Motivational Traits of Prospective Entrepreneurs

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§1 Introduction

Gartner described the “trait approach” to studying entrepreneurship as being based on the assumption that “the entrepreneur is . . . a particular personality type, a fixed state of existence, a desirable species that one might find a picture of in a field guide” and explained that research based on this approach has necessarily focused on identifying and enumerating a set of characteristics (i.e., traits) that describe this idealized person type we call an “entrepreneur”.¹ Gartner described the activities of researchers quite simply: “Who is an entrepreneur?” This approach assumes that a person, the “entrepreneur”, is the basic unit of analysis when it comes to studying the launch of a new business and that in order to understand new business creation it is necessary to analyze the characteristics and traits of the entrepreneur and how they “cause” the new business to emerge. Research based on the trait approach has been voluminous and the approach dominated much of the early activities within entrepreneurship research. A comprehensive list of characteristics that researchers have attempted to relate to entrepreneurship would include risk-taking propensity; educational background of the entrepreneur and his/her parents; number of previous jobs and previous job satisfaction; social attitudes; religious, sports and clubs affiliations; age; need for achievement; desire for autonomy and independence; level of aggression; locus of control; perception of opportunities offered by society; self-discipline and perseverance; energy level; self-reliance; desire for success and recognition; tolerance of uncertainty; creativity; support; benevolence; optimism; self-esteem and Machiavellianism.²

§2 Motivational traits and their effect on entrepreneurship

Shane et al. argued strongly that differences among people with respect to their personal motivations significantly influenced their actions during the entrepreneurial process and that it was incumbent upon researchers to incorporate individual-level variations in motivations into the study of entrepreneurship.³ They noted, for example, that people differ in their perceptions of risk⁴ and that these differences may lead two people confronted with a similar opportunity to come to different conclusions about whether

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¹ W. Gartner, “‘Who is an Entrepreneur?’ Is the Wrong Question”, American Journal of Small Business, Spring 1988, 11-32, 12.
² Id. at 13-20. “Founders’ Traits and Skills” in “Entrepreneurship: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org) includes additional discussion of the personality traits of persons likely to start a new business and the personal and professional skills that founders should possess in order to increase their likelihood of success in launching a new business.

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they are willing to expend their resources on the opportunity before having a better idea of the distribution of possible outcomes from the investment. Similarly, persons who score higher on measures of optimism or self-efficacy may be more willing than persons with lower scores on those personal characteristics to take on pursuit of an opportunity that carries a fairly low likelihood of success.

Shane et al. provided a concise summary of some of the quantitative and qualitative research relating to human motivations and their effect on entrepreneurship. They focused on previous research that had explored human motivations and their effect on entrepreneurship and divided the work into quantitative and qualitative studies. Many of the quantitative studies compared the traits of “firm founders” (i.e., persons who start their own business), typically assumed to be the “entrepreneurs”, to other persons in the general population and also compared the traits of firm founders to persons who acted in a managerial capacity in businesses owned by others. Shane et al. acknowledged that the comparison of firm founders and managers who worked for others as a means of capturing differences between entrepreneurial and non-entrepreneurial situations might not be completely appropriate since “serving as a manager in a rapidly growing high-technology company might demand greater entrepreneurial motivations than starting a corner grocery store”. Common motivational traits explored in the quantitative studies included need for achievement, risk taking, tolerance for ambiguity, locus of control, self-efficacy and goal setting. Motivational traits explored in the qualitative studies included independence, competence and confidence, drive and egoistic passion.

Shane et al. cautioned that their work did not constitute a complete review of prior empirical research due to the fact that the definitions of entrepreneurship used in previous studies were inconsistent with the definition used by Shane et al., making it impossible to draw direct implications of prior work for research using their definition, and their belief that prior research suffered from “significant methodological problems” which are discussed below. Shane et al. noted that many had expressed “disappointment” with the

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6 The analysis included observations from an inductive study based on secondary sources of 70 wealth creators completed by Locke. Locke explored the careers, actions and traits of legendary businesspersons such as J. P. Morgan, Steve Jobs, Sam Walton, Walt Disney, Jack Welch, Thomas Edison, Michael Dell, Henry Ford and Ray Kro and identified several common characteristics such as independent vision, an active mind, competence and confidence, drive to action, egoistic passion and love of ability in others. See E. Locke, The prime movers: traits of the great wealth creators (New York: AMACOM, 2000).
results of the prior research; however, they claimed that their discussion was useful and necessary in illustrating how personal motivation can influence different aspects of the entrepreneurial process and, as discussed below, offered their own suggestions for how entrepreneurial motivation might be incorporated into the study and understanding of the entrepreneurial process.  

