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ASSESSMENT OF RELEVANT PERSONAL CHARACTERISTICS OF POTENTIAL ENTREPRENEURS

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ABSTRACT

This exercise provides a vehicle *for* providing potential entrepreneurs with self-feedback concerning personal characteristics seen as relevant to successful pursuit of small business activities. Four well documented psychological instruments are employed to tap the subjects' need for achievement, flexibility and openness to information, sense of independence and self-control, and potential creativity in problem solving and decision making. The instruments are: Edwards Personal Preference Schedule, Rokeach's Dogmatism Scale, Rotter's External-Internal Locus of Control Scale, and Mednick's Remote Association Test. Use of the exercise as part of a traditional small business management course and its administration are discussed.

INTRODUCTION

This paper reviews an approach to personal appraisal that is used in conjunction with the first course in small business management. The exercise originated in response to a need for determining prime causes of failure of small businesses identified in the literature. In general, lack of personal competence in coping with the problems of being an owner/manager seems to head the list of problems. The exercises therefore, is directed toward development of self knowledge in students who might be anticipating entering a business career as an entrepreneur. While no specific set of personal characteristics has been established that seems to predict success in small business owner/managers, there appear to be some general concepts concerning owner/manager orientation that might be worthy of investigation. The instruments that are included in this personal appraisal exercise are intended to provide vehicle to be used by students in gaining greater insight concerning their capacities in these areas.

The exploration of this exercise will be conducted in three separate sections. First, a brief overview of the business starts and closings will be provided together with some insights into the factors precipitating closings. This will be used as basis for developing a need or *raison de être* of the exercise. Second, the identification of relevant entrepreneurial characteristics and a rationale for the use of the particular instruments employed in the exercise will be provided. A brief description and sample of items on the instrument will be included. Third, the pedagogical use of the exercise will be presented together with a justification for its inclusion in a small business management course.

ENTREPRENEURS AND SMALL BUSINESS MANAGEMENT

During any typical business day well over 2000 businesses open their doors for the first time. They add to the over five million businesses that operate in the United States. In particular, these new businesses typically add to the ranks of the number of small businesses that make up the vast majority of all enterprises. While there are numerous measures of what constitutes a small business, it will suffice

here to say that approximately 65 percent of all businesses employ fewer than five employees and about 90 percent of all businesses employ fewer than 20 workers.[1, p. 6] Most of these small businesses are started by individuals who might be classified as entrepreneurs who undertake the task of building a profitable business activity for their personal betterment.

The function of the entrepreneur was first defined in an economic sense by the French writer Cantillon in 1755 as the process of bearing uncertainty. It was however the industrialist Jean Baptiste Say who, in 1815, provided the classic definition of the individual's activities that we have come to associate with the concept of the entrepreneur. Say described the entrepreneur as the one who "... unites all the means of production and... finds in the value of the product... the reestablishment of the entire capital he employs, and the value of the wages, the interest, and the rent which he pays, as well as the profit that belongs to himself." [3, p. 193]

Who are these individuals who accept the risk necessitated by their pursuit of economic betterment? This may be an impossible question to respond to adequately because entrepreneurs seem to come in all sizes, shapes, personalities and lifestyles. In reporting on a study attempting to identify the entrepreneurial type the researchers concluded: "Throughout the preceding analysis, obviously we have been having difficulty deciding whether the entrepreneur is essentially a 'reject' of our organizational society who, instead of becoming a hobo, criminals or professor, makes his adjustment by starting his own business; or whether he is a man who is positively attracted to succeed in it. We have, perhaps without intention, regarded him as a reject. Entrepreneurs are people who have failed in the traditional and highly structured roles available to them in the society. In this... entrepreneurs are not unique. What is unique about them is that they found an outlet for their creativity by making, out of an undifferentiated mass of circumstances, a creation uniquely their own: a business firm." [2, p. 214] While such statements are not particularly useful in characterizing the entrepreneur, they do provide a direction for exploring the relationship between him/her and his/her business.

