously) shown on the website. Legal, technical, and cost factors would have to be worked out.

## **SUGGESTIONS FOR FUTURE RESEARCH**

Little academic research has been conducted on chambers of commerce. One possible area of research is to study what other chambers do in the way of educational activities to help members better manage their business. How effective are these activities? How do activities vary by chamber according to size, the external environment such as urban versus rural, local economic conditions, geographic location, socio-cultural factors, such as ethnic group (Hispanic, African Americans, Asian), and the dominant nature of the local economy.

The opportunity cost of attending chamber events and taking part in educational activities should be studied. What factors influence attending or not attending a particular event or activity? How does one measure the benefit/cost of attending or not attending an event? What is the extent of non-member attendance at chamber educational events? Why do they come? Do they become members? Why or why not? What is the extent and future of the use of the Internet in chamber operations? How the Internet is used? What is the future of Facebook in chamber promotion? How can Facebook be used to promote the educational events of the chamber? What form of media promotion works best, fliers, the Internet, website, email, etc?

What is the role of word-of-mouth in influencing persons, chamber or non-chamber members, to attend a chamber educational event? Once a person has attended an educational event, what information has been retained or use? Currently, there is no follow-up to see if the “Stayin Alive” attendees use the information they received. Past attendees could be interviewed to determine what information was used in the business, and how did it work out?

### CONCLUSION

The previous discussion is based on a case study of one chamber of commerce and its education services it provides to small business members in order to increase their chances of survival and improve performance. Just about anything the chamber provides could be viewed as an educational opportunity. For that reason, these findings presented a typology of education events; Tradition, Passive, and Casual. It’s fairly obvious that most events sponsored by the chamber of commerce for its members have the opportunity to become an educational event. All it takes is that recognition of the opportunity and then leveraging it in order to help the local business owners be more successful.

This study is relies on a single case and is not readily generalizable to the population of chambers of commerce. However, as stated in the purpose, the information presented here can be used by any other chamber that wishes to increase its involvement in educating its members. From an academic perspective, there are many opportunities for academic research concerning chambers of commerce. One area of research concerns chamber activities and how they may differ in content and effectiveness according to urban versus rural, economic and socio-cultural environmental factors. Of particular interest is the future of the Internet, Facebook, and other social networking venues particularly as they may apply to the younger business owner/entrepreneur.

Chambers of commerce have been a factor in commerce and trade for hundreds of years. Their assistance to small business owners will continue through both traditional means and those using the technology of the future.

### REFERENCES

- Dawley, D. D., Stephens, R. D. & Stephens, D. B. (2005, December). Dimensionality of organizational commitment in volunteer workers: Chamber of Commerce board members and role fulfillment. *Journal of Vocational Behavior*, (67), 3, 511-525.
- Economic Report Market Watch (April 13, 2010). Small businesses don’t see recovery panning out: NFIB. <http://www.marketingwatch.com/story/small-business-don't-seerecovery.nfib-survey-2010-0>. Retrived 7, 1, 2011)
- Eisenhardt, K.M. (1989). Building theories from case study research. *Academy of Management Review* 14: 532–50.
- Eisenhardt, K.M. (1991). Better stories and better constructs: The case for rigor and comparative logic. *Academy of Management Review*. 16: 620–7.
- Eisenhardt, K.M., and Graebner, M.E. (2007). Theory building from cases: Opportunities and challenges. *Academy of Management Journal*. 50: 25–32

Lacho, K. J. (2008, April). Government affairs activities of chambers of commerce. Paper presented at the Allied Academies Spring 2008, International Conference, Tunica, MS.

Lacho, K. J. and Brockmann, E. N. (2011). Promoting a small business through the services of a chamber of commerce: One chamber's story. *The Entrepreneurial Executive*, 1, 1-8.

Lacho, K. J., Bradley, D. B. & Cusack, M. (2006). Business nonprofits: Helping small businesses in New Orleans survive Katrina. *The Entrepreneurial Executive*, 11, 55-68.

Louisiana Economic Development: (July 1, 2011). LED launches small business training portal. <http://cas.uno.edu/owa?al=Item&t=1PM.Note&il=RgAAAACSJQb1%2bHO1SKOALFY74a>. Retrieved July 1, 2011.

Maidment, F. (2008, January 6-8). *Certificates in entrepreneurship/small business at community colleges*. Paper presented at the meeting of the National Association for Community College Entrepreneurship. San Antonio, TX.

Maidment, F. (2009, October). Certificates in entrepreneurship/small business management, *Business Journal for Entrepreneurs*, Franklin Publishing Company, Arlington, TX.

Morro Bay Visitors Center and Chamber of Commerce. *History of the Chamber of Commerce*. (<http://www.morro-bay.net/visit/ccahouthtm>.) Retrieved 12-12-07.

SparkNotes, LLC, 2011.

The Shapiro Group. (2007). *The real value of joining a local chamber of commerce: A research study*. Atlanta, GA: Author.

Siggelkow, N. (2007). Persuasion with case studies. *Academy of Management Journal*, 50: 20-4.

U.S. Chamber of Commerce. The U.S. Chambers history. (<http://www.uschamber.com/about/history/default>). Retrieved 12-12-07.



---

# KEY PSYCHOLOGICAL FACTORS AS PREDICTORS OF ENTREPRENEURIAL SUCCESS: A CONCEPTUAL FRAMEWORK

Namrata Chatterjee, Indian School of Mines, Dhanbad  
Niladri Das, Indian School of Mines, Dhanbad

## ABSTRACT

*Numerous research studies have explained that only some individual, but not others, choose to become entrepreneurs. Entrepreneurship theory considers psychological dimension as an important facet in making entrepreneurial decisions. Entrepreneurship is a cognitive process of psychological dimensions, so understanding the phenomenon is important to justify the entrepreneurial intention for decision-making process. This research showcase provides a guideline on psychological factors having influence on entrepreneurial success. Human action is an outcome of his cognitive factors, his psychological attributes and intentions. Economic, social, cultural and other factors are responsible for new venture creation. Psychological factors play a crucial role in entrepreneurial success. The present paper is a descriptive explanation on entrepreneurial characteristics which influence the entrepreneurial process is linked to success. A conceptual framework supports the objective of the study which reveals the function of psychological variables on impacting entrepreneurial success.*

*Keywords: Entrepreneurship, Entrepreneurial success, Psychological characteristics, Conceptual Framework.*

*JEL Classification: L26*

## 1. INTRODUCTION

Entrepreneurship to an extent is an intentional process. It is a cognitive process and gives an insight view of psychology. The universal dogma of psychological theory of planned behavior (Ajzen, 1991) is that planned behavior is best envisaged by intention towards it. The intention towards entrepreneurship is considered antecedent to entrepreneurial activity (Bird, 1988; Kolvereid, 1996; Krueger and Brazeal, 1994). There are several drivers that stimulate an individual to become an entrepreneur.

Researches on psychological forefront has emphasized on personality traits of entrepreneurs. Two pertinent theories are of Schumpeter and Rotter. Schumpeter (1967) has claimed that innovation is an important characteristic of an entrepreneur. He visualized that by combining the factors of production, one can develop ideas into concepts through innovativeness. Along with him Rotter (1966) developed the concept of Locus of Control. He specified that people are of two types. Some believe on luck or factors that they cannot control so they have external locus of control. On the other hand, those who believe in their efforts and foresee future in their control said to have internal locus of control. According to his opinion those who are entrepreneurs have more internal locus of control. The motivations and behavior of individuals who have

purposive intention to become entrepreneurs has always been a subject of interest of entrepreneurship research and has reaped continuous attention over the last decade (Birley and Westhead, 1994; Carter et al., 1996).

The concept of entrepreneurship is multifaceted and is referred in a varied context. Understanding the factors persuading an individual's wish to become an entrepreneur is a crucial facet of entrepreneurship study. Previous researches on entrepreneurial actions show that there are some psychological characteristics that motivate them to become entrepreneurs. Such characteristics can be studied to distinguish entrepreneurs from non entrepreneurs (Hornaday, 1982 cited in Davidsson, 1995).

Previously the study of entrepreneurship was focused on the "how" rather than "who" becomes an entrepreneur. However now, the impact of personal/ psychological characteristics is the principle theme of the study of entrepreneurial behavior and performance. The intrinsic nature of psychological theory is the difference in individual characteristics to become a successful entrepreneur.

According to Lachman et al. (1980) and Koh (1996), people who have the similar characteristics as entrepreneurs will have a higher chance to perform like entrepreneurs unlike people who lack such characteristics. Psychological characteristics form the underlying base for the transformation of an individual into a founder of an enterprise (Begley and Boyd, 1987). Through the years of research, many of these individual characteristics have been discarded, discredited, or have been measured ineffectively. Economic, social, demographic, cultural and other factors helps in decision making for new venture creation but none of these individually or together can create an enterprise. It is the individual, who makes it possible. He foresees innovation in a concept, he who has the motivation to accomplish the task.

Against this backdrop, the objective of the paper is to synthesize the findings of the earlier researches to understand the influence of psychological characteristics of an individual to undertake entrepreneurship as an important factor that influences entrepreneurial performance. The understanding of this dimension will lead into designing a framework to satisfy the purpose of the study.

The paper further deals in the following manner: Section two gives a backdrop of association between psychological dimension and entrepreneurship process. Section three reviews the related literatures essential for the study. Section four discusses the proposed conceptual framework based on the study of literatures followed by Section five finally concluding into findings, implications and limitations of the study. Further scope has been discussed to help the policy-makers and researchers for future research on the basis of these researches.

## **2. PSYCHOLOGICAL DIMENSIONS IN CONTEXT TO ENTREPRENEURSHIP: A BACKDROP**

Early researches have focused on personality of entrepreneurs as they are elementary to entrepreneurial performance. Repetitively most of the previous studies have been conducted on characteristics of entrepreneurs (Herron and Robinson, 1993). This is because psychological characteristics are eccentric to entrepreneurship study. Psychological characteristics school of thought views entrepreneurs as individuals who have unique values, attitudes and needs which

---

drive them. It is based on the assumption that people behave in accordance with their values and behavior resulting from attempts to satisfy needs.

The major psychological dimensions associated with entrepreneurship process are need for achievement, locus of control, risk-propensity, self-efficacy, tolerance for ambiguity, innovativeness, independence and autonomy and optimism (Bygrave and Hofer, 1991). There are a number of psychological variables that has been discussed in various research studies for projecting the entrepreneurial success. Caliendo and Kritikos (2007) carried out a research on 414 formerly unemployed persons based on different psychological variables to understand its effect on entrepreneurial success. The study concluded that there is a positive correlation between psychological variables and entrepreneurship success. Psychological characteristics are action-directed (plans, goals and strategies) and act as a medium for anticipating entrepreneurship success (Rauch and Frese, 2000).

Nowadays the scope for entrepreneurs is wider. The entrepreneurs possess some psychological characteristics that encourage them to start an enterprise unlike others (Li, 2000).

Therefore, it is essential to understand a person's psychological traits. Thus, this paper investigates previous studies whether psychological characteristics are beneficial forecasters for entrepreneurial success. It provides further awareness and understanding of the interrelationship between psychological traits and entrepreneurial success.

### **3. DATA SET CONSTRUCTION**

The present study incorporates a review of existing literatures relevant to the theme of the paper. Articles available in various online databases and search engines like SCIENCE DIRECT, EBSCO and SSRN has been reviewed. The search resulted in 112 references out of which 68 related references were included for the study. The search terms were "Psychological factors", "Entrepreneurial characteristics" and "Entrepreneurial Success" that helped in finding the appropriate articles needed for the study.

### **4. LITERATURE REVIEW**

There is a belief that an individual has certain intrinsic inclination towards undertaking entrepreneurial activities, whereas other individuals who have no promptness or driving characteristics will hardly become entrepreneurs (Farmer, Xin, and Kate, 2011). Various researches have given clarification regarding the significance of individual traits on the success or failure of entrepreneurs (Andreas, Michael and Nina, 2011). Many researchers are also of the opinion that it is essential to understand what influences an individual's decision-making process (Douglas, 2005; Forbes, 2005). Psychological dimensions of entrepreneurship are important for both psychology and entrepreneurship. In fact, psychological variables play a mediating role in the performance of entrepreneurship act that leads to entrepreneurial success. Therefore, this study investigates and studies the individual characteristics of entrepreneurs in a more comprehensive approach.

Entrepreneurial success has been perceived in many ways. Brush and Vanderwerf (1992) called success as a particular aspect of performance. It has been tough for researchers to

differentiate the theory of success from performance primarily because success is a measure of certain components of performance. Harada (2002) has stated that some entrepreneurs still chooses to remain in the business despite facing difficulty and loss due to their high determination characteristics. Analyzing various literature studies has showed a number of variables that influence the success of entrepreneurship, but most of them have focused on a few set of factors. Psychological attributes have been found to be pertinent to success (Brantjes, Frese and Hoorn, 2002). According to Rauch and Frese (1998) psychological traits contribute to success of enterprise development.

