

Entrepreneurs Personality Traits and Business Performance: A Conceptual Framework

Siti Farah Edwin¹, Jati Kasuma Ali^{2*} and Norlina Mohamed Noor³

¹Faculty of Business and Management, Universiti Teknologi MARA Cawangan Sarawak
Kampus Samarahan Jalan Meranek, 94300 Kota Samarahan, Sarawak, Malaysia
farah.edwin@mara.gov.my

²Faculty of Business and Management, Universiti Teknologi Mara Cawangan Sarawak
Kampus Samarahan Jalan Meranek, 94300 Kota Samarahan, Sarawak.
jati@uitm.edu.my*

³Faculty of Business and Management, Universiti Teknologi MARA Cawangan Sarawak,
Kampus Samarahan Jalan Meranek, 94300 Kota Samarahan, Sarawak
norli517@uitm.edu.my

(*) Corresponding author

Received: 20 September 2021

Revised from: 15 October 2021

Accepted: 31 October 2021
Published: 11 November 2021

Abstract

The Big Five Model, also known as broad traits which consist of extraversion, emotional stability, openness to experience, agreeableness, and conscientiousness. However, this study suggest that specific personality traits are more suitable in entrepreneurship research than broad traits. Distal dispositions are noncognitive and non-ability dispositions that have an indirect impact on behaviour and performance. Hence, personality traits should be linked to the start-up and performance of a firm. As a result, the goal of this research is to start a conversation about entrepreneur personality, which is largely constituted of independent entrepreneurs that want to expand their businesses. The present study, therefore, contributes to the literature on sustainability by recommending a conceptual framework towards greater sustainability performance of the business entrepreneurs. It is hope that this study can provide some insights into factors leading to entrepreneurs' business performance, also as guide for implementation of programs and policies to increase the number of entrepreneurship involvement as long-term objective in Malaysia.

Key words: Bumiputera entrepreneur, business performance, personality traits.

Introduction

Today's corporate environment is more complex and diversified than it was even ten years ago. To thrive in the new millennium, businesses must embrace innovation as a means of gaining and maintaining a competitive edge. Therefore, relationships between personality traits and entrepreneurial behaviour are frequently addressed in entrepreneurship theorizing and research. Yet, a deep-rooted scepticism prevails in the entrepreneurship literature about the presence and the strength of this relationship. While some narrative reviews concluded that there is indeed a positive relationship between personality traits and both business creation and business success (Rauch & Frese, 2000), other narrative reviews concluded that there is no such relationship (Gartner, 1989). Recent meta-analyses have provided evidence for the predictive validity of personality traits in entrepreneurial research (Collins, Hanges, & Locke, 2004; Stewart & Roth, 2001, 2004b; Zhao & Seibert, 2006), and they recommend further investigation of contingencies that influence the size of the relationship.

According to Rahim and Ramli (2015), the number of entrepreneurs does not reflect a company's or industry's true strength. It's because while the number of entrepreneurs is modest, their impact is significant. As a result, talents are critical in how a leader conducts

business, and employees contribute to the bottom line. Malaysian entrepreneurs confront obstacles such as a lack of technology, a lack of working capital, a lack of innovation via research and development, and a strong concentration on the local market, according to the report. This effect is becoming increasingly evident among entrepreneurs, as the rate of growth of entrepreneurial activity is outpacing the rate of growth of the country's entrepreneurship.

According to a prior study, non-entrepreneurs and entrepreneurs have different personality traits and values (Chavez, 2016; Annuar & Ali, (2021). This difference also clarifies why some entrepreneurs succeed more than others.

Research Problem and Research Objectives

In Malaysia, studies on the link between an individual's personality and entrepreneurship have shown modest and moderate results, such as Mamun and Ekpe (2016) and Zulkifli and Suhaimi (2013), which specify a moderating component as indicated by Rauch and Frese (2007). According to Rauch and Frese (2007), the link between personality traits and entrepreneurship exhibits a wide range of variance. These findings suggest that there may be moderator effects in the connection, however the function of the moderator in the link between the entrepreneur's personality and performance remains limited. Mamun and Ekpe (2016) and Zulkifli and Suhaimi (2013) are two prior studies that looked at personality traits among Malaysian entrepreneurs. Unfortunately, there have been few research on Bumiputera SMEs entrepreneurship development, and most Malaysian entrepreneurship studies have focused on the basic features and personalities of Bumiputera SMEs entrepreneurs (Mohamed, 1990; Hashim, 2000).