§3 --Need for achievement

A high “need for achievement”, a concept made famous by McClelland, is often cited as a predictor of the likelihood that a person will be interested in pursuing entrepreneurial activities rather than other types of jobs. Not surprisingly, need for achievement (“nAch”) has been frequently studied by researchers interested in entrepreneurship. At the outset, McClelland postulated that “individuals who are high in nAch are more likely than those who are low in nAch to engage in activities or tasks that have a high degree of individual responsibility for outcomes, require individual skill and effort, have a moderate degree of risk, and include clear feedback on performance”. McClelland also believed that entrepreneurial roles have more of the aforementioned activity or task attributes than other roles, thus leading to the conclusion that high achievers will likely gravitate toward entrepreneurship. In general, studies have confirmed the suspected relationship between nAch and entrepreneurship. In addition, nAch has been found to be a differentiator between firm founders from members of the general population and to be useful in differentiating between successful and unsuccessful firm founders; however, there appears to be little difference between firm founders and managers with respect to their levels of nAch.

§4 --Risk taking

Not surprisingly, it has often been argued that persons with an entrepreneurial bent have a higher tolerance for accepting risk and uncertainty. As noted above, one of the

12 S. Venkataraman, “The distinctive domain of entrepreneurship research: an editor’s perspective”, in J. Katz and R. Brockhaus (Eds.), Advances in entrepreneurship, firm emergence and growth, Vol. 3
characteristics of high nAch cited by McClelland is a willingness and desire to engage in activities with a “moderate degree of risk” and Liles argued that entrepreneurs understand that they will be required to live with uncertainty with respect to financial and psychic well-being, career security and relations with their family members.13 There appears to be general agreement that extremely high levels of risk are not necessary in order for an activity to qualify as “entrepreneurial”—according to Shane et al., “risk-taking propensity has been defined in the entrepreneurship literature as the willingness to take moderate risks”.14 Interestingly, however, the feedback from studies on this issue is mixed and many researchers have failed to find significant differences between firm owners and the general population with respect to risk-taking propensity and studies that did find a difference between those two groups failed to find significant differences between firm founders and managers.15 Shane et al. suggest that the reason for these findings may be explained by “self-efficacy” and point to several evaluative studies based on interviews and expert evaluations that concluded that firm founders did indeed have a higher propensity for risk than the general population on objective scales of measurement yet often did not perceive their actions to be risky.16 Another study comparing firm founders to bankers found that while the bankers perceived information regarding certain opportunities as risky the firm founders were more interested in the opportunities associated with the information.17

§5 --Tolerance for ambiguity


The tolerance for ambiguity, which has been described as “the propensity to view situations without clear outcomes as attractive rather than threatening”\textsuperscript{18}, has been cited as an important trait for entrepreneurs given that starting and building a new business requires overcoming challenges that are unpredictable and it is extremely difficult to measure the chances for success.\textsuperscript{19} While this sounds reasonable, actual studies on this proposition have produced mixed results. On the one hand, several researchers have found that founders have a significantly higher tolerance for ambiguity than managers.\textsuperscript{20} However, others were unable to replicate that result and found no significant differences between founders and managers with respect to their tolerance for ambiguity.\textsuperscript{21}

\section{Locus of control}

Locus of control refers to “the belief in the extent to which individuals believe that their actions or personal characteristics affect outcomes”.\textsuperscript{22} Distinctions are made between persons that have an “external” locus of control and thus believe that outcomes are generally determined by factors outside of their control and persons with an “internal” locus of control who believe that they can have an impact on outcomes through the choices they make with regard to their personal actions. Persons with high nAch generally have a preference for situations in which they can have direct control over outcomes and researchers have predicted that persons with an internal locus of control are more likely to seek out entrepreneurial roles in which their actions have a stronger influence on the results of their entrepreneurial activities.\textsuperscript{23} In general, research confirms that firm founders are more “internal” than the general public with regard to locus of control.