The present study focuses on psychological characteristics related to entrepreneurship which have been given a fair recognition in research such as need for achievement, locus of control, risk taking, self-efficacy, tolerance of ambiguity (Begley and Boyd, 1987; Brockhaus, Sr. and Horwitz, 1986) autonomy and independence (Rauch and Frese, 2000), Optimism (Ivanova & Gibcus, 2003) and innovativeness (Schumpeter, 1934). These psychological characteristics have been considered in this study because they are the most oftenly mentioned characteristics for the study of entrepreneurship success and relationship between them and entrepreneurship has been evident in literatures (Koh, 1996).

In the following subsections, these most researched psychological characteristics will be discussed to understand their role as predictors of entrepreneurial success.

#### **4.1 Need For Achievement:**

Need for achievement is a unique human motivational attribute which can be explained as a desire for success or achieving something brilliant. In McClelland's (1961), "The Achieving Society", the need for achievement has been defined as an inclination to undertake and continue any activity that carries a fair chance of success or a satisfaction of personal achievement. An entrepreneur needs to have a strong desire in order to build and expand a business, also known as a "need for achievement" (Carland et al., 1997; Rauch & Frese, 2000). According to McClelland (1961), there would be proportionately greater amount of entrepreneurial activity in a society if there is a moderately higher level of need for achievement in a society. A higher degree of need for achievement motivates an individual to establish goals, use his own skills and abilities essential to achieve the goals and put effort towards its attainment (Alam & Hossan, 2003).

Studies in literature have suggested that there exists a direct relationship between need for achievement and entrepreneurial intention (Robinson et al., 1991; Johnson, 1990 and Shaver et al., 1991). Frey (1984) supported the argument that entrepreneurship act as a platform between need for achievement and economic development of a nation.

Moreover, Need for Achievement could be a useful determinant at distinguishing entrepreneurs from non-entrepreneurs. Therefore, it could play an essential role in explaining entrepreneurial activity.

#### **4.2 Locus of Control:**

According to Julian Rotter (1966), the concept of locus of control speaks about a person's generalized belief over control of his or her own destiny. It is an individual's perception about

---

control over events of life (Findley & Cooper, 1983). Those who accredit control of events and destiny to themselves are likely to have an internal locus of control and are labeled to as 'internals'. People who accredit control to forces beyond their control are said to have an external locus of control and are labeled to as 'externals' (Spector, 1992; Carver, 1977).

Rotter (1996) also claimed that "individual having an internal locus of control possibly have higher need for achievement as compared with those having an external locus of control".

Many literatures studies have revealed through empirical findings that internal locus of control is an entrepreneurial characteristic that has major drive towards entrepreneurial activity (Ho and Koh, 1992; Cromie, 2000). In a study consisting of students as sample, a positive correlation was found to exist between internal loci of control with the desire to become an entrepreneur (Bonnett & Furnham, 1991).

#### **4.3 Self-Efficacy:**

Self-efficacy alludes to a person's judgments with respect to their ability to execute a given task (Bandura, 1977, 1982, and 1986). Self-efficacy is a strong belief in one's own competency to congregate and accomplish a specific task and achieve the goal by employing necessary resources, skills, and expertise (Bandura, 1997). According to Ho and Koh (1992) self-efficacy is an important psychological characteristic that helps to understand entrepreneurial orientation of an individual. In entrepreneurship, self-efficacy may be manifested as contemplation of the tasks that needs commencement and development of new ventures, which is representative of the entrepreneurial act (Livesay, 1982). Individuals having high levels of entrepreneurial self-efficacy exhibits intentions of an entrepreneurial career. Lent, et al (1994) explained three aspects of career development through self-efficacy as a measure related to occupational interests, occupational choice and intentions, and occupational performance.

Infact, an individual with higher level of self-efficacy will perhaps take negative feedback also in a more constructive manner and utilize that feedback to enhance their performance and efficiency. ESE (Entrepreneurial Self-Efficacy) is a construct that measures a person's belief in their proficiency to be a successful (McGee, et al, 2009). They should be self-responsible in all the decision-making processes (Kumar and Sihag, 2012) Hence, it is a strong predictor of entrepreneurial intentions and ultimately action (Bird, 1988).

#### **4.4 Tolerance of Ambiguity:**

Budner (1962) has defined tolerance for ambiguity as the "ability to perceive ambiguous or doubtful situations as open and neutral or as desirable". In an ambiguous situation an individual is provided with any information that is complicated, insufficient, or outwardly conflicting (Norton, 1975).

A person with high tolerance for ambiguity is the one who finds ambiguous situations desirable, challenging, interesting and he toils hard to triumph uncertain and unforeseeable situations in order to perform well (Koh, 1996). Begley and Boyd (1987) have linked tolerance for ambiguity with entrepreneurial intention. Hence, it becomes important for entrepreneurs to be tolerant towards ambiguity, perform well and make appropriate decisions in the certain

unpredictable and varying situations necessary for starting and continuing his business (Koh, 1996; Rauch & Frese, 2000).

Tolerance for ambiguity is an entrepreneurial characteristic and is presumed to exhibit more tolerance for ambiguity than non-entrepreneurs (Sarachek, 1978; Schere, 1982). According to McMullen and Shepherd (2006) entrepreneurial intention and success is associated with readiness to bear precariousness. Dollinger (1983) empirically found that entrepreneurs had high tolerance for ambiguity by testing on a sample size of 79 entrepreneurs. Hence, tolerance of ambiguity can be conceived as an individual's inclination toward taking chances in a decision making strategy.

#### **4.5 Risk-Taking Propensity:**

Risk taking propensity has been perceived as an individual's propensity to undertake or avoid risk (Petrakis, 2005). The ability and tendency to take deliberated risks has been perceived as an essential characteristic for entrepreneurial success around the world (Carland et al., 1997; Rauch & Frese, 2000). In entrepreneurship literature risk-taking propensity has been understood as the inclination to take moderate risks (Begley, 1995). According to Koh (1996) he studied that students inclined towards entrepreneurship have significantly scored higher in risk-taking propensity than students not having entrepreneurship inclination.

Risk taking propensity is perceived to have positive influence on entrepreneurial orientation. The entrepreneurs should be more vigilant in their day-to-day working. It will help them to take more risks in an effective manner (Kumar and Sihag, 2012). However, various literatures on entrepreneurship studies have showed the significance of risk-taking attitude needed for entrepreneurial activity; but the level of risk-taking differ among entrepreneurs in different industries and from non-entrepreneurs.

#### **4.6 Innovativeness:**

Innovativeness is perceived as an important component of entrepreneurial process. According to Schumpeter (1990) an entrepreneur is simply an innovator. Various literatures on entrepreneurship have commonly mentioned innovativeness as a distinct characteristic of the entrepreneur (Jun & Deschoolmeester, 2005). Peter Drucker (1998) suggested innovation is a tool by which entrepreneurs may exploit ideas in order to generate new service and business opportunities. Various empirical studies also support this belief that entrepreneurs are more innovative in nature than non entrepreneurs (Koh, 1996; Robinson et al., 1991). Innovativeness of an entrepreneur motivates him to emerge with new concepts of doing things, which in turn makes it possible for an entrepreneur to avail opportunities and utilize resources and set up and continue new ventures. Mueller and Thomas (2000) claimed that innovation is a primary motif in putting up a business venture. Entrepreneurship is therefore, an act related to innovation that adds a new wealth-yielding capacity to sustaining resources (Ivanova & Gibcus, 2003).

#### **4.7 Independence and Autonomy:**

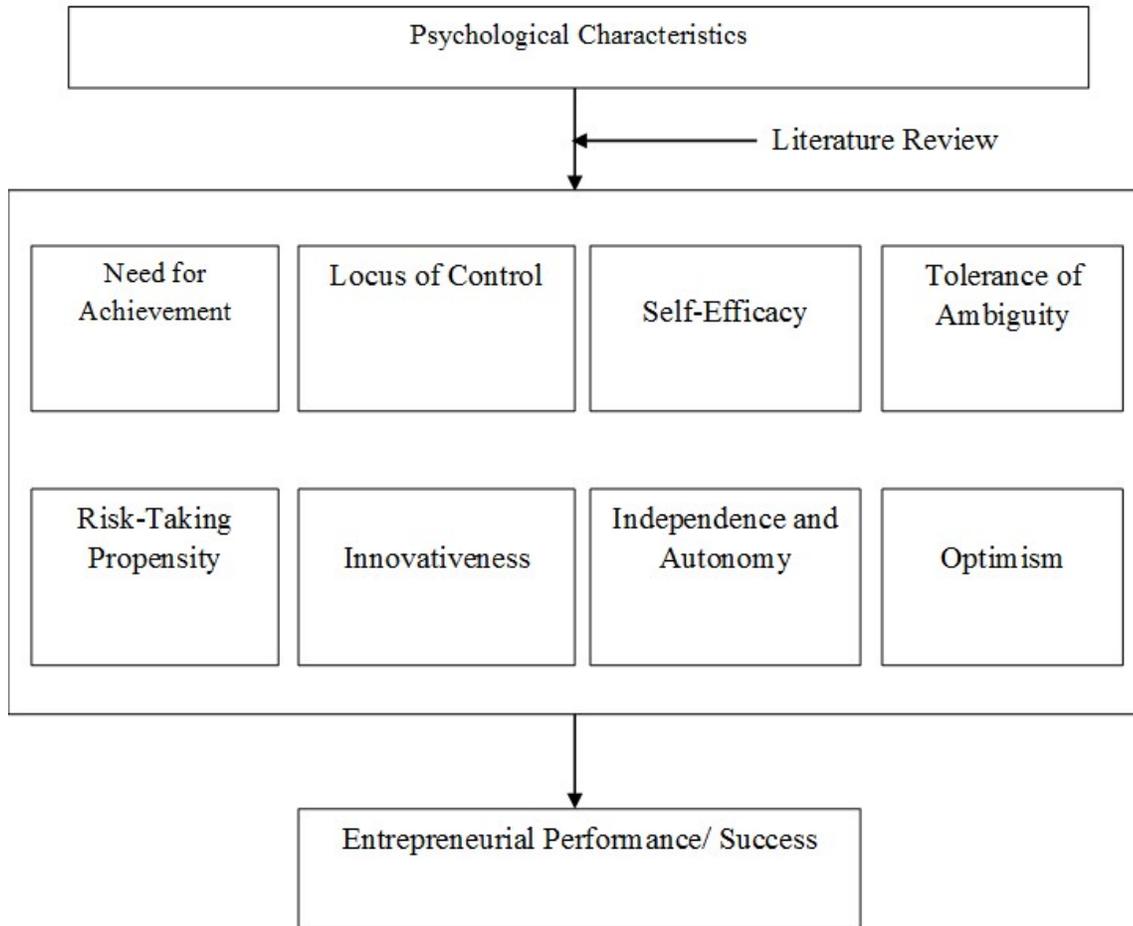
Being independent and act autonomously, and not being dependent on others for accomplishing any task is an important characteristic of an entrepreneur (Kuratko & Hodgetts, 1995; Rauch & Frese, 2000). Independence involves taking the responsibility to perform an act by self-judgement process rather than following the blind opinions of others. Many researches have showed that independence is a necessary element in entrepreneurial role. Hisrich (1985) suggested that one of the prime factors for starting a business was a desire to be independent. In a study consisting of Chinese entrepreneurs, it was seen that those who have a greater degree of independence are more likely to become successful (Ang & Hong, 2000). Thus the desire to be independent or self dependent accelerates an individual to develop a genuine interest towards entrepreneurship.

#### **4.8 Optimism:**

The concept of optimism as an entrepreneurial attribute has been a subject of studies in psychology most oftenly. Optimism well describes entrepreneurial attitude. According to a study conducted by Palich and Bagby (1995) entrepreneurs perform and act by a distinct set of cognitive thinking process and reacts accordingly thus supporting their optimistic characteristic. Further studies of literatures on entrepreneurial characteristic show that entrepreneurs make decisions and judgements based on their optimistic outlook (Timmons, 1990 McCarthy et al., 1993; Cooper et al., 1988; Ivanova & Gibcus, 2003). Although literature studies have supported the argument that optimism is an inevitable characteristic of entrepreneurial tendency, studies have lacked to show any empirical support of the degree of optimism necessary for entrepreneurship and how much it affect the decision making process in entrepreneurial activity.

**5. PROPOSED CONCEPTUAL FRAMEWORK:**

Figure 1: Framework showing effect of psychological characteristics on entrepreneurial success



Source: Author’s compilation

**5.1: Discussion:**

The conceptual framework in (figure.1) makes an attempt to explain in diagrammatic form, the essential independent variables, and the assumed relationship of those on the dependent variables. By developing a cognitive framework, it gives an overview of the relationship pattern between the entrepreneurial psychological characteristics and the entrepreneurial success. As discussed in the literature review section it becomes definite that psychological characteristics of an entrepreneur are one of the best predictors of their success.