Different personality qualities can aid or impede the activities and behaviours of business executives. As a result, we think personality characteristics might help predict entrepreneurial behaviour (Rauch & Frese, 2000). Personality qualities, on the other hand, are referred to as distal factors by Kanfer (1992). Distal dispositions are non-cognitive, non-ability dispositions that influence behaviour and performance in a secondary way. Biological traits (like temperament), broad personality components (like the Big Five), motivations (like the achievement motive), and generalised attitudes and beliefs are all examples of such attributes (such as generalised self-efficacy). As a result, the distal dispositions of entrepreneurs in this study are referred to as personality traits. Thus, this research intends to:

1. To explore the issues and challenges of personality traits processes towards business sustainability
2. To propose a conceptual framework that improve performance of entrepreneur's personality.

The Issues of Personality Traits in the Entrepreneurial Processes

The entrepreneurship literature has recently made significant progress in defining key criteria or functions of entrepreneurs. Therefore, entrepreneurs must recognise and capitalise on opportunities, make quick decisions in an uncertain and resource-constrained environment, work harder than most employees, and possess a diverse set of skills, knowledge, and abilities. On the other hand, need of achievement, innovativeness, risk taking, internal locus of control, and self-efficacy are examples of qualities that are linked to such activities. Need for accomplishment entails selecting activities of moderate complexity, accepting responsibility for outcomes, and seeking feedback on action outcomes. It is important for entrepreneurship

since entrepreneurs must be enthusiastic about their work to succeed. Need for autonomy is associated with entrepreneurs' avoidance of restrictive environments; they prefer to make decisions independent of supervisors, to set their own goals and develop their own plans of actions, and to control goal achievement themselves. In some of the oldest work on the differentiation between entrepreneurs and managers, McClelland (1961) showed that achievement motive was higher in entrepreneurs. McLand (1965) thinks that the desire to advance is the driving force behind a country's economic growth and that it plays a significant influence in a person's decision to become an entrepreneur. Moreover, individuals with prior entrepreneurial experience were substantially more likely than those without such experience to be actively participating in a business venture, according to the findings (Vaillant & Lafuente, 2019). However, it is unclear from the research if entrepreneurs who have had company failure/success run businesses that are less/more inventive because of their experiences (Ucbasaran, Westhead, Wright & Flores, 2010). Furthermore, regardless of the kind of previous entrepreneurial experience, it was discovered that repeating as an entrepreneur resulted in considerably higher levels of innovativeness in future enterprises than beginner entrepreneurs (Vaillant & Lafuente, 2019). Entrepreneurs also generally have a heavy workload and incur financial and personal risks; thus stress tolerance is crucial. Because entrepreneurs should not become stressed in situations that are generally marked by high insecurity and pressure, stress tolerance is crucial. Instead of that, considering risk aversion as a personality trait flips the causation direction expected in certain material self-interest arguments (Duch & Rueda, 2015).

The influence of the circumstances is a theoretical problem in the personality literature. The statement of Lewin (1951) that behaviour is a function of the individual and the circumstance is a truism of psychology. Decisions, regulations, compensation structures, and corporate strategy are often made by firm owners. This implies that entrepreneurs behave in vulnerable situations because they operate in environments with great autonomy, little structure, and the need to make judgments based on unclear and uncertain data. When the direct impact of locus of control on business happiness and success is complicated, the impact of locus of control on entrepreneurial outcomes can be better understood using moderation effects (Bulmash, 2016). Thus, people with a strong internal locus of control believe they can manage outcomes; therefore, they should put more effort and perseverance into achieving those goals, which should help them establish and run a business effectively. Externally controlled persons, on the other hand, may be more passive. If one feels that one cannot influence outcomes, there is no need to change one's surroundings or establish a business. Other than that, entrepreneurs must be self-starters and affect their surroundings by creating new organisations and finding and acting on possibilities, thus having a proactive attitude is crucial. Self-efficacy expectations influence whether an individual will be able to display coping behaviour and how long they will be able to maintain effort in the face of challenges (Al Ayyubi, Setyanti, & Suroso, 2018). People with high generalised self-efficacy are more inclined to stick it out when issues emerge and look for new challenges and, as a result, new tasks (Bandura, 1982, 1997). As a result, generalised self-efficacy is linked to the start-up and success of a firm (Poon, Ainuddin, & Junit, 2006).