\textsuperscript{19} J. Schere, Tolerance of ambiguity as a discriminating variable between entrepreneurs and managers, Academy of Management Best Paper Proceedings, 42 (1992), 404–408.
\textsuperscript{23} J. Rotter, “Generalized expectancies for internal versus external control of reinforcement”, Psychological Monographs: General and Applied, 80 (1966), 609.
control; however, as is the case with nAch, comparisons of firm founders and managers usually find no significant differences between them with regard to locus of control.

§ 7 --Self-efficacy

Bandura described “self-efficacy” as one’s belief in his or her own ability to muster and implement the necessary personal resources, skills and competencies that are required in order to attain a certain level of achievement on a given task. Simply put, individuals that are high on self-efficacy are more “self-confident” with respect to the particular task and, in fact, Shane et al. reported that “[s]elf-efficacy for a specific task has been shown to be a robust predictor of an individual’s performance in that task and helps to explain why people of equal ability can perform differently.”

One study of entrepreneurs found that there was a strong and positive relationship between self-efficacy to grow a company and the growth actual realized by the company. The presence of self-efficacy explains why persons are willing to exert longer and harder effort on completion of a given task, persist in the face of setbacks, set higher goals with respect to financial performance, growth and innovation and develop and refine better plans and strategies to achieve their goals.

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26 A. Bandura, Self-efficacy: the exercise of self control (New York: Freeman, 1997).


29 Several studies have confirmed the importance of “goal setting” by reporting that the goals established by entrepreneurs with respect to financial performance, growth and innovation were significantly related to the corresponding outcomes. Id. at 267 (citing K. Tracy, E. Locke and M. Renard, Conscious goal setting versus subconscious motives: longitudinal and concurrent effects on the performance of entrepreneurial
§8 --Independence

Shane et al. described independence as “taking responsibility to use one’s own judgment as opposed to blinding following the assertions of others . . . [and] . . . taking responsibility for one’s own life rather than living off the efforts of others”. A number of studies have uncovered evidence to support the wide-held belief that entrepreneurship requires independence and that entrepreneurs score higher on measures of independence than members of the general public. Entrepreneurship is an attractive alternative for persons who seek independence in their careers and work activities and provide persons with the opportunity to set their own goals and be responsible for results, regardless of whether they are successful or not.

§9 --Drive

Drive is related to nAch; however, Shane et al. used the term to focus specifically on “the willingness to put forth effort—both the effort of thinking and the effort involved in bringing one’s ideas into reality”. Shane et al. argued that there were four aspects of “drive”, including ambition, goals, energy and stamina. Ambition is particularly important since it influences the desire of entrepreneurs to achieve “great, important and significant” things when pursuing their entrepreneurial activities. Ambition also causes entrepreneurs to set challenging goals and research has confirmed that creating high goals leads to performance that is better than when the goals are more modest. Other terms used to describe “drive” include “persistence” and “tenacity”. Persons with high self-efficacy are more likely to have the drive necessary for the lengthy periods of hard work necessary for successful entrepreneurship.

§10 --Egoistic passion

Shane et al. referred to “egoistic passion” as “a passionate, selfish love of work” that is largely ego-driven: the entrepreneur is driven by his or her “love [of] the process of building an organization and making it profitable”. Apparently, passion has often been included in studies of motivations among entrepreneurs; however, one study conducted...
Are You a Scale-Up Entrepreneur?