Need for achievement as an entrepreneurial characteristic highly influence the entrepreneurial performance and success. Higher is the need to achieve something, higher is the

propensity of entrepreneurship personality. It drives an individual to be enthusiastic and avail opportunities to establish as an entrepreneur and grow.

Self-efficacy is one's own belief to handle any event of life and execute any activity with self-confidence. Thus higher is the degree of self-efficacy higher is entrepreneurship performance and greater is the success achieved. It fosters a sense of confidence within the entrepreneurs.

Locus of control is of two types namely; internal locus of control and external locus of control. Internal locus of control is one's mind set up that an individual's life and events is controlled by his own behavior, decisions and actions whereas external locus of control refers to a person's belief that events of his life is in control of his fate, destiny and luck. Greater internal locus of control accelerates entrepreneurship success while if a person has higher degree of external locus of control may hesitate to undertake the uncertainty associated with the task of entrepreneurship. Thus external locus of control may act as a hindrance to entrepreneurial performance whereas internal locus of control proves to be a boon for an individual hence activating entrepreneurial activity.

Risk taking propensity is an inevitable part of entrepreneurship activity. An individual with the spirit of entrepreneurship will atleast undertake moderate risk and has no definite degree towards propensity to risk-taking. Therefore, it can be stated that risk-taking is a trait that differentiates an entrepreneur from a non-entrepreneur which has been discussed in many studies.

Innovativeness is a primary concern of every entrepreneur. As explained, entrepreneurship is all about innovative ideas transforming into practical application. Higher is the rate of innovation, higher is the rate of entrepreneurship growth and success. Entrepreneurs should be innovative so as to improve their work procedure.

Independence and autonomy accelerates entrepreneurial growth. Desire to be independent makes an individual develop interest towards entrepreneurship. Independence and autonomous attribute of an entrepreneur is higher for the person who also has higher need for achievement. Hence it is an important stimulator.

Entrepreneur who are optimistic in their outlook have a general tendency to be in the process of entrepreneurship. However they face challenges or downfalls they stick to optimism and have a positiveness to overcome those challenges and difficulties and continue being an entrepreneur. Hence it invigorates entrepreneurial success.

## **6. CONCLUSION**

This paper review various literatures on entrepreneurship process and psychological characteristics associated with it. It tries to explain by reviewing literatures on how much these attributes effects entrepreneurial success. It gives a summary of various factors that best predicts the entrepreneurial performance and success. Entrepreneurship can profit from this interface as psychological variables are most oftenly and continuously related to entrepreneurial performance and success.

### **6.1 Findings:**

Among the various factors associated with entrepreneurial characteristics, the literatures pertaining to psychological dimensions have been studied to understand its relationship with entrepreneurship success. Further, it has taken into account the most commonly studied psychological factors that are considered inevitably present in an entrepreneur. Awareness of the key entrepreneurial characteristics that influence entrepreneurship success is important as it helps to have an overview of the process, its impact and limitations. The conceptual framework proposes that the psychological dimensions act as a predictor to understand entrepreneurial performance and success.

### **6.2 Implications:**

The findings of the present study may imply as a guide to the interest to entrepreneurs' psychological characteristics which may serve as a basis for teaching of entrepreneurship. The present study has laid some foundation to explore the significant factors affecting the performance and success of enterprises, based on which a more detailed evaluation can be made. It allows the policy makers to form policies and programs based on their characteristics to strengthen entrepreneurship development. The potential entrepreneurs can be trained based on these traits in order to flourish as a successful entrepreneur.

### **6.3 Limitations:**

Every study has some limitations. The factors that have been considered for the study may not be exhaustive and hence does not generalize the study. It might also be possible that some of the research papers and journals may have been left out that can be of importance for the study. The framework which is proposed does not validate or generalize the study.

### **6.4 Future scope of the study:**

The limitations open up into future scope where more number of factors can be considered depending upon availability of literatures. A more comprehensive framework can be designed showing the dependability of entrepreneurial success on all the factors and can be validated also. The degree of influence of these factors on entrepreneurial success can be showed through empirical analysis also.

## **REFERENCES**

1. Ajzen, I. (1991). "The theory of planned behavior." *Organizational Behavior & Human Decision Processes*, 50 (2), 179-211.
2. Alam, J., & M. A. Hossan. (2003), "Linking Between Franchising Networks for Entrepreneurship and Economical Development-Looking For a New Model", Proceedings of conference conducted by InEMNet-Conference on Economics and Management of Franchising Networks, Vienna, Austria, June, 2003, 26-28.
3. Ang, S. H. & D. P. G. Hong. (2000). "Entrepreneurial spirit among east Asian Chinese." *Thunderbird International Business Review*, 42 (3), 285-309.

4. Bandura, A. (1977). "Self-efficacy: toward a unifying theory of behavioral change." *Psychological review*, 84(2), 191.
5. Bandura, A. (1982). "Self-efficacy mechanism in human agency." *American psychologist*, 37(2), 122.
6. Bandura, A. (1986). "*Social foundations of thought and action: A social cognitive theory*", Prentice-Hall Publishers. 5-107.
7. Bandura, A. (1997). "*Self-efficacy: The exercise of control*." Macmillan publisher, New York, 75-128.
8. Begley, T. M., & D. P. Boyd. (1987). "A comparison of entrepreneurs and managers of small business firms." *Journal of management*, 13 (1), 99-108.
9. Begley, T. M., & D. P. Boyd. (1988). "Psychological characteristics associated with performance in entrepreneurial firms and smaller businesses." *Journal of Business venturing*, 2 (1), 79-93.
10. Begley, T. M. (1995). "Using founder status, age of firm, and company growth rate as the basis for distinguishing entrepreneurs from managers of smaller businesses." *Journal of Business Venturing*, 10 (3), 249-263.
11. Bird, B. (1988). "Implementing entrepreneurial ideas: The case for intention." *Academy of Management Review*, J (3), 442-453.
12. Birley, S., & P. Westhead. (1994). "A Taxonomy of Business Start-Up Reasons and Their Impact on Firm Growth and Size." *Journal of Business Venturing*, 9, 7-31.
13. Bonnett, C., & A. Furnham. (1991). "Who wants to be an entrepreneur? A study of adolescents interested in a young enterprise scheme." *Journal of Economic Psychology*, 12(3), 465-478.
14. Brockhaus, R. H., & P. S. Horwitz. (1986). "The psychology of the entrepreneur. Entrepreneurship." *Critical perspectives on business and management*, 2, 260-283.
15. Brush, C.G. and P.A. Vanderwerf. (1992). "A comparison of methods and sources for obtaining estimates of new venture performance." *Journal of Business Venturing*, 7 (2), 157-70.
16. Budner, S. (1962). "Intolerance for ambiguity as a personal variable." *Journal of Personality*, 30, 29-50.
17. Bygrave, W. D., & C. W. Hofer. (1991). "Theorizing about entrepreneurship." *Entrepreneurship theory and Practice*, 16 (2), 13-22.
18. Caliendo, M., & A.S. Kritikos. (2007). "Is entrepreneurial success predictable? An ex-ante analysis of the character-based approach." No. 684. DIW-Discussion paper.
19. Carland, J. W., J. A. Carland & M. Koirane. (1997). "The Exportation of the American Model of Entrepreneurship: Reality or Illusion? A Comparative Trait Study of American and Finnish Entrepreneurs". Paper presented at ICSB 42nd World Conference San Francisco, CA. June 22nd, 1997.
20. Carter, N. M., W. B. Gartner, & P. D. Reynolds. (1996). "Exploring start-up event sequences." *Journal of business venturing*, 11 (3), 151-166.
21. Carver, C. (1997). "The Internal-External Scale Confounds Internal Locus of Control with Expectancies of Positive Outcomes, Personality and Social Psychology". *Psychology Bulletin*, 23 (6), pp. 580-585.
22. Cooper, A., C. Wood and W. Dunkelberg (1988). "Entrepreneur's Perceived Chances for Success", *Journal of Business Venturing*, Vol 3 No.2, 97-108.
23. Cromie, S. (2000). "Assessing entrepreneurial inclination: Some approaches and empirical evidence." *European Journal of Work and Organizational Psychology*, 9 (1), 7-30.
24. Davidsson P. (1995), "Determinants of entrepreneurial intentions", Paper prepared for the RENT IX Workshop, Piacenza, Italy, Nov. 23-24.
25. Dollinger, M. J. (1983). "Use of Budner's intolerance of ambiguity measure for entrepreneurial research." *Psychological reports*, 53(3), 1019-1021.
26. Douglas, D. (2005). "The human complexities of entrepreneurial decision making: A grounded case considered." *International Journal of Entrepreneurial Behavior and Research*, 11 (6), 422-435.
27. Drucker, P. F. (1998). Peter Drucker on the profession of management. Harvard Business Press.
28. Farmer, S. M., X. Yao & K.K. McIntyre. (2011). "The Behavioral Impact of Entrepreneur Identity Aspiration and Prior Entrepreneurial Experience." *Entrepreneurship Theory and Practice*, 35(2), 245-273.
29. Findley, M.J. & H. M. Cooper. (1983). "Locus of control and academic achievement: a literature review." *Journal of Personality and Social Psychology*, 44 (2), 419 – 427.
30. Forbes, D. P. (2005). "The effects of strategic decision making on entrepreneurial self-efficacy." *Entrepreneurship Theory & Practice*, 29 (5), 599-626.

31. Frese, M., A. Brantjes, A. & R. Hoorn. (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 (3), 259-282.
32. Frey, R. S. (1984). "Does n-Achievement cause economic development? A cross-lagged panel analysis of the McClelland thesis." *The Journal of social psychology*, 122(1), 67-70.
33. Harada, N. (2002). "Who succeeds as an entrepreneur? An analysis of the post-entry performance of new firms in Japan." *Japan and the World Economy*, 15 (2), 211-222.
34. Herron L & R. B. Robinson. (1993). "A Structural Model of the Effects of Entrepreneurial Characteristics on Venture Performance", *Journal of Business Venturing*, 8(3), 281-294.
35. Hisrich, R. D. (1985). "The Woman Entrepreneur in the United States and Puerto Rico: A Comparative Study." *Leadership & Organization Development Journal*, 5(5), 3-8.
36. Ho, T. S., & H.C. Koh. (1992). "Differences in psychological characteristics between entrepreneurially inclined and non-entrepreneurially inclined accounting graduates in Singapore." *Entrepreneurship, Innovation and Change: an international journal*, 1(11), 243-254.
37. Hodgetts, R. M., & D.F. Kuratko. (1998). "Effective small business management". Fort Worth: Dryden Press Publishers, 5<sup>th</sup> edition.
38. Hornaday, J.A. (1982). "Research about Living Entrepreneurs", In: C.A. Kent, D.L. Sexton & K.H. Vesper (eds.) *The Encyclopedia of Entrepreneurship*, Englewood Cliffs, NJ.: Prentice-Hall Publishers.
39. Ivanova, E., & P. Gibcus. (2003), "The decision-making entrepreneur", *EIM Business & Policy Research*, Recuperado junio, 23, 2006.
40. Johnson, B. R. (1990). "Toward a multidimensional model of entrepreneurship: The case of achievement motivation and the entrepreneur." *Entrepreneurship Theory and practice*, 14 (3), 39-54.
41. Jun, Z., & D. Deschoolmeester. (2008). "The contextual determinants behind the entrepreneurial behavior within 3D of EO: Evidence from the SMEs in China." *International Retail and Marketing Review*, 4(2), 9-32.
42. Koh C.H. (1996). "Testing hypotheses of entrepreneurial characteristics: A study of Hong Kong MBA students." *Journal of Management of Psychology*, 11(3), 12-25.
43. Kolvereid, L. (1996). "Organizational employment versus self-employment: Reasons for career choice intentions." *Entrepreneurship Theory and Practice*, 20 (3), 23-33.
44. Krueger, N.F., Jr. & D.V. Brazeal. (1994). "Entrepreneurial potential and potential entrepreneurs." *Entrepreneurship Theory & Practice*, 18 (3), 91-104.
45. Kumar, A., & S. Sihag. (2012). "Traits of Entrepreneurs of Small-Scale Sector." *IUP Journal of Entrepreneurship Development*, 9 (2), 61-71.
46. Lent, R. W., S.D. Brown. & G. Hackett. (1994), "Toward a unifying social cognitive theory of career and academic interest, choice, and performance", *Journal of vocational behavior*, Vol 45 No. 1, 79-122.
47. Li, K. C (2000). "The relationship between entrepreneurship orientation, marketing strategies and market performance." Master's thesis, University of Chung Cheng, Chiayi, Taiwan.
48. Livesay, H. C. (1982). "Entrepreneurial History." (In Kent, Sexton, and Vesper's *Encyclopedia of Entrepreneurship*). Englewood Cliffs, NJ: Prentice Hall Publishers, 7-15.
49. McCarthy, A., F. Schoolman. & A. Cooper, A (1993). "Reinvestment Decisions by Entrepreneurs: Rational Decision-Making or Escalation of Commitment." *Journal of Business Venturing*, 8 (1), 9-24.
50. McClelland, D.C. (1965). "Toward a theory of motive acquisition." *American Psychologist*, 20 (5), 321-335.
51. McGee, J. E., M. Peterson, S.L. Mueller & J.M. Sequeira. (2009). "Entrepreneurial Self-Efficacy: Refining the Measure." *Entrepreneurship theory and Practice*, 33(4), 965-988.
52. McMullen, J. S., & D.A. Shepherd. (2006). "Entrepreneurial action and the role of uncertainty in the theory of the entrepreneur." *Academy of Management Review*, 31(1), 132-152.
53. Norton, R.W. (1975). "Measurement of ambiguity for tolerance." *Journal of Personality Assessment*, 39(6), 607-619.
54. Palich, L. E., & D. Ray Bagby. (1995). "Using cognitive theory to explain entrepreneurial risk-taking: Challenging conventional wisdom." *Journal of business venturing*, 10 (6), 425-438.
55. Petrakis, P. E. (2005). "Risk Perception, risk propensity and entrepreneurial behavior: the Greek case." *Journal of American Academy of Business*, 7(1), 233-242.