An entrepreneur is a creative and inventive individual who looks for new chances in the surroundings and takes advantage of them after careful consideration (Metallo, Agrifoglio, Briganti, Mercurio & Ferrara, 2021). These prospects also pertain to the formation of new businesses, which is a hot subject in the world of entrepreneurship. Entrepreneurship covers a wide range of topics related to new venture formation, including new venture concepts, appraisal, and value generation (Kuratko, Morris, & Schindehutte 2015). Entrepreneurs have achieved notoriety and a public image, but they do not form a homogeneous group; some entrepreneurs pursue personal gain from their endeavours, while others prioritise societal goals

(Sastre-Castillo, Peris-Ortiz, & Danvila-Del Valle, 2015). Furthermore, we utilise more precise task definitions of entrepreneurship, such as the one by Shane and Venkataraman, when we talk about the relevance of matching personality qualities to entrepreneurship. Individual variations in inclinations to display persistent patterns of thoughts, feelings, and behaviours are referred to as dispositional personality traits (McCrae & Costa, 2003, p. 25). In the Five-Factor Model, these dimensions are arranged (Olesen, Thomsen, Schnieber, & Tønnesvang, 2010). The degree of decision-making that will be made can be used to describe the risk potential (Ismail, Rahim, Kamal, Mat, & Husin, 2015). With the condition that they are now experiencing and the requirements of life, not all successful entrepreneurs have strong drive at the start. The current circumstances will inspire people to see entrepreneurship as a need for achieving success and surviving in life (Ismail, Rahim, Kamal, Mat, & Husin, 2015). However, recent research has cast considerable doubt on whether personality has any impact in the start-up period or in the long-term viability of a firm. According to Gartner (1985), entrepreneurs are a very varied set of people who defy a common description and, therefore, common predictions; in other words, there is no such thing as a "average entrepreneur," and hence no such thing as a "average personality profile of entrepreneurs." Low and McMillan (1988) argued that personality-based descriptive studies do not contribute to the development of an entrepreneurial theory (p. 148).

Moreover, literature reviewers have recommended that the quest for personality traits in entrepreneurship studies be abandoned (e.g., Aldrich, 1999). The decision to conclude the personality in entrepreneurship study was based on narrative literature analyses. In fact, new meta-analytical data supports the predictive validity of personality characteristics (Rauch & Frese, 2007). In their meta-analysis, Zhao and Seibert (2006) looked at several personality characteristics by categorising them into the Big Five model's five components. Entrepreneurship theory requires knowledge of not just how entrepreneurs vary from non-entrepreneurs in terms of personality, but also whether personality traits are linked to business success. Zhao and Seibert categorised research according to the five-factor taxonomy rather than directly analysing the Big Five traits. As a result, they grouped both broad and specialised traits under the same heading. More significantly, they made no distinction between whether the traits fit the duties of entrepreneurs or not (more on this later). As the end, there is a risk that the ties have been undervalued (Rauch & Frese, 2007). The authors did differentiate between two facets of conscientiousness—the traits of achievement motive and dependability—in one case; the results revealed that only achievement motive was related to entrepreneurship with d (corrected) 140.59, while dependability had no significant relationship with a d (corrected) 140.01 (Rauch & Frese, 2007). When reporting the Big Five category of conscientiousness, which yielded a d (corrected) 140.45, these distinctions are washed out (Rauch & Frese, 2007). We believe it is essential to investigate certain qualities and their correlations with company development. Furthermore, we believe it is important to distinguish between qualities that can be conceptually matched to the duties of entrepreneurs and ones that are not. We suggest that personality traits that are well-matched to the tasks of operating a firm have better validity in entrepreneurship research than personality traits that are not well-matched to entrepreneurship.

Matching personality traits to the task entrepreneurship

Within the field of work and organisational psychology, there is a dispute regarding whether researchers should utilise broad characteristics or features to predict success. Ones and Viswesvaran (1996), for example, claimed that broad big five qualities are better indicators of work success than more specialised traits, citing low reliabilities and criteria related validity as reasons.