Human potentialities are involved in every aspect of business management. The personal characteristics of the individual are reflected in his/her approach to problem analysis and decision makings in supervising and directing, in boundary spanning activities, and in virtually every other province of administration. In the smallest of businesses the owner/manager's knowledge represents the knowledge base of the business and the business becomes an extension of the individual -- a reflection of his/her characteristics and abilities. In instances where this results in economic success, the ideal of the capitalistic system is achieved as the owner/manager effectively copes with both internal and external factors.

The instances of success are, however, frequently interspersed with occasions of business failure. In fact, while in 1981 there were approximately 2400

Developments in Business Simulation & Experiential Exercises, Volume 13, 1986

business starts per days there were also about 2100 business closings. Smaller and newer firms that are typically associated with entrepreneurs have the highest failure rate. One estimate indicates that almost 70% of business failures involve businesses employing five or fewer people and over 50% of all businesses fail within the first five years of operation. [1, p. 18]

Faced with such historical information concerning success/failure rates it is worthwhile to review briefly those factors and circumstances that might draw individuals into entrepreneurial endeavor. Long lists of the advantages of being an entrepreneur have been developed. They range from the opportunity to exercise power, to the adventure involved, to the opportunity to serve the community. In general, however, the lists that have been developed can be divided into three categories; opportunity for profit, potentials for independent action, and the pursuit of a desired way of life. While these factors have value to many people, it has been found that they alone may not be sufficient to bring about entrepreneurial activity apart from personal circumstances that may encourage entry. Two major circumstances that seem to prompt many people to make the decision are lack of other job opportunities and the appearance of an unexpected business opportunity that would be lost if not responded to immediately. Such circumstances may severely limit the careful evaluation of the potential of such an undertaking. Moreover, they might limit an individual's careful assessment of his/her potential as an owner/ manager. In fact, the lack of assessment of one's potential to operate as an owner/manager may contribute to the lack of careful assessment of the potential of the undertaking, regardless of what the inducements to enter into a business might be. One Dun and Bradstreet survey indicated that 98% of failures were caused by ineffective management and that 50% should never have been started due to the incompetence of the owners. [1, p. 22]

A survey of the current literature provides a long list of general characteristics that entrepreneurs should possess. Many of the characteristics are interrelated and become a matter of emphasis by a particular author. If any realistic attempt is to be made to provide possible entrepreneurs with feedback concerning their appropriateness, it is necessary to distill from these lists a few fundamental characteristics that can be effectively explored. To accomplish this, numerous sources were reviewed until eleven were identified as containing in depth analysis of the abilities typically associated with entrepreneurial success. The sources selected ranged from small business texts to normative literature on entrepreneurs.

The list of characteristics compiled from these sources was then analyzed and four key variables reflecting the majority of characteristics were identified. These were: need for achievement, open mindedness and flexibility, independence and self confidence, and creativity in decision making and problem solving.

A search was made to identify instruments that could be used in assessing an individual's possession of these attributes. The search was limited to those instruments that met the following criterion. First, they must be undisguised and offer face validity. This requirement was to assure that the results would provide a basis for group analysis and discussion without contaminating the measurement. Second, they must be objective pencil and paper instruments that could be administered in a group situation. As testing should

be a controlled procedure, instruments that could be completed in a class period were desirable. Third, they should have the potential for being objectively scored. This would allow for subjects to self-score their instrument. This, together with face validity, was felt to improve subject involvement in the planned discussion of the results. Finally, the instrument must be relatively brief in terms of the time necessary to administer and score. This would facilitate use of the instruments during class time without excessively disrupting what was designed to be a traditional course in small business management.

The choice of instruments finally selected effectively met the criteria established. They include: Dogmatism Scale by Rokeach, Edwards Personal Preference Schedule (achievement, autonomy and dominance scales only), Remote Association Test by Mednick, and Rotter's Internal-External Locus of Control Scale. A brief statement of the purpose and construction of these instruments as they relate to the variables identified will now be provided.