- 
56. Rauch, A. & M. Frese. (1998). "A Contingency Approach to Small Scale Business Success: A Longitudinal Study on the Effects of Environmental Hostility and Uncertainty on the Relationship Between Planning and Success." in Reynolds, P. D., W. D. Bygrave, N. M. Carter et al. (eds) *Frontiers of Entrepreneurship Research*, Babson Park, MA: Babson College Press.
  57. Rauch, A. & M. Frese. (2000). "Psychological Approaches to Entrepreneurial Success, A general Model and an Overview of Findings." in Cooper C L and Robertson I T (Eds.), *International Review of Industrial and Organizational Psychology*, 101-142.
  58. Robinson, P.B., D.V. Stimpson, J.C. Huefner, & H.K. Hunt. (1991). "An Attitude Approach to the Prediction of Entrepreneurship." *Entrepreneurship Theory and Practice*, 15 (4), 13-32.
  59. Sarachek, B. (1978). "American Entrepreneurs and the Horatio Alger Myth." *Journal of Economic History*, 38(2), 439-456.
  60. Schere, J. L. (1982). "Tolerance of Ambiguity as a Discriminating Variable Between Entrepreneurs and Managers." *In Academy of management proceedings*, 1982 (1), 404-408.
  61. Schumpeter, J. A. (1934), "Theory Economic Development", Harvard University Press.
  62. Schumpeter, J. (1967). "Two concepts of democracy." *Political philosophy*, 153-88.
  63. Schumpeter, J. A., W. He & J. Yi. (1990). *Economic development theory*, 73-74.
  64. Shaver, K.G. & L.R. Scott. (1991). "Person, Process, Choice: The Psychology of New Venture Creation." *Entrepreneurship Theory and Practice*, 16 (2), 23-45.
  65. Smith, K. A., L.B. Lachman, J.J. Oppenheim & M.F. Favata. (1980). "The functional relationship of the interleukins." *The Journal of experimental medicine*, 151(6), 1551-1556.
  66. Spector, P. E. (1992), "Behavior in organizations as a function of employee's locus of control", *Psychological bulletin*, 91(3), 482-497.
  67. Timmons, J. (1990). "New Venture Creation: Entrepreneurship in the 1990's." Homewood, IL, Irwin.
  68. Unger J.M., A. Rauch, M. Frese & N. Rosenbusch. (2011). "Human capital and entrepreneurial success: A meta-analytical review", *Journal of Business Venturing*, 26(3), 341-358.



---

# **SOCIO-DEMOGRAPHIC DIFFERENCES OF BLACK VERSUS WHITE ENTREPRENEURS**

**Micah E.S. Crump, Howard University**  
**Robert P. Singh, Morgan State University**  
**Anthony D. Wilbon, Howard University**  
**SherRhonda Gibbs, University of Southern Mississippi**

## **ABSTRACT**

*The shift in economic trends and technology has spurred an increase in entrepreneurship in recent years. However, the success of these businesses is not evenly distributed across race, gender, and other socio-cultural attributes. In fact, much of the research suggests unique socio-demographic differences between black and white entrepreneurs. This study compares some outcomes and attributes of black and white entrepreneurs and investigates non-financial variables that contribute to their success. The research found significant differences in age, years of education, number of hours worked, and socioeconomic status among other factors within and across white and black entrepreneur groups. The findings suggest there are legitimate differences between characteristics of black and white entrepreneurs and that further research is needed to understand what factors lead to their success. Understanding these dynamics and creating programs and policy to promote these success factors will contribute greatly to expanding the economy as these firms grow and create more opportunities.*

## **INTRODUCTION**

Due to recent economic instability, rapid changes in technology literacy, and increased innovation, entrepreneurship has been on the rise for some time. Other reasons that entrepreneurs initiate new ventures include: the drive to pursue their own ideas, the desire to amass a certain amount of wealth, the passion to develop and bring to market some new innovation, the need to create another source of income, and the discovery of an opportunity they believe is worthwhile pursuing. In the U.S. alone, an estimated 25 million working age adults were either initiating or running a new business (Kelly, et. al., 2014). However, the degree to which those entrepreneurs are successful in their business startups varies drastically.

To teach people how to more effectively achieve their goals, U.S. colleges and universities currently offer thousands of entrepreneurship courses (Katz, 2003). Students in these courses are generally taught prescriptive models that are believed to result in entrepreneurial success. These programs, along with the efforts of policy makers, aim to increase the number of new businesses and new jobs in the U.S. economic system (Birch, 1987; Scarborough & Zimmerer, 2005).

The prescriptive models that college courses and textbooks espouse guide entrepreneurs' decision making in a large number of areas. Examples include analyzing recognized opportunities, assessing major areas of feasibility, developing financial projections, and planning for funding from external sources. A basic assumption made by students taking these courses and studying the

textbooks is, if people follow the models prescribed, in general, they can expect to realize the outcomes predicted. For many of these entrepreneurs, the outcomes of their efforts are favorable. However, a growing body of literature suggests that the assumption, in general, does not hold for black entrepreneurs in the United States.

Black entrepreneurship in the U.S. has consistently yielded outcomes that drastically differ from those observed in other races and ethnic groups. In some cases, it has even yielded outcomes that are nearly opposite. Summarizing and synthesizing research that explains the unique socio-demographic differences between black and white entrepreneurs is a multifaceted task. The purpose of this study is to investigate some of those differences. To accomplish our research goal, we compare outcomes and attributes of black entrepreneurs to two groups: black non-entrepreneurs, and white entrepreneurs. We hypothesize that seven key non-financial variables contribute greatly to the differences between blacks and whites. These variables include age, educational attainment, family structure and parenting, parents' educational attainment, hours spent working, entrepreneurial earnings, and socioeconomic status. We also examine white entrepreneurs compared to white non-entrepreneurs, and analyze the differences between and within the two races.

## LITERATURE REVIEW

Literature examining the entrepreneurial nature of blacks has developed over several decades. Galbraith & Stiles (1999) documented evidence of the entrepreneurial inclination of blacks dating back to the post-slavery era. Nevertheless, the field of entrepreneurship research on minority groups has several gaps (Butler 1991). Puryear, et. al. (2008) argued that datasets often used for the study of business ownership within minority groups are not accurate in their representation. United States Census population data and other large national surveys are often used to study the differences and similarities of non-minorities and minority business owners. However, the information gathered often lacks relevance to family dynamics as well as community context by offering great generalizations (Puryear et. al. 2008). Consequently, it is important to frame all findings with the understanding that comprehensive appreciation of these dynamics needs further refinement.

While only four percent of blacks are self-employed compared to twelve percent of whites (Bates, 1995; Fairlie, 1999; Fairlie & Meyer, 1996, 2000), blacks continue to score higher on entrepreneurial propensity than whites (Butler, 1991; Herring, 2004; Köllinger & Minniti, 2006; Walstad & Kourilsky, 1998). The entrepreneurship literature shows the initiation rates of blacks are nearly three times those of whites, and that blacks are more likely to pursue new venture creation than whites and Asians (Butler, 1991; Köllinger & Minniti, 2006). However, black entrepreneurs tend to have less success than their white counterparts (Fairlie, 1999, Robb, 2002, Fairlie & Robb, 2007).

For the purpose of this paper, success is defined in two critical parts: 1) the founding of a new venture, and 2) the expansion of a business, post formation. This definition is most applicable here because blacks are highly engaged in nascent entrepreneurship but they are unlikely to continue through the process to formally found a business (Köllinger & Minniti, 2006; Reynolds et. al., 2004). Even if a black entrepreneur survives the development phase, their survival rate is

---

low compared to Asians, Hispanics, Native Americans and whites. Stemming from an inability to generate sales and profits, as well as having a limited capacity to hire effectively, businesses owned by blacks are more like to fail.

### **1. The Socio-Demographic Variable of Age**

Entrepreneurship is common among older adults. Kautonen et al. (2011), for example, suggest a likely increase in the number of older people who become entrepreneurs in the future by considering various push and pull factors. Once older people establish human capital in the form of knowledge, financial, and social resources, business ownership becomes more attractive. Further, entrepreneurship activity economically permits people of retirement age to maintain or achieve a more favorable lifestyle than that of retirement income alone. Additionally, wage work becomes less friendly for older citizens (Kautonen et al, 2011) and age discrimination provides fewer alternatives. Hence entrepreneurship becomes an interesting alternative for older people.

As the population of America ages, Singh & Ronch (2011) explain drastic increases in older entrepreneurs and suggest this will continue at a faster rate than general population growth. They argue that because people in the U.S. are living longer (i.e., nearly 20 percent of the U.S. population is expected to be aged 65 or older in 2030), that increased financial pressures will be placed on older Americans themselves and on Social Security payment programs. As a result, the following is hypothesized:

H1a: *White entrepreneurs are significantly older than white non-entrepreneurs.*

H1b: *There is no difference in the age of white and black entrepreneurs.*

H1c: *Black entrepreneurs are significantly older than black non-entrepreneurs.*

### **2. The Socio-Demographic Variable of Educational Attainment**

The research shows increases in education also increase the rates of business ownership. At the cross section of race and entrepreneurship, the rate of educational attainment among blacks becomes a greater focal point. Blacks are less likely to earn higher education degrees than other ethnic groups in the U.S. (Köllinger & Minniti, 2006), which would suggest that this variable contributes to the lower rates of success for black owned businesses.

Based on the existing literature it is advantageous to encourage education as a means to increase success rates for black entrepreneurs. Reynolds et al. (2004) concluded that black men and women who report any graduate training are two to three times more likely than white men and women to attempt to start a business. Since the research suggests increased education has a stronger positive effect on nascent entrepreneurship participation among black adults than white adults, a narrowing of the self-employment gap between blacks and whites is certainly possible. (Reynolds et al., 2004)

Educational sociologists have long believed that inequalities created by differences in social capital are developed during earlier periods of life and are reinforced by educational

stratification (Fairchild, 2009). Research on educational attainment as a socio-demographic difference between black and white entrepreneurs suggests that educational attainment is a socio-demographic variable that impacts business ownership across racial lines.

H2a: *White entrepreneurs are more educated than white non-entrepreneurs.*

H2b: *There is no difference in the educational levels of black entrepreneurs and white entrepreneurs.*

H2c: *Black entrepreneurs are more educated than black non-entrepreneurs.*

### **3. The Socio-Demographic Variable of Family Structure and Planning**

For several decades the composition of nuclear families has changed and a growing commonality among black households has been a single-parent structure (Singh, Crump, & Zu, 2008). Black family structures that are predominantly single-parent headed experience significant negative consequences, such as fewer financial and social resources. Two-parent households experience the same fate less often. Thus, family structure and planning adds a unique filter to the discussion on entrepreneurship and race.

When planning a family, entrepreneurs with young children often have limited time and money to spend on their business. The elevated rates of teenage pregnancy among blacks in the U.S. is a limiting factor in nascent entrepreneurship because having children early in life can limit one's ability to pursue entrepreneurship over a wage job. Also, more women are exploring entrepreneurship as a means to balance their work-life responsibilities. For women who delayed childbirth to pursue a career, motherhood is followed by a period of self-reflection (Bailey 1999; Ladge 2008). When race, motherhood and entrepreneurship are viewed together the age of the mother becomes a unique variable to consider. Motherhood often demands a woman shift her priorities and when opportunities are presented they are evaluated differently. Women with children are frequently pushed into entrepreneurship (as a means to seek ownership of their career) or they may be pulled away from entrepreneurship depending on the context of their age at the time of becoming a mother.