Another set of academics, on the other hand, advocated distinguishing between broad and narrow characteristics (Barrick & Mount, 2005; Dudley, Orvis, Lebiecki, & Cortina, 2006; Tett, Steele, & Beauregard, 2003). In the following, we argue for an explicit distinction of qualities into those that are "role-related" and those that are not (in the sense of Barrick & Mount, 1991), that is, we ask which attributes are connected to entrepreneurial activities. This also follows from a general approach to understand work tasks first and then look at the relevant predictors of performance (Fleishman & Quaintance, 1984) as well as from entrepreneurship research (Baum & Locke, 2004).

In fact, personality-based variation is used to arrange distinct personality traits into meaningful clusters in broad trait taxonomies. As a result, particular criterion-related variation is lost in these universal characteristics. Because the strongest predictors may very well be characteristics that reflect various big five components rather than numerous traits from one single factor, more specific qualities might contribute to the prediction of a criteria (Paunonen & Ashton, 2001). Conscientiousness, for example, is a factor that comprises the subfactors of accomplishment seeking and dutifulness.

According to a preliminary study of entrepreneur tasks, accomplishment aspirations should have positive connections with entrepreneurial success and start-up activities, whereas dutifulness should have zero or even negative associations. More research on the personalities of small company entrepreneurs were descriptive rather than theoretical. This is because task-related and non-task-related personality characteristics were jumbled together, the overall result was frequently that personality and entrepreneurial performance had only a very weak overall association. Thus, connections between personality traits, business start-up, and success must be explicitly conceived (Low & MacMillan, 1988); real effects will be underestimated if personality factors that are more likely to predict entrepreneurship are not selected (Johnson, 2003).

Performance in the Context of Business Entrepreneur

Another study found that while culture had no effect on the link between personality traits and business performance, it did have an impact on how high-achieving entrepreneurs attain success (Rauch, 2014). Unfortunately, culture is a macro-level concept that may be too broad to account for the implications of individual action (Rauch, 2014). One might wonder if favourable environments, which provide abundant resources, numerous opportunities, and market growth, allow for the expression of personality traits and, as a result, whether there is a stronger relationship between personality traits and performance in favourable environments than in unfavourable environments (Rauch, 2014).

Research Methodology

In this study, exploratory research method is used to review academic literature, secondary data as well as literature on business entrepreneur and sustainability globally. This is an effort to determine the importance of sustainability in the business sector in Malaysian economy currently. The literature on business entrepreneur in Malaysia and globally, was examined from related research and academic journals within 10 years' time frame and with reputable index. The analysis literature view from various sources of reputable index is analyse using systematic literature review to see the most suitable variable that can include in proposed study framework.

Proposed Personality Traits Framework

This research develops the following conceptual framework of an entrepreneur's personality in order to assess if profit has a beneficial impact on business performance. Following this line of reasoning and employing relevant cooperative and sustainability literature as a foundation, a conceptual framework for entrepreneur personality as well as its performance consequences is constructed, as shown in Figure 1, that depicts the conceptual framework proposed by Rauch & Frese (2007).