Open Mindedness and Flexibility

Rokeach's scale of dogmatism was chosen to measure the subject's open mindedness and flexibility in processing information. It was originally developed as measure of individual differences in openness and closedness of belief systems. Rokeach states that the extent to which a person's belief system is open is "the extent to which the person can receive, evaluate, and act on relevant information received from the outside on its own intrinsic merit, unencumbered by irrelevant factors in the situation arising from within the person or from the outside." [6, p. 59]

This instrument contains forty items that survey the integration of dogmatism in the subject's makeup in terms of its structure, its formal content, and the impact of dogmatism in approaching behavior. The items are responded to on a +3 to -3 agree-disagree scale with 0 excluded. Administration time is less than 30 minutes. Typical of the items contained in the instrument are:

Groups tolerating diverse opinions can't exist.

To compromise is to betray one's side.

I repeat myself to make sure I'm understood.

Scoring is straight forward and involves only summing the values of the responses after a conversion to a 1 to 7 scale.

Need For Achievement

Need for achievement, discussed by McClelland as fundamental to entrepreneurial functioning, is tapped in Edwards Personal Preference Schedule (EPPS). [4] Related to the pursuit of satisfaction of the achievement need, is the need for autonomy of action and control of situations in terms of dominance. These are three (3) of the scales in the EPPS developed to tap individual differences along fifteen separate dimensions. For purposes of the exercise, only these three dimensions surveyed by the instrument will be included. These, together with the relevant manifest needs as presented in the manual accompanying the instrument are:

Achievement: To do one's best, to be successful, to accomplish tasks requiring skill and effort, to be a

Developments in Business Simulation & Experiential Exercises, Volume 13, 1986

recognized authority to accomplish something of great significance, to do a difficult job well, to solve difficult problems and puzzles, to be able to do things better than others, to write a great novel or play.

Autonomy: To be able to come and go as desired, to say what one thinks about things, to be independent of others in making decisions, to feel free to do what one wants, to do things that are unconventional, to avoid situations where one is expected to conform, to do things without regard to what others may think, to criticize those in positions of authority, to avoid responsibilities and obligations.

Dominance: To argue for one's point of view, to be a leader in groups to which one belongs, to be regarded by others as a leader, to be elected or appointed chairman of committees, to make group decisions, to settle arguments and disputes between others, to persuade and influence others to do what one wants, to supervise and direct the actions of others, to tell others how to do their jobs.

This instrument contains a total of 225 pairs of statements which are responded to by choosing the statement from the pair that is more characteristic of you. Two sample pairs are:

- A. I like to do my best in whatever I undertake.
- B. I like to help other people who are less fortunate than I am.

and A. If I have to take a trip, I like to have things planned in advance.

- B. I like to keep working on a puzzle or problem until it is solved.

The items are scored via a key and responses related to the 15 variables tapped are grouped to obtain a score for a given variable. By eliminating many of the items not relevant to the scales of interest the administration can be reduced to 140 minutes.

Creative Problem Solving and Decision Making

Creativity in problem solving and decision making involves the effective use of information available to the owner/manager. In the introduction of the manual accompanying the Remote Association Test, Mednick indicates that "we can proceed to define the creative thinking process as the forming of associative elements into new combinations which either meet specific requirements or are in some way useful." [5, p. 1] Differences between individuals in the way in which information from their experience is structured is the determining factor in relative differences in potential for creative functioning.

The instrument contains a total of thirty items which are responded to by writing in a single word that completes the concept presented. Each item presents three related words and seeks a fourth. The ability to produce the appropriate word is considered to be evidence of creative accessibility of information available. Examples of instrument items are:

- | | | | | |
|----|----------|------|----------|------|
| A. | surprise | line | birthday | |
| B. | base | snow | dance | |

Scoring is conducted manually against a key of fixed expected responses. The number correct is the final score.

Independence and Self/Control

The ability of a potential entrepreneur to be self-reliant is assessed through the construct of locus of control. Rotter states that... "an event regarded by some persons as a reward or reinforcement may be differently perceived and reacted to by others. One determinant of this reaction is the degree to which the individual perceives that the reward follows from, or is contingent upon his own behavior or attributes versus the degree to which he feels the reward is controlled by forces outside of himself. . . . If a person perceives that the event is contingent upon his own behavior or his relatively permanent characteristics, we have termed this a belief in internal control." [7, p. 1] The entrepreneur in his/her attempt to cope effectively with situations arising, both internal to and external to the business, requires a belief that their actions are the factor effecting the outcomes.