As black entrepreneurs build businesses, their choices for family planning and residential decisions also contribute to their success. Fairchild (2009) proposes the time and energy associated with raising young children is a net drain on resources that are otherwise often applied to the pursuit of entrepreneurial opportunity, and that there is a negative relationship between self-employment and the presence of children. Thus, the following hypotheses are proposed:

H3a: *White entrepreneurs have children later in life than white non-entrepreneurs.*

H3b: *Black entrepreneurs have children earlier in life than white entrepreneurs.*

H3c: *Black entrepreneurs have children earlier in life than black non-entrepreneurs.*

H3d: *White entrepreneurs have more children than white non-entrepreneurs.*

---

H3e: *Black entrepreneurs have more children than white entrepreneurs.*

H3f: *Black entrepreneurs have more children than black non-entrepreneurs.*

#### **4. The Socio-Demographic Variable of Parents' Educational Attainment**

The value of modeled behavior and exposure to positive images is a significant contributor to one's success. However, black communities more frequently lack a framework to create successful entrepreneurial role models (Rhodes & Butler, 2004). When considering the interplay between parental achievement and successful entrepreneurship among blacks, the data paints a bleak outlook.

Blacks are less likely than whites to have fathers who were self-employed, making men from these groups less likely to become successful entrepreneurs (Hout & Rosen, 2000; Fairlie, 1999). When comparing blacks and whites, white entrepreneurs are more likely than blacks to have fathers (and not mothers) who were entrepreneurs (Singh, Crump & Zu, 2008). The research goes on to show black entrepreneurs are more likely than whites to have mothers who are self-employed (Singh, Crump & Zu, 2008).

Often parental achievement determines the socioeconomic status of families. The definition of middle class varies, but one often accepted attribute is whether or not at least one parent has a college degree (Lindsay, 2011). Parental educational attainment and minority entrepreneurship are often found in local middle class family ecologies that demonstrate more stability. Lindsay (2011) defines local ecologies as neighborhood characteristics, parenting styles and practices that differ based on the interaction between race and socioeconomic status. When reviewing the social variables that impact the success of black and white entrepreneurs, the accomplishments of one's parents is a link that cannot be ignored. Given the positive relationship between education and entrepreneurship, one would generally expect the following hypotheses:

H4a: *Mothers of white entrepreneurs have higher educational attainment levels than mothers of white non-entrepreneurs.*

H4b: *Mothers of white entrepreneurs have higher educational attainment levels than mothers of black entrepreneurs.*

H4c: *Mothers of black entrepreneurs have higher educational attainment levels than mothers of black non-entrepreneurs.*

#### **5. The Socio-Demographic Variable of Working Hard and Spending Time**

The cost-benefit analysis methodology of entrepreneurship is a critical tool. In research, the cost of entrepreneurship often equates to time spent working, and perhaps working hard. When reviewing the amount of time that blacks and whites spend working, the literature finds different motivations for beginning a business. These motivations often cause entrepreneurs to willingly commit to the long hours required to ensure successful business operation.

The incentive for starting a business varies among entrepreneurs in the U.S. Whites are more likely than blacks to pursue entrepreneurship strictly for financial reasons (Singh & McDonald, 2004), while blacks pursue entrepreneurship for reasons beyond finances. According to Singh & McDonald (2004), Black nascent entrepreneurs choose to pursue entrepreneurship to: gain a higher position for themselves, fulfill personal visions, lead and motivate others and, have the power to influence organizations. Robinson et.al. (2005) report that black women entrepreneurs do not measure business success merely in economic or financial terms. Instead, they believe a venture should provide two or more of the following as measures of business success: 1) wealth for families; 2) increased time to spend with family; 3) ability to give back to community; 4) ability to meet specific customer needs; and 5) ability to fulfill a personal or spiritual calling. The women in the sample also identified the ability to manage these conflicting demands as another measure of business success.

Opportunities pull whites into entrepreneurship, whereas real or perceived inequalities in the labor market push blacks into it (Herring, 2004). For instance, the labor market inequalities create a belief among blacks that their professional goals are met best as an entrepreneur rather than an employee (Brush, et al., 2006).

Since black and white entrepreneurs begin businesses for different reasons, they may find themselves committing to their businesses differently as well. Race, age and gender overlap in dynamic ways and show *working hard* and *spending time* relate to success in entrepreneurship. Black women business owners speak to the impact of entrepreneurship on their ability to live their calling and serve their local and racial communities (Robinson et. al., 2005). Likewise, research shows black youth more strongly than white youth to believe entrepreneurship allows people to be their own boss, build something for their family, earn significant money, use one's skills and abilities as well as overcome challenges. They also believe more strongly that non-monetary reasons for starting one's business are equally as important as monetary reasons (Walstad & Kourilsky, 1998). When the motivation to enter into business is linked to a moral focus, entrepreneurs may also commit to the profitability of their business differently. Thus, the following hypotheses are suggested:

H5a: *White entrepreneurs work more than white non-entrepreneurs.*

H5b: *Black entrepreneurs work less than white entrepreneurs.*

H5c: *Black entrepreneurs work more than black non-entrepreneurs.*

## **6. The Socio-Demographic Variable of Entrepreneurial Earnings**

Classic definitions of entrepreneurship start with an ability to enter the market and drive earnings. Therefore, earnings and the ability to scale a business is a critical factor to success. Since black entrepreneurs are more likely to be running their first venture than any other venture (Brush et al., 2006), and their businesses are significantly smaller than those owned by white Americans (Martin, et. al., 2006), earnings are often small and growth is more slow. Most often, entrepreneurs

---

generally earn more than their salaried counterparts, however this is not entirely true for blacks (Portes & Zhou, 1996).

Puryear et al. (2008) found that other than African Americans, minority group samples had similar median gross sales to whites (2008). When looking at earnings, African American businesses have fewer assets and were more likely engaged in micro-enterprising. Also, African Americans are more likely to use sole proprietorship as a legal structure, while other non-white groups are more likely to own C Corporations, S corporations, LLCs, and LLPs (Puryear et al. 2008). Thus, the following is hypothesized:

H6a: *White entrepreneurs earn more income than white non-entrepreneurs.*

H6b: *Black entrepreneurs earn less income than white entrepreneurs.*

H6c: *Black entrepreneurs earn more income than black non-entrepreneurs.*

## **7. The Socio-Demographic Variable of Socioeconomic Status**

Black and white entrepreneurs have different levels of success based on their ability to navigate the class structures in which they operate. Socioeconomic status influences several critical components of successful business ownership. The parents of black entrepreneurs own and control fewer resources than whites (Fairlie, 1999), and their family members exert greater restraining influence on the amounts of capital they can use to invest in their businesses (Fraser, 2003). Rasheed (2004) observed that ethnicity, gender, and education impact the amounts of capital that owners/managers can access through generating revenue from services, and from securing government procurements. With lower revenue, black firms have less operating capital generated by sales. Further, access to capital is a direct link to early, mid and late stage business success. Among the racial groups in the U.S., access to capital and financial resources is greatly linked with socioeconomic status.

When one's socioeconomic status limits his/her ability to succeed, unexpected problems become clear. Ahn (2009) discovered racial/ethnic differences in self-employment exit rates – not entry rates – explain much of the disparities in cross-sectional self-employment rates. Stated differently, blacks and Hispanics often enter into business ownership with weak work histories, and improving a representative gap of self-employment survival would close the gap. To increase the rates of successful black American entrepreneurs it may be important to encourage strong work histories before business ownership, which is in relationship to the class one is a part of when forming his/her enterprise. The literature thus posits that:

H7a: *White entrepreneurs have a higher socioeconomic status than white non-entrepreneurs.*

H7b: *Black entrepreneurs have a lower socioeconomic status than white entrepreneurs.*

H7c: *Black entrepreneurs have a higher socioeconomic status than black non-entrepreneurs.*

Entrepreneurship among blacks is not created equal to whites. Ahn (2009) suggests that a weak attachment to the labor market, lack of industry-specific experience and lack of prior self-employment experience explain why minority business fail. Minority entrepreneurship has strong linkages to disadvantage theory (Light 1979), which reasons that obstacles to employment exist because of language barriers, under-valued educational credentials or skills, competition from majority group members and discrimination by employers. Self-employment has been a strategy to combat discrimination for a long time and the literature shows that black entrepreneurship has been promoted for as far back as 1898 by W.E.B Dubois. Most theorists have concluded that, even as black entrepreneurship continues to trail other groups, if the gap were closed, society as a whole would benefit.

Entrepreneurial action is determined by people's ability to exploit opportunities and their desire to self-actualize aspirations and skill sets (Shane & Venkataraman 2000). Black entrepreneurs have a desire to self-actualize, but they may not have the ability to exploit many of the opportunities presented. The literature shows the differences between minority and nonminority business ownership stem from a variance in the access to information and resources that can support entrepreneurial pursuits (Baumol 1996; Fairchild 2009).

The nature of our global economy is such that American entrepreneurs of all races will need to rely on logic, linear, intuitive and integrative thinking; as such entrepreneurial self-efficacy is critical (Chen, Greene & Crick 1998; Vance, Groves, Gale & Hess 2012). Addressing the socio-demographic differences between minority entrepreneurs and nonminority entrepreneurs is morally correct, but it is also a timely economic driver for American markets.

## RESEARCH METHODOLOGY

### Data and Sample

To test the hypotheses, we used General Social Survey (GSS) data. The GSS is a personal interview survey of a representative sample of U.S. households with more than 38,000 respondents. The survey is conducted by the National Opinion Research Center (NORC). A full description of the GSS project is available at the NORC website (<http://www3.norc.org/gss+website/>). There are a number of websites that allow public access to the GSS data. We downloaded the data from the University of California, Berkeley's Survey Documentation and Analysis website (see <http://sda.berkeley.edu/archive.htm>).

The GSS contains a standard core of demographic and attitudinal questions, plus topics of special interest that have been asked from 1972 to 2010. It has been administered annually from 1972 until 1994, when it became a biennial survey. Because of its usage of permanently worded questions, the survey allows researchers to examine the opinions and issues faced by the U.S. population over time. In total, more than 38,000 respondents have answered over 3,260 different questions since the survey's inception (NORC 2007a).

The survey employs a national area probability sampling frame of noninstitutionalized (i.e., non-military or other government-affiliated) adults. The sample size is about 1,500 for the first 19 surveys, and 3,000 since 1994. The survey is administered by in-person interviews which last about 90 minutes each. Response rates fluctuate between 74% and 79% from 1975 to 1991; between

---

76% and 82% from 1993 to 1998; and remained at 70% for the years 2000, 2002, and 2004 (NORC 2007b). While there was no 1992 GSS, there was a special survey in which respondents to the 1991 GSS were re-contacted by mail or telephone, with a response rate of 84%.

We analyzed aggregate data collected on black and white respondents over the last four decades (1972-2010). Following Hout and Rosen (2000) and Singh, Crump, and Zu (2009), we treat the self-employed as being entrepreneurs. Using those individuals who were identified as “self-employed” in the GSS as entrepreneurs is consistent with prior entrepreneurship studies (e.g. Bingham & Melkers, 1989; Blanchflower & Oswald, 1992; Butler & Herring, 1991; Fairlie & Robb, 2007; Hout & Rosen, 2000; Lentz and Laband, 1990). We make three (3) comparisons by performing Levene’s Test for equality of variances and *t*-tests for equality of means. If Levene’s test indicated that homogeneity of error variance was violated for the socio-demographic variable of interest, we reported *p*-values generated by *t*-tests when equal variances were *not* assumed. The first comparison is white entrepreneurs to white non-entrepreneurs. The second comparison is black entrepreneurs to white entrepreneurs. The third comparison is black entrepreneurs to black non-entrepreneurs.

## RESULTS

### White Entrepreneurs versus White Non-Entrepreneurs

Our first comparison investigated if any sociodemographic differences exist between white entrepreneurs and white non-entrepreneurs. As Table 1 indicates, several differences do exist that are consistent with the entrepreneurship literature. White entrepreneurs are significantly older, and have more years of education than white non-entrepreneurs. White entrepreneurs also work significantly more hours, days, and weeks than white non-entrepreneurs. Their personal and total family income levels are greater than those of white non-entrepreneurs; and they have a greater socioeconomic index level than white non-entrepreneurs ( $p < 0.001$ ). These results provide support for the following hypotheses: H1a, H2a, H5a, H6a, and H7a.

We also found that white entrepreneurs have more children than white non-entrepreneurs, and they begin having children at a later age than white non-entrepreneurs, providing support for H3a and H3d. We did not observe any differences between the mothers’ education levels of white entrepreneurs compared to those of white non-entrepreneurs. Thus, hypotheses H4a was not supported.

### White Entrepreneurs versus Black Entrepreneurs

In our second comparison we investigated differences between white and black entrepreneurs. These results are listed in Table 2. As expected from the literature, no significant difference exists in the ages of black versus white entrepreneurs. Thus, support for hypothesis H1b was found.