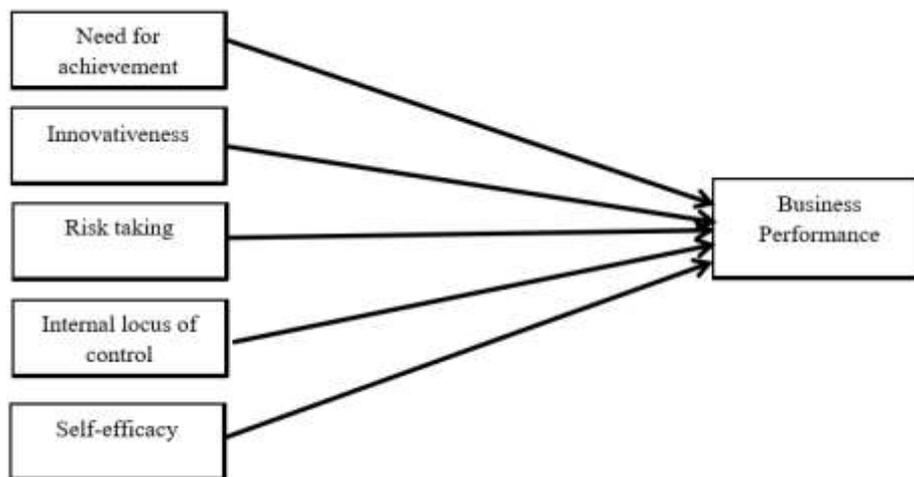


Figure 1: Research framework

Conclusion

This study makes an important addition by proposing a framework that connects personality characteristics to performance. The suggested framework is a conceptualization of how these constructs are connected to influence company performance, provided that the social, economic, and environmental factors act as a catalyst for the sustainability-orientation phenomena, which then has an impact on business performance. Furthermore, the fact that personality characteristics implementation may impact business performance shows that personality traits are important in a company's capacity to succeed. The framework offers a fresh look at the link between personality traits and business success. Practically, this framework is the initial step to predict the performance of business entrepreneurs based upon their personality traits implementation in helping the entrepreneurs to structure business strategies and plan by integrating the economic, social and environmental aspects. Given the critical requirement to establish that the framework is practical and effective, more research should be conducted using sophisticated quantitative approaches to verify the framework and ensure that its dimensions are adequate and sufficient to portray the business's sustainable practises. It is hope that this study will be able to contribute to the personality traits and performance literature for the reference of scholars as well as significant guidance to the entrepreneurs and policymakers.

Acknowledgement

I would like to convey my sincere and grateful appreciation to Associate Professor Dr. Jati Kasuma Ali and Associate Professor Hjh Dr Norlina Mohamed Noor for their help and direction in this research project.

References

- Al Ayyubi, W. U., Setyanti, S. W. L. H., & Suroso, I. (2018). The role of self-efficacy as mediating the influence of family environment and social environment on student entrepreneur interest.
- Aldrich, H. E. (1999). *Organizations evolving*. London: Sage.
- Barrick, M. R., & Mount, M. K. (1991). The big five personality dimensions and job performance: A meta-analysis. *Personnel Psychology*, 41(1), 1 – 26.
- Barrick, M. R., & Mount, M. K. (2005). Yes, personality matters: Moving on to more important matters. *Human Performance*, 18, 359 – 372.
- Baum, J. R., & Locke, E. A. (2004). The relation of entrepreneurial traits, skill, and motivation to subsequent venture growth. *Journal of Applied Psychology*, 89(4), 587 – 598.
- Bulmash, B. (2016). Entrepreneurial resilience: Locus of control and well-being of entrepreneurs. *Journal of Entrepreneurship & Organization Management*, 5(1), 171-177.
- Chavez, J. (2016). *The Personality Characteristics of an Entrepreneur and Their Effects on the Performance of a New Business Venture*
- Collins, C. J., Hanges, P. J., & Locke, E. A. (2004). The relationship of achievement motivation to entrepreneurial behavior: A meta-analysis. *Human performance*, 17(1), 95-117.
- Duch, R. M., & Rueda, D. (2015). The people you are: Personality traits as determinants of redistribution preferences. *Available at SSRN 2840433*.
- Dudley, N. M., Orvis, K. A., Lebiecki, J. E., & Cortina, J. M. (2006). A meta-analytic investigation of conscientiousness in the prediction of job performance: Examining the intercorrelations and the incremental validity of narrow traits. *Journal of Applied Psychology*, 91, 40 – 57.
- Fleishman, E. A., & Quaintance, M. K. (1984). *Taxonomies of human performance*. London: Academic Press.
- Gartner, W. B. (1985). A conceptual framework for describing the phenomenon of new venture creation. *Academy of Management Review*, 10(4), 696 – 706.
- Gartner, W. B. (1989). “Who is an entrepreneur?” is the wrong question. *Entrepreneurship Theory and Practice*, 12(2), 47 – 68.
- Hashim, M.K. (2000). SMEs in Malaysia: Past, present and future. *Malaysia Management Review*, 35, 22-32.
- Ismail, I., Rahim, N. A., Kamal, M. H. M., Mat, R. C., & Husin, N. (2015). Investigating the needs for achievement, risk taking and tolerance for ambiguity toward entrepreneurial passion among single mother entrepreneur in Malaysia. *Procedia Economics and Finance*, 31, 110-116.
- Johnson, J. W. (2003). Toward a better understanding of the relationship between personality and individual job performance. In M. R. Barrick & A. M. Ryan (Eds.), *Personality and work: Reconsidering the role of personality in organizations* (pp. 83 – 120). San Francisco: Jossey-Bass.