The instrument contains 29 items made up of pairs of statements. The respondent is required to choose which of the pair is the more characteristic statement of how he/she views the world. Two items typical of the instrument are:

- a. In the long run people get the respect they deserve in the world.
- b. Unfortunately, an individual's worth often passes unrecognized no matter how hard he tries.

and

- a. In my case getting what I want has little or nothing to do with luck.
- b. Many times we may as well decide what to do by flipping a coin.

The instrument is scored by adding up the number of responses made by the subject to external loaded items. Administration takes approximately 15 minutes.

ADMINISTRATION OF THE EXERCISE

This exercise is conducted as part of an otherwise traditional small business management course that is offered at the junior level. The current enrollment is 21 individuals who are predominately senior level students. The text in use is Successful Small Business Management by Tate et. al. Part I of the text is entitled Characteristics of Small Business and Their owner-managers and contains a chapter focusing on Moving Toward the Ownership and Management of a Small Business. This chapter reviews both the needs and expectations of owner-managers as key characteristics of successful entrepreneurs. It concludes with an appendix concerning self-analysis of the potential owner/manager. This analysis, while helpful, lacks an adequate basis for effective discussion. While it focuses on some significant issues, it does not provide for feedback concerning the characteristics of the subject in relationship to typical populations or entrepreneurial groups. The exercise that is discussed in this paper is seen a valuable supplement to the chapter in that it satisfies this deficiency.

Administration of the exercise is straight forward. Following a complete introduction to the course and its objectives and an exploration of what is meant by

Developments in Business Simulation & Experiential Exercises, Volume 13, 1986

small business, all four instruments are presented in sequence to the class for their responses. The total time required for students to respond to the four instruments is about one and one-half hours. Since the course meets once a week for three hours, this phase of the exercise, together with the Introduction etc., effectively fills the first session. As no prior assignment is available for coverage at that first meeting, it is felt that this is not an excessive use of course time. The instruments are then set aside until after the second chapter dealing with the objectives and characteristics of a owner/manager has been covered. The instruments are then returned to for scoring and discussion.

When the concept of what being a successful entrepreneur involves has been covered in lecture, the instruments are returned to for analysis, feedback and discussion. As all instruments are of the objective paper and pencil type, the class members can do all scoring with a little guidance. Taking the instruments one at a time, beginning with the EPPS, the concepts and variables tapped are discussed. For example, in the case of EPPS, the concepts of need for achievement, autonomy and dominance are explored along with their relationship to effective entrepreneurial action.

It is important at this stage to discuss the measurement vehicle used in terms of being an expedient, but valuable, means of assessment. Further, with the limitations inherent in such measurements, it should be understood that the analysis to follow is not definitive and is provided only as an opportunity to engage in personal assessment. Finally, it must be pointed out that the results are not a rigid indicator assuring or eliminating the potential for success of future small business endeavors.

The instrument is then scored and information concerning norms and research findings relevant to the concept or variable are presented. Discussion is then encouraged to clarify further the concept or variable and to pursue its relevance to small business activities. Finally, the class members are polled for their scores so that a class frequency distribution can be presented on the chalkboard.

A general interpretation of this distribution is then provided. It includes comparison and contrast with available data from experience and secondary research. This allows for student exploration of the meaning of their individual scores. The caveat previously provided should be restated to guard against over reaction to instrument results, whether they be acceptance of negative results or defensiveness.

The review of the four instruments requires from one and one-half to three hours of class time depending upon student interest and involvement. The high side is likely to be typical. While a total of four and one-half may seem inordinate for an ungraded exercise, it is justifiable. Courses in small business management are frequently enrolled in by individuals who have some aspiration to be owner-managers. While these individuals may be some of the best academically equipped future business men, success in entrepreneurial projects requires more than intelligence and knowledge. The concepts and variables tapped in this exercise have been established as relevant, yet there are few other opportunities in an academic program to directly explore them. This point is particularly relevant since much of what is typically covered in small business management texts is merely an adaptation of material covered in other business courses. So while a small business management course provides orientation in the use of knowledge available in other classes, this exercise provides an occasion to assess one's ability to apply knowledge while coping with the personal challenges of being an entrepreneur.

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