	<b>WHITES ONLY</b>	
	<b>ENTRPS</b>	<b>NON-ENTRPS</b>
AGE OF RESPONDENT	50.55***	45.85***
HIGHEST YEAR OF SCHOOL COMPLETED	13.11**	12.98**
RESPONDENT'S HIGHEST DEGREE	1.47***	1.39***
HIGHEST YEAR OF SCHOOL COMPLETED, MOTHER	11.00	10.92
RESPONDENT'S AGE WHEN 1 <sup>ST</sup> CHILD BORN	24.80***	24.23***
NUMBER OF CHILDREN	2.11***	1.85***
NUMBER OF HOURS WORKED LAST WEEK	43.15***	41.20***
WEEKS RESPONDENT WORKED LAST YEAR	37.52***	33.90***
DAYS RESPONDENT NORMALLY WORKS	2.95***	1.56***
HOURS RESPONDENT USUALLY WORKS	2.25**	1.68**
RESPONDENT'S INCOME	9.25*	9.09*
TOTAL FAMILY INCOME	10.46***	10.17***
RESPONDENT SOCIOECONOMIC INDEX	51.16***	49.39***
+ p < 0.10      * p < 0.05      ** p < 0.01      *** p < 0.001		

However, contrary to what we expected, black entrepreneurs have less education than white entrepreneurs, and the mothers of black entrepreneurs have less education than the mothers of white entrepreneurs. Because of this finding, we did not find support for hypotheses H2b nor

	<b>ENTREPRENEURS</b>	
	<b>BLACK</b>	<b>WHITE</b>
AGE OF RESPONDENT	49.87	50.55
HIGHEST YEAR OF SCHOOL COMPLETED	11.30**	13.11**
RESPONDENT'S HIGHEST DEGREE	.89***	1.47***
HIGHEST YEAR OF SCHOOL COMPLETED, MOTHER	9.37***	11.00***
RESPONDENT'S AGE WHEN 1 <sup>ST</sup> CHILD BORN	21.51***	24.80***
NUMBER OF CHILDREN	2.58***	2.11***
NUMBER OF HOURS WORKED LAST WEEK	40.51*	43.15*
WEEKS RESPONDENT WORKED LAST YEAR	33.84*	37.52*
DAYS RESPONDENT NORMALLY WORKS	2.80	2.95
HOURS R USUALLY WORKS	2.25	2.20
RESPONDENT'S INCOME	7.95***	9.25***
TOTAL FAMILY INCOME	8.52***	10.46***
RESPONDENT SOCIOECONOMIC INDEX	41.41***	51.16***
+ p < 0.10      * p < 0.05      ** p < 0.01      *** p < 0.001		

H4b. We also observed that black entrepreneurs begin having children at a younger age, and they have significantly more children than white entrepreneurs. These findings provide support for hypotheses H3b and H3e.

With regards to working more or less, our results indicate that black entrepreneurs work fewer hours and fewer weeks than white entrepreneurs ( $p < 0.05$ ). This provides support for

hypotheses H5b. In terms of earning more or less, H6b and H7b were supported in that black entrepreneurs earn substantially less income and family income than white entrepreneurs. Similarly, at the highest significance level, the socioeconomic index level of black entrepreneurs is substantially lower than that of white entrepreneurs ( $p < 0.001$ ). This provides support for hypotheses H8b.

### Black Entrepreneurs versus Black Non-Entrepreneurs

Our third and final comparison explored differences between black entrepreneurs and black non-entrepreneurs (See Table 3). As expected from the literature, our results indicate that black entrepreneurs are significantly older than black non-entrepreneurs. However, to our surprise, and with significance (beyond the  $p < 0.001$  level), our results indicate that black entrepreneurs are less educated than black non-entrepreneurs. We also found that the education level of the mothers of black entrepreneurs is lower than that of the mothers of black non-entrepreneurs ( $p < 0.05$ ). Black entrepreneurs also have significantly more children than their non-entrepreneur black counterparts ( $p < 0.001$ ) providing support for hypothesis H3f. We did not find any difference in the age that mothers have their first child between the two groups.

Finally, our results indicate something that we consider counter intuitive: Black entrepreneurs earn significantly less income than their black non-entrepreneur counterparts ( $p < 0.05$ ); and their personal and total family income is significantly less as well ( $p < 0.05$ ). Moreover, we observed no difference in the socioeconomic status between black entrepreneurs and black non-entrepreneurs. Thus, H7c was not supported.

	<b>BLACKS ONLY</b>	
	<b>ENTRPS</b>	<b>NON-ENTRPS</b>
AGE OF RESPONDENT	49.87***	43.43***
HIGHEST YEAR OF SCHOOL COMPLETED	11.30***	11.99***
RESPONDENT'S HIGHEST DEGREE	.89***	1.04***
HIGHEST YEAR OF SCHOOL COMPLETED, MOTHER	9.37*	10.01*
RESPONDENT'S AGE WHEN 1 <sup>ST</sup> CHILD BORN	21.51	21.64
NUMBER OF CHILDREN	2.58***	2.26***
NUMBER OF HOURS WORKED LAST WEEK	40.51	40.25
WEEKS RESPONDENT WORKED LAST YEAR	33.84	34.69
DAYS R NORMALLY WORKS	2.80	1.84
HOURS RESPONDENT USUALLY WORKS	2.20	1.74
RESPONDENT'S INCOME	7.95*	8.59*
TOTAL FAMILY INCOME	8.52*	8.96*
RESPONDENT SOCIOECONOMIC INDEX	41.41	42.17

+  $p < 0.10$    \*  $p < 0.05$    \*\*  $p < 0.01$    \*\*\*  $p < 0.001$

## DISCUSSION

Many of the results in this study are surprising based on expected relationships well established in the entrepreneurship literature. Entrepreneurship is a path to improving one's lot in life. It is a means whereby individuals take on risks and establish business ventures with an expectation of gaining greater financial rewards than that earned through working for others. Our data supports this relationship. Our results show that white Americans who choose the path of entrepreneurship earn more than their white non-entrepreneur counterparts. Their families earn more, and their socioeconomic status is higher. They are also more educated, work more hours, days, and weeks, and have a greater number of children than whites who are not entrepreneurs. But, these relationships are not supported in one of the populations we measured.

When it comes to the black American community, our results tell an opposite story of what happens when a person chooses the path of entrepreneurship. Black Americans who choose entrepreneurship earn less than their black non-entrepreneur counterparts. Their families earn less as well, and there is no benefit in terms of higher socioeconomic status compared to black non-entrepreneurs. Also, contrary to what entrepreneurship theory tells us to expect, black entrepreneurs are less educated in terms of years completed in school and highest degree earned than their non-entrepreneur counterparts. Moreover, their mothers are less educated. Black entrepreneurs have more children than black non-entrepreneurs, though there is no difference in the age in which both groups begin having children. There is also no difference in how much time is spent working between the members of both of these groups.

These findings are significant and firmly establish a need to probe more deeply into some of the potential drivers of these phenomena, whether the drivers are latent cultural or systemic societal causes. One example of this importance is evident from the many policy efforts that have been, and continue to be, devoted to increasing entrepreneurship among different groups and different social settings. These strategies are often used as a means to combat poverty, unemployment, and many other problems. As we have earlier explained, by increasing an individual's education, that individual becomes more likely to become not only an entrepreneur, but also a successful one. Our results suggest that within the black American community, increases in education are associated with individuals being less likely to choose entrepreneurship. Further, an increase in a mother's education is likewise associated with individuals less likely to choose entrepreneurship. This relationship is non-existent in the white community. The relationship suggests a possible difference in the parent-child link in the black community whereby increases in a parent's education is associated with a higher likelihood of a child not becoming an entrepreneur.

Our results also show that within the black community, choosing entrepreneurship as opposed to wage work results in lower earnings. This relationship needs to be examined through additional studies. Meanwhile, if this circumstance is found to be true and marginally accepted within the black community, then this alone would explain much of the reason for the suppressed entrepreneurship rate that has lingered within the black community. Some sizable portion of prospective black entrepreneurs would undoubtedly ask themselves: *"Then, why take on the risks?"*

---

## LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This study examines differences that occur across the entire group of black and white entrepreneurs. It does not make comparisons among those who studied entrepreneurship in college or university courses.

We used aggregated data over several decades. It is possible that there have been changing trends that are not reflected in our discussion. We do not look at longitudinal data, nor directional causality. It is possible that having more children causes (“pushes”) blacks into entrepreneurship instead of suppressing black entrepreneurship. Also, we do not look at the types of industries or businesses the entrepreneurs create. Consequently, the choices of some entrepreneurs (e.g., black entrepreneurs) may lean toward creating firms that are home-based and/or smaller so they are more conducive to child-rearing. This may, for example, contribute to the significant number of the relatively lower income businesses.

Overall, much more research is necessary on this topic. An important contribution may involve longitudinal studies that examine how the socioeconomic conditions of various entrepreneurs change over time. Another research approach may investigate best practices of successful black established business owners, to see what capital investment and educational factors contribute to success. Maybe the lack of difference between black entrepreneurs and non-entrepreneurs is an indication that *entrepreneurship* is not ubiquitously synonymous with *wealth creation*.

## CONCLUSION

The findings in this study help to reveal that entrepreneurship as it relates to black Americans is a highly different phenomenon than that which is ubiquitously explained in entrepreneurship college textbooks throughout the U.S. Moreover, whatever phenomena are driving these differences are in dire need of being uncovered. Currently, the treatment and teaching of entrepreneurship is rapidly increasing throughout the U.S. When entrepreneurship is taught to audiences comprised completely of white students, the data in this study help to support that the prescriptive models espoused are valid. However, when that audience becomes populated by at least one black student, this study highlights a problem of validity in what is taught. The data suggest an urgency to ensure that when black students are taught to follow the tenets of entrepreneurship, that the expected outcomes based on those models are likely and probable for members of that population as well.

## REFERENCES

- Adelman, R.M. (2005). The roles of race, class and residential preferences in the neighborhood racial composition of middle-class Blacks and Whites, *Social Science Quarterly*, 86(1); 209-228.
- Ahn, T. (2009). Racial differences in self-employment exits. *Springer Science and Business Media, LLC Small Business Economics*, 36, 169-186.
- Bailey, L (1999). Refracted selves? A study of changes in self-identity in the transition to motherhood. *Sociology*, 33(2), 335-352.
- Baumol, W.J. (1996), Entrepreneurship: Productive, unproductive, and destructive. *Journal of Business Venturing*, 11(1), 3-22.

- Bingham, R.D., & J.E. Melkers (1989). Entrepreneurs in America: Are they really a different breed? *Environment and Planning C: Government and Policy*, 7(4), 411-422.
- Birch, D.G.W. (1987). Job creation in America: How our smallest companies put the most people to work. New York: Free Press.
- Blanchflower, D. G., & A. J. Oswald (1992). Entrepreneurship, happiness, and supernormal returns: Evidence from Britain and the U.S. Paper presented at *Bocconi University Conference on the Birth and Startup of Small Firms, Milan, Italy*.
- Brush, C., Monti, D., Gannon, A., & A. Ryan (2006). Inner-city entrepreneurs: Building ventures and expanding community ties. *Babson College, Frontiers of Entrepreneurship Research*.
- Butler, J. S. (1991). Entrepreneurship and self-help among black Americans: A reconsideration of race and economics. Albany: State University of New York Press. Butler & Herring, (1991)
- Chen, C.C., Greene, P.G. & A. Crick (1998). Does entrepreneurial self-efficacy distinguish entrepreneurs from managers? *Journal of Business Venturing*, 13, 395-316.
- Fairchild, G. (2009). Racial segregation in the public schools and adult labor market outcomes: the case of Black Americans. *Springer Science and Business Media, LLC online Small Business Economics*, 33, 467-484.
- Fairlie, R. W. (1999). The absence of the African-American owned business: An analysis of the dynamics of self-employment. *Journal of Labor Economics*, 17(1), 80-108.
- Fairlie, R. W., & B.D. Meyer (1996). Ethnic and racial self-employment differences and possible explanations. *The Journal of Human Resources*, 31(4), 757-793.
- Fairlie, R. W., & A. Robb (2007). Families, human capital, and small business: Evidence from the Characteristics of Business Owners survey. *Industrial and Labor Relations Review*, 60(2), 225-245.
- Galbraith & Stiles (1999). Herring, C. (2004). Open for business in the black metropolis: Race, disadvantage, and entrepreneurial activity in Chicago's inner city. *Review of Black Political Economy*, 31(4), 35-57.
- Hout, M., & H.S. Rosen (2000). Self-employment, family background, and race. *Journal of Human Resources*, 35(4), 670-692.
- Katz, J. (2003). The chronology and intellectual trajectory of American entrepreneurship education 1876-1999. *Journal of Business Venturing*, 18(2), 283-300.
- Kautonen, T., Tornikoski, E.T., & E. Kibler (2011). Entrepreneurial intentions in the third age: The impact of perceived age norms. *Small Business Economics*, 37(2), 219-234.
- Kelley, D.J, Ali, A., Brush, C., Corbett, A.C., Lyons, T., Majbourni, M., E.G. Rogoff (2014). *Global Entrepreneurship Monitor 2013 United States Report: National Entrepreneurial Assessment for the United States of America*. Babson College and Baruch College.
- Köllinger, P., & M. Minniti (2006). Not for lack of trying: American entrepreneurship in black and white. *Small Business Economics*, 27(1), 59-79.
- Ladge, J.J. (2008). Becoming a working mother: identity, efficacy and re-socialization following re-entry. Unpublished doctoral dissertation, Boston College, Chestnut Hill, MA.
- Lindsay, C. (2011). All middle-class families are not created equal: Explaining the contexts that Black and White families face and the implications for adolescent achievement. *Social Science Quarterly*, 92(3), 761-781.
- Light, I.H. (1979). Disadvantaged minorities in self employment, *International Journal of Comparative Sociology*, 20, 31-45
- Lentz, B. F., & D.N. Laband (1990). Entrepreneurial success and occupational inheritance among proprietors. *Canadian Economics Association*, 23(3), 563-579.
- Martin, W., Welch, B. A., Sandefur, J., & R. Pan (2006). African American small business owners' attitudes toward business training. *Journal of Small Business Management*, 44(4), 577-591.
- Pattillo-McCoy, M. (1999). Black picket fences: Privilege and peril in the Black middle class neighborhood. Chicago, IL, University of Chicago Press.
- Portes, A., & M. Zhou (1996). Self-employment and the earnings of immigrants. *American Sociological Review*, 61(2), 219-230.
- Puryear, A.N., Rogoff, E.G., Lee, M., Heck, R.K.Z, Grossman, E.B, Haynes, G.W., and J. Onochie (2008). Sampling minority owned business owners and their families: The understudied entrepreneurial experience, *Journal of Small Business Management*, 46(3), 422-455.