- Kanfer, R. (1992). Work motivation: New directions in theory and research. In C. L. Cooper & I. T. Robertson (Eds.), *International review of industrial and organizational psychology*, 7, pp. 1 – 53.
- Kuratko, D. F., Morris, M. H., & Schindehutte, M. (2015). Understanding the dynamics of entrepreneurship through framework approaches. *Small Business Economics*, 45(1), 1–13.
- Lewin, K. (1951). *Field theory in social science: selected theoretical papers* (Edited by Dorwin Cartwright).
- Low, M. B., & MacMillan, B. C. (1988). Entrepreneurship: Past research and future challenges. *Journal of Management*, 14(2), 139 – 162.
- Paunonen, S. V., & Ashton, M. C. (2001). Big five factors and the prediction of behavior. *Journal of Personality and Social Psychology*, 81(3), 524 – 539.
- Mamun, A. Al, & Ekpe, I. (2016). Development in Practice Entrepreneurial traits and micro-enterprise performance : a study among women micro-entrepreneurs in Malaysia. *Development in Practice*, 26(2), 193–202. <https://doi.org/10.1080/09614524.2016.1135879>
- McCrae, R. R., & Costa, P. T. Jr., (2003). *Personality in adulthood: A five-factor theory perspective* (2nd ed.). New York: Guilford Press.
- McClelland, D. C. (1961). *The achieving society*. New York: Free Press.
- McClelland, D.C., 1965. Toward a Theory of Motive Acquisition. *American Psychologist*, 20, 321 – 333.
- Metallo, C., Agrifoglio, R., Briganti, P., Mercurio, L., & Ferrara, M. (2021). Entrepreneurial behaviour and new venture creation: the psychoanalytic perspective. *Journal of Innovation & Knowledge*, 6(1), 35-42.
- Ones, D. S., Viswesvaran, C., & Reiss, A. D. (1996). Role of social desirability in personality testing for personnel selection: The red herring. *Journal of applied psychology*, 81(6), 660.
- Olesen, M. H., Thomsen, D. K., Schnieber, A., & Tønnesvang, J. (2010). Distinguishing general causality orientations from personality traits. *Personality and individual differences*, 48(5), 538-543.
- Poon, J. M., Ainuddin, R. A., & Junit, S. O. H. (2006). Effects of self-concept traits and entrepreneurial orientation on firm performance. *International small business journal*, 24(1), 61-82.
- Rahim, H. L., & Ramli, A. (2015). The Effect of Social Entrepreneurial Behaviour Towards Organisational Performance : A Study on Bumiputera Entrepreneurs in Malaysia. *International Academic Research Journal*, 1(2), 117–125.
- Rauch, A., & Frese, M. (2000). Psychological approaches to entrepreneurial success: A general model and an overview of findings. In C. L. Cooper & I. T. Robertson (Eds.), *International review of industrial and organizational psychology*, 15, pp. 101 – 141.
- Rauch, A., & Frese, M. (2007). Let's put the person back into entrepreneurship research: A meta-analysis on the relationship between business owners' personality traits, business creation, and success. *European Journal of work and organizational psychology*, 16(4), 353-385.
- Rauch, A. (2014). Predictions of entrepreneurial behavior: A personality approach. In *Handbook of research on small business and entrepreneurship*. Edward Elgar Publishing.
- Sastre-Castillo, M. A., Peris-Ortiz, M., & Danvila-Del Valle, I. (2015). What is different about the profile of the social entrepreneur? *Nonprofit Management and Leadership*, 25(4), 349-369.

- Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Journal*, 25(1), 217 – 226.
- Tett, R. P., Steele, J. R., & Beauregard, R. S. (2003). Broad and narrow measures on both sides of the personality-job performance relationship. *Journal of Organizational Behavior*, 24, 335 – 356.
- Ucbasaran, D., Westhead, P., Wright, M. and Flores, M. (2010), “The nature of entrepreneurial experience, business failure, and comparative optimism”, *Journal of Business Venturing*, Vol. 25 No. 6, pp. 541-555.
- Vaillant, Y., & Lafuente, E. (2019). Entrepreneurial experience and the innovativeness of serial entrepreneurs. *Management Decision*.
- Zhao, H., & Seibert, S. E. (2006). The Big Five personality dimensions and entrepreneurial status: A meta-analytical review. *Journal of Applied Psychology*, 91(2), 259 – 271.
- Zulkifli, W. W., & Suhaimi, M. H. (2013). The Impact of Personality Traits and Knowledge on Entrepreneurial Performance. In M. D. Ibrahim, G. Ahmad, & M. R. Yaacob, *Entrepreneurial Education and Entrepreneurship Book of Readings* (Vol. 2, pp. 88-106).