- 
- Rasheed, H. S. (2004). Capital access barriers to government procurement performance: moderating effects of ethnicity, gender and education. *Journal of Developmental Entrepreneurship*, 9(2), 109-126.
- Reynolds, P. D., Carter, N. M., Gartner, W. B., & P.G. Greene (2004). The prevalence of nascent entrepreneurs in the United States: Evidence from the Panel Study of Entrepreneurial Dynamics. *Small Business Economics*, 23(4), 263-284.
- Rhodes, C., & J. Butler (2004). Understanding self-perceptions of business performance: An examination of Black American entrepreneurs. *Journal of Developmental Entrepreneurship*, 9(1), 55-71.
- Robb, A. M. (2002). Entrepreneurial performance by women and minorities: The case of new firms. *Journal of Developmental Entrepreneurship*, 7(4); 383-398.
- Robinson, J., Blockson, L., & S. Robinson (2005). African American women entrepreneurs and firm growth: New theoretical directions at the intersection of race, gender, and firm growth. *Babson College, Frontiers of Entrepreneurship Research*.
- Scarboro, N.M. and T.W. Zimmerer (2005). *Effective small business management: An entrepreneurial approach*. Pearson Prentice Hall, Upper Saddle River, NJ.
- Shane, S., & S. Venkataraman (2000). The promise of entrepreneurship as a field of research, *Academy of Management Review*, 26, 217-226.
- Singh, R.P. and M.E.S. Crump (2008). Educational attainment: A key factor for improving the lagging rate of Black entrepreneurship, *Springer Science and Business Media, LLC online Rev Black Political Economics* 34, 217-229.
- Singh, R. P., Crump, M. E. S., & X. Zu (2009). Family matters: Differences in having self-employed parents between black and white entrepreneurs. "Entrepreneurship and its Economic Significance, Behavior and Effects." Nova Science Publishers; 1-20.
- Singh, R. P., & G. McDonald (2004). Reasons for pursuing new venture creation: Differences between black and white nascent entrepreneurs. Paper accepted and presented at the *2004 Academy of Management Meeting*. New Orleans, Louisiana; August.
- Singh, R. P., & J.L. Ronch (2011). Changing entrepreneurial cognitive processes with age: A conceptual discussion based on neuroscience. *Journal of Marketing Development and Competitiveness*, 5(6), 94-103.
- Vanve, C.M., Groves, K.S., Gale, J. and G.L. Hess (2012). Would future entrepreneurs be better served by avoiding university business education? Examining the effect of higher education on business student thinking style, *Journal of Entrepreneurship Education*, 15, 127-141.
- Walstad, W. B., & M.L. Kourilsky (1998). Entrepreneurial attitudes and knowledge of black youth. *Entrepreneurship Theory & Practice*, 23(2), 5-18.



---

# IMAGE THEORY AND THE PATH TO SELF-EMPLOYMENT

**Kermit W. Kuehn, University of Arkansas – Fort Smith**

## ABSTRACT

*This paper examines the decision process of potential entrepreneurs using Image Theory (Beach, 1997). The theory states that individual decision making is a two-stage process whereby potential choice alternatives are first pre-screened before they may become accepted options in the actual decision pool. Using the theory to examine non-entrepreneurs, latent and nascent entrepreneurs', the author suggests that individuals in each of these pre-entrepreneurial stages experience distinct decision issues to be resolved by the decision maker. The paper discusses the challenges facing individuals at each stage and proposes ways to address these stage-specific issues.*

## INTRODUCTION

An old saying states that while you can lead a horse to water, you can't make it drink. Some add that you can salt its oats, however. This old line lends some insight into entrepreneurship and the processes that lead to self-employment. This folksy analogy might help us think about the ways to increase the proportion of people who take the self-employment path? In essence, how might we "salt their oats" in order to get more "horses" to "drink the water" of self-employment? What moves people toward self-employment or away from it, and what factors affect the decision process?

Research indicates that at any given time in the United States 5-6% of the population are engaged in some aspect of running their own business (Reynolds, Carter, Gartner and Greene, 2004). These numbers are usually given with some sense of awe at there being so many, rather than dismay at there being so few.

Historically, the entrepreneurship literature has largely focused on understanding the characteristics of the entrepreneur and little on the non-entrepreneur. The research focus has examined cognitive processes, personality traits, motivation and background, to name a few (see Baum, J.R., Frese, M., and Baron, R.A., (2006) for an extensive discussion of much of this literature).

More recent research has emphasized the people in pre-launch stages or conditions in order to not only understand who these potential entrepreneurs are but to understand how many there are. The Global Entrepreneurship Monitor (GEM) and the Panel Study of Entrepreneurial Dynamics (PSED) are two such projects that have set out to collect data on these early stages of the entrepreneurial process. While it is still early in this research stream, several insights have begun to emerge that suggest that the proportion of potential entrepreneurs in the general population is considerable. These early findings suggest that there are things that might be done to encourage more entrepreneurial activity than is currently observed.

For our purposes, the terms self-employment (SE) and entrepreneurship will be used interchangeably throughout this paper, with some bias toward the term self-employment. The reason for this latter preference is to state clearly at the outset that our interest is in the broader

notion of a person moving from dependent-employment (employee) to self-employment (and anywhere in between), regardless of the direction self-employment takes after the start up. That is, for our purposes, a venture that employs one is of equal value to a venture that employs 100. Further, this study includes those who engage in part-time SE while maintaining full-time employment, also referred to as “hybrid” entrepreneurship (Folta, T. B., Wennberg, K., and Delmar, F., 2013).

This paper examines the entrepreneurial process using image theory (Beach, 1997). Specifically, using image theory as a theoretical framework for understanding individual decisions, the paper will focus primarily on the pre-start up phases of SE, highlighting the potential cognitive process involved and the practical implications of these on individual self-employment choice.

The discussion will proceed in the following manner. First, we will review selected literature on the pre-self employment process. The review will focus on the stages or conditions of the individual decision maker defined as non-entrepreneurs, latent, nascent entrepreneurs, and self-employed. Second, we’ll briefly introduce image theory concepts that will help us understand the cognitive issues involved in these stage progressions. Finally, we’ll identify ways a person may be moved cognitively through these stages, how we might “salt their oats”, so to speak.

### **Latent versus Nascent Entrepreneurs**

We might visualize the change of status from non-entrepreneur to entrepreneur as somewhat fluid in that a person might have no interest or intention to be self-employed at one point in time and be in another phase or state at another time. That is, decisions are not fixed indefinitely for most people. However, humans do seem to have a tendency toward habits or routines that make life rather easy to navigate and as a result, the days have considerable predicatability. Shapero and Sokol (1982) observed that this routinization was a very human tendency and one where we become largely controlled by inertia. Living in a “rut” becomes more comfortable than living in daily chaos.

Shapero and Sokol (1982) argued that these routines or habits which support a course in life needed to be disrupted if a change of direction was going to happen. They referred to this disruptor as a “displacement” event.

Whatever brings a person to ultimately change course, our interest here is in those persons who reflect entrepreneurial potential based on their stated intentions and behaviors.

Let’s define our terms at the outset. *Non-entrepreneur individuals* are individuals who express no interest in being self-employed and are doing nothing to indicate otherwise. Based on some of the evidence introduced earlier in this paper, which indicates a very small portion of the U.S. population is actually involved in launching a business, one might consider this category to comprise the vast majority of the population.

*Latent entrepreneurs* are characterized as those individuals who have indicated a preference for being self-employed (Blanchflower, Oswald and Stutzer, 2001). These potential entrepreneurs have done nothing in specific to actually make the preference a reality, however.

Analyzing data from 23 nations, Blanchflower et al (2001) found that the level of interest in self-employment varied significantly across countries but that the level was generally quite high – ranging from a low of 27% (Norway) of the respondents to a high of 80% (Poland). The United States was third highest with 71% of respondents stating a preference for self-employment.

---

*Nascent entrepreneurs* are generally characterized as those persons who were involved in activities within the past year that could lead to the launch of a business. Such activities might include writing a business plan, forming a legal entity, and talking with potential suppliers and investors. (GEM also defines a latent nascent entrepreneur as one who states the intention of launching a venture within three years – call it a latent with a deadline).

Based on the 2011 U.S. GEM survey, *latent* nascent entrepreneurs made up approximately 11% of the population whereas nascent entrepreneurs made up nearly 8.5%.

To summarize our review to this point, we find that depending on how one defines these categories, the preference for self-employment will range from 11% - 70%, and nascent entrepreneurs comprise another 8% - 10% of the population. What we learn from these data is that potential entrepreneurs comprise between 20% - 80% of the U.S. population, well beyond the 5% - 6% estimated to be actively involved in self-employment at any given time.

We see from this research that the pool of potential entrepreneurs is quite large, regardless of how broadly or narrowly defined. It is difficult to determine why people are where they are as to these stages of entrepreneuring. Some research has attempted to provide a framework to explain why some people launch new ventures and most do not (Shapiro and Sokol, 1982; Kuehn, 2009). Kuehn (2009), in particular, used image theory to discuss the decision processes of the non-entrepreneur.

We will extend Kuehn's (2009) work by using image theory concepts to discuss cognitive changes taking place in a person as he/she moves from a non-entrepreneur to entrepreneur. Let's summarize key concepts of image theory.

## IMAGE THEORY

Image theory states that individuals make decisions using stored 'images' from memory (Beach, 1997). Our discussion will first focus on these images, followed by the decision situations (decision frames) by which these images are selected and applied, and finally the kinds of decisions specified by the theory will be reviewed.

### Images

Images are cognitive frameworks constructed from the individual's experience, which are stored in memory. These images contain a person's understanding as to what should happen in any given situation, as well as the how and why. Each image is made up of three categories: value, trajectory and strategic images. Each of these categories is comprised of a constituent membership of descriptors that are associated with a particular decision context.

The *value image* is what the person stands for, thus the goals worthy of pursuit and how they are to be pursued. They are the decision maker's values, morals and 'first' principles. Beach (1997) collectively calls these a person's "self-evident truths". For example, one constituent in this image might be that any opportunity presented must be lawful. While not all descriptors are used for every decision context, the value image does form the boundary for what is possible or acceptable in the remaining two image categories – trajectory and strategic.

The *trajectory image* determines the goals that are to be pursued. Previously determined goals make up the constituents of this image and reflect what the decision maker seeks to be or to achieve. Call it his or her vision of the future and ranges from the abstract to the specific. These images should not conflict with relevant value image constituents. Finally, the *strategic image*

contains the plans and selected strategies to achieve goals. The constituents are the strategies previously selected to achieve goals.

In image theory, decision makers pursue multiple goals at any given time and these goals are expected to be generally consistent with each other and not in conflict with the foundational values or principles of the person. Plans are then made to achieve these goals and results from using such plans are forecast.

### **Decision Framing**

Image theory is a schema theory. As such, it argues that decision makers use scripts, prototypes, among other things, and images, to structure or frame their reality in a cognitively efficient way using familiar experiences. By tapping into these similar situations of the past, the decision maker can readily access the store of knowledge he or she has accumulated from previous decision scenarios. Thus, a decision frame contains the relevant image constituents needed to address a particular situation which allows the person to structure it, make sense of it, and then act on it.

In sum, the relevant constituents from the three images are pulled together which structures the new situation and provides the standards to be used in decisions related to the new situation. This frame is determined by matching salient information drawn from the new decision context with a matching or similar scenario pulled together from memory. Thus, the current situation will be framed by past experience whenever possible.

### **Decision Types and Tests**

The decision to be made will determine the test used by the decision maker to address the new situation (Beach, 1997). Two decisions are specified in image theory: adoption and progress decisions. Related to these two decision types are two tests, the compatibility and profitability tests.

*Adoption decisions* define those situations where new goals or plans are being proposed as additions to the existing image constituents (ie. start a new venture). The decision to accept or reject the new proposal is a two-step process. First, new proposals must meet “the decision maker’s standards, as defined by the image constituents that make up the decision frame” (Beach, 1997, p. 168). This pre-decision screening process compares the new proposal’s compatibility with the selected decision frame. This is referred to as the compatibility test. If the proposal violates the decision frame at some threshold level, it is rejected and will not be considered as a valid alternative in the final decision pool.

The pool of proposals that meet the compatibility test will then be assessed by a second test, the profitability test. If only one alternative remains after the compatibility test, it will be accepted without further analysis.

The compatibility and profitability tests differ considerably as to where they are used in the decision process and how they are used, cognitively speaking. The *profitability test* is argued to operate along the lines of an expected value maximization model, consistent with normative decision theory.

Image theory’s unique contribution to decision theory, however, rests in the pre-decision *compatibility test*. The compatibility test screens out all alternatives that violate established thresholds of the existing decision frame. This rejection threshold is based solely on all the things ‘wrong’ with an alternative and how ‘wrong’ it is, with no consideration for what is ‘right’ or

good about it. It uses a very conservative criterion that is an additive and non-compensatory process. Unlike the expected utility model of the profitability test (maximize benefits relative to costs), the compatibility test removes alternatives that have unacceptably high negatives, ignoring any positives.

The *progress decision*, the second decision type, relates to existing constituent goals and plans. As the name suggests, a compatibility test is used to assess congruence between the actual progress toward goal achievement relative to the forecasted progress. If progress toward a goal (trajectory image) is determined to be inconsistent with forecasts, the executed plan (strategic image) is modified or discarded and a new one is put in place that is also consistent with relevant image constituents.

## PROGRESSING TOWARDS SELF-EMPLOYMENT

Image theory provides a useful way to understand the oftentimes halting journey toward self-employment. As can be imagined, the path to start up is rarely as smooth and sequential in nature as we might logically expect it to be on paper. The process may better be captured by the image of an irregular ebb and flow of the tide on a rocky beach, where a person goes through seasons of actively pursuing self-employment ideas and seasons of dormancy and withdrawal.

Unique to image theory as a decision theory is the two-stage process inherent to every decision. Recall from earlier discussion that the first stage involves a compatibility test whereby the decision maker must determine the suitability of any decision alternative presented. That is, a proposed alternative is first scrutinized relative to an existing, accepted decision frame comprised of value, trajectory and strategic images from the decision maker's memory. The option is rejected if it is not able to meet or exceed the decision frame's minimum threshold. That is, it violates the decision frame images too many times to be a suitable alternative. This process is the same in adoption and progress decisions.

Kuehn (2009), using image theory, concluded that for most people entrepreneurship did not pass the compatibility test as a career choice option. He outlined several reasons for this, but the net result was that the entrepreneurial option did not make it into the final, stage two, decision pool – it was filtered out in stage one. This might sum up the reality for the non-entrepreneur – it's not an option as a way to make a living.

From an image theory perspective, what is happening cognitively in the other stages of the entrepreneurial journey (Table 1 illustrates the SE decision process under different stage assumptions)? From Table 1, we see that self-employment does not pass the compatibility test for the non-entrepreneur. It's rejected as a viable alternative.

SE Stage	Compatibility Test	Profitability Test	Decision
Non-SE	Fails	SE Option Not Included	Non-SE Option Selected
Latent Nascent	Passes	SE Option Included	Non-SE Option Selected
Nascent	Passes	SE Option Included	Non-SE Option Selected
Self-Employed	Passes	SE Option Included	SE Option Selected

In the nascent stages, both the latent nascent and nascent, the SE option is viewed as a possible alternative, but has yet to be chosen as the best or most viable option. In the entrepreneur or launch stage, including the hybrid entrepreneur, the SE option has been chosen.

For this latter group, this means that the SE option not only passed the compatibility test but also the profitability test.

Let's summarize what we have thus far. On the one hand, from an image theory perspective, you have the non-entrepreneur whose cognitive frames toward self-employment might range from indifferent to quite negative. At the other extreme, you have the entrepreneur who has concluded that the SE option is viable at some level so as to start out part-time or go all out full-time.

In between is the sizable pool of nascent entrepreneurs. Within this pool of potential entrepreneurs we might find those who view self-employment as at least an interesting idea to be pursued someday to those who have homed in on a specific idea that causes them to research, conduct feasibility studies and get a bit more focused, and perhaps excited about the possibilities.

Image theory would suggest that the perceived realities of each of the three main stages of self-employment – non-self employed, nascent, and self-employed – are decidedly different and the needs of each as far as support or knowledge is concerned can be expected to differ as well. The balance of our discussion will focus on these distinctions.

### **Non-Entrepreneurs**

From our earlier discussion, we noted that non-entrepreneurs do not appear to see self-employment as a viable career option. Thus, SE opportunities were dismissed as “not for me”. In image theory terms, this means that these types of opportunities will not be adopted as they do not pass the compatibility test - they violate existing image constituents in significant ways. For the not-for-me individual then, there needs to be a significant failure in existing chosen goals and strategies if there is to be a change of attitude toward self-employment options. That is, adopted decisions will be revisited if they fail to deliver the envisioned outcomes. This process is referred to earlier as progress decisions.

If a person's goal is to retire by a certain age and loses his or her job, and finds it hard to replace the income, progress toward the goal may be in jeopardy and the existing plans and strategies called into question. This is what Shapiro and Sokol (1982) referred to as “displacement”, which may cause the decision maker to reconsider the previously unthinkable – self-employment, in this case.

According to research, however, this shift will not come easily as people tend to favor existing plans and strategies over new ones. This tendency is so strong so as to bias people toward any evidence that will support the existing chosen course. Beach and Mitchell (1990) referred this effect as a tendency toward the status quo. Alternative courses must overcome substantial “opposition” to get adopted, even in such cases of outright failure of the existing image constituents.

It might be expected then, that significant challenges to existing cognitive scripts within the person need to be experienced before SE choices become even possibilities to the non-entrepreneur.

### **Nascent Entrepreneurs**

As illustrated in Table 1 from our earlier discussions, nascent entrepreneurs might be expected to be more responsive to SE opportunity than we would expect to find in non-SE individuals. This is due to the belief that in image theory terms the individuals have expressed

---

intentions to entrepreneur at some point, with some even doing the things that would reflect steps to that end.

Generally speaking, we would expect that nascent SEs come from the non-SE pool, though there is reason to expect the opposite could be true – those who were SE in the past who are not now but state an intent to be so again. (It is also possible that former SEs vow to never do it again if at all possible, becoming non-SEs.) Since this group has expressed some interest in self-employment, what makes this group move or not move into self-employment?

As we stated earlier, it would seem that the nascent decision maker would be using the profitability test to judge alternatives. The assumption here is that this decision maker has sufficient image constituents to support a SE decision frame. That does not make the decision automatic and neither does it guarantee that self-employment is the “optimal” solution in behavioral decision theory terms.

A brief example should help illustrate the issue. In a world where most people are employed by someone else, these employment options are easier to understand and to judge as to their efficacy. Job offers have expectations specified at some minimum level and benefits for meeting those expectations (ie. compensation) are typically specified before a job is taken. In sum, uncertainty is perceived to be more readily circumscribed – the individual knows more about the upside and downside in the various job offers.

That would not be the case in self-employment alternatives. The levels of uncertainty are significant and the demands in terms of capital and personal sacrifice are hard to define. Of course, the human tendency toward the “status quo”, of inertia, is not relegated to the non-SE alone. Routine reduces uncertainty and there is a certain security in maintaining a given course and avoiding risk.

However, the nascent entrepreneur is open to SE opportunities and that is significant in terms of what moves them closer to acting on these types of options. While displacement events would be expected to result in more earnest investigations of SE alternatives, the salient issue would seem to be the need to address the uncertainty inherent in SE alternatives – at least relative to more typical career choices.

With that in mind, the distinction between latent SEs and nascent SEs is important. The distinction is that the latent entrepreneur has expressed intent to engage in self-employment within a certain period in the future whereas the nascent has taken specific steps to make self-employment happen – research, talking with investors or entrepreneurs, conducting a feasibility study, etc. Knowingly or not, the latter nascent is reducing uncertainty through processing information specifically related to self-employment.

The next step for this latter potential entrepreneur is to get his or her feet wet or the risk of “analysis paralysis” becomes very real. Nascent entrepreneurs could be in this phase their whole career where they rationalize why the opportunity is wrong or the timing is not quite right.

## **The Self-Employed**

In most cases in entrepreneurship literature, the starting of a business is the true measure of an entrepreneur – the ultimate distinguishing feature. From there, however, definitions go in all sorts of directions. Our interest here has been to view entrepreneurship more broadly in order to capture a broader set of choices people make along the lines of Katz (1992) discussion of self-employment and careers.

Self-employeds have already launched their businesses, so little will be said here as to the decision process. There is one aspect of this stage which is of interest to our discussions and that

involves part-time or hybrid entrepreneurs. When it comes to the practical aspects of reducing uncertainty and fear, perhaps nothing is more effective than actually doing something (Raffiee and Feng, 2013).

Starting self-employment on a part-time basis, while keeping the “day job”, is a valuable step in getting practical experience with a SE idea. Much uncertainty can be cleared up during this phase of the start up. With many an enterprise having started part-time in “the garage”, this approach makes a lot of sense for many nascent entrepreneurs. In image theory terms, this path could do much to change the decision frame constituents of potential entrepreneurs.

## CONCLUSION

In this paper we examined the sizable pre-self employment pool of individuals using image theory. Specifically, we focused on non-entrepreneurs, latent and nascent entrepreneurs and sought to understand the nature of the choice process they would be engaged in. The unique conceptualization of choice decisions in image theory was used to assess the likely issues each faced and the kinds of knowledge and/or experiences that would best meet their needs at each particular stage.

What we find in this literature is that the pre-self employment pool is quite large and diverse and might be likened to a large incubator where individuals encounter an environment that pushes and pulls individuals toward and away from self-employment. Shapiro and Sokol (1982) referred to these forces as “vectors”, which tends to keep people moving down a particular career/life path – which for most of us involves dependent-employment as opposed to self-employment. This way of life, this journey, is neither good nor bad in and of itself. Eventually, however, some manage to change direction while many others continue to trudge along in a non-self employment reality.

With an increasingly challenging jobs environment matched by flat or declining wages for many, image theory offers insight into how these issues will push more people into some form of self-employment as a viable career path. This might be a good thing also.

## REFERENCES

- Baum, J.R., Frese, M., and Baron, R.A. (2006). *The Psychology of Entrepreneurship*. Mahwah, NJ: Lawrence Erlbaum Associates, Inc.
- Beach, L. R. (1997). *The psychology of decision making: People in organizations*. Thousand Oaks, CA: Sage.
- Beach, L.R. and Mitchell, T.R. (1990). Image theory: A behavioral theory of decision making in organizations. In B. Staw & L.L. Cummings (Eds.), *Research in organizational behavior* (Vol. 12, pp. 1-41). Greenwich, CT: JAI Press.
- Blanchflower, D. G., Oswald, A.J. and Stutzer, A. (2001). *Latent entrepreneurship across nations*, *European Economic Review*, 45 (4-6), 680-691.
- Brixy, U., Sternberg, R., and Stuber, H. (2012). *The selectiveness of the entrepreneurial process*. *Journal of Small Business Management*, 50 (1), 105-131.
- Folta, T. B., Wennberg, K., and Delmar, F. (2013). *Hybrid entrepreneurship*. *Management Science*, 56 (2), 253-269.
- Katz, J.A. (1992). A psychosocial cognitive model of employment status choice. *Entrepreneurship Theory and Practice*, 17 (1), 1-29.

- Kuehn, K. (2009). *It wasn't an option: Entrepreneurial choice through the lens of image theory*. Academy of Entrepreneurship Journal, 15 (2), 99-110.
- Raffiee, J. and Feng, J. (2013). *Should I quit my day job? A hybrid path to entrepreneurship*. Academy of Management Journal (pre-published online October 8, 2013).
- Reynolds, P.D., Carter, N.M., Gartner, W.B. and Greene, P.G. (2004). *The prevalence of nascent entrepreneurs in the United States: Evidence from the Panel Study of Entrepreneurial dynamics*. Small Business Economics, 23, 263-284.
- Shapiro, A. and Sokol, L. (1982). Social dimensions of entrepreneurship. In C. Kent, D. Sexton and K. Vespers (Eds), *The Encyclopedia of Entrepreneurship*, pgs. 72-90. Prentice-Hall: Englewood Cliffs, NJ.