One of the fundamental conditions for growth-oriented entrepreneurship is the desire of the entrepreneurs who are the members of the founding team to not only launch and navigate their businesses to the point of survival but to go beyond that to enjoy significant growth in revenues, employment and market impact. Isenberg and others have argued that the skills necessary to get through the start-up phase, will obviously crucial, are not the same as those that entrepreneurs need to “scale-up” the business to the point where growth engines are mobilized. Isenberg developed a simple set of assessment questions that entrepreneurs could peruse to determine whether they were “cut out to be a scale-up entrepreneur”. These questions were based on interviews that Isenberg conducted with scale-up entrepreneurs from around the world and suggest that backgrounds and actions associated with success in moving through the risky launch stage of a new business to the point where scaling is feasible. Specifically, entrepreneurs should make a note of whether they “agree” or “disagree” with the following statements:

- Something inside compels me to make something that will impact the marketplace.
- I am great at selling things to people that they may not know they want, nor think they have the money to buy.
- I have people on my team who are better than me in several areas of knowledge or practice.
- My venture already has the procedures, policies, and processes in place to be ten times the size we are today.
- When I don’t know what my next step is, I have experienced people I can turn to for ideas.
- There is money out there to fuel a venture that is growing fast; I just have to find it when I am ready.
- When I achieve my objectives I keep raising the bar higher and higher.
- I am one of the best sales people I know.
- Think big; thinking small is a crime.
- I know entrepreneurs just like me who have grown big, fast.
- The sales process is just starting when the customer first says no.
- If my venture stands in one place too long, it runs the risk of perishing. We have to keep moving forward.
- I know how to find great people to hire.
- Nothing gives me a bigger rush than closing a big sale.
- It is more important to know of a big problem that customers have and then look for a solution, than it is to have a solution that is looking for important problems to solve.
- I used to think our great technology would take us to leadership in our market — now I realize it is our team, our organization, our marketing and our ambition to sell.
- Even though I am a startup, I think more like a market leader than a small business.

The greater the number of times that one “agreed” with a statement, the more likely that he or she had the motivation to scale up their new venture. Two important themes were emphasized when compiling the questions: persistence and experience in all aspects of selling (e.g., sales organization, compensation, pipeline management, and selling skills) and attitude, particularly the ambition to grow the business and a vision for the business that is grand and large.

While sales is one of the most important skills for a scale up entrepreneurs, others areas for which founding teams might seek out training including personal leadership, effective communication, project management, managing performance, selecting a winning team, negotiation and managing change.

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§11 Critiques of prior research and suggestions for improvement

After presenting the results of their survey Shane et al. observed that the various studies had often come up with “disappointing results”\(^36\) and Gartner also reported that the empirical research of others led them to conclude “that when certain psychological traits are carefully evaluated, it is not possible to differentiate entrepreneurs from managers or from the general population based on the entrepreneur’s supposed possession of such traits”.\(^37\) Shane went on to identify several problems with previous research on human motivation and entrepreneurship.\(^38\) One of the biggest concerns expressed by Shane et al. was the failure of prior researchers to recognize that entrepreneurship should be viewed as a “process” and that the influence of particular factors, such as one of the motivational traits, may vary depending upon where one is in the continuum of the process and the decisions that must be made and the actions that must be taken at that point. In fact, Shane et al. felt that one of the major shortcomings with the prior research on entrepreneurship had been that entrepreneurship was viewed as a profession that persons either chose or rejected and they commented that “relatively little of the motivation research on entrepreneurship has considered the effects of motivation on specific steps in the entrepreneurial process”.\(^39\)

Shane et al. also felt that the standard approach of comparing firm founders to one another, managers and/or the general public at a single point in time was problematic

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since the assumptions were that a given motivation was equally relevant to each step in the entrepreneurial process and that the pool of persons in the “entrepreneurial group” remained that same throughout the process. They pointed out, for example, that a high level of self-confidence may be the most important motivational factor for “collection and assembly of resources”, one of the tasks that must be completed at the execution stage of the entrepreneurial process described elsewhere in this chapter, and that the presence or absence of other motivational factors at that point is relatively unimportant. If this was true, it might explain why a firm founder who was high on all of the surveyed motivational factors other than self-confidence might nonetheless fail in his or her pursuit of a particular opportunity.\textsuperscript{40} Shane et al. also went on to argue that if high self-confidence was the key motivator at the resource collection stage then those firm founders with low self-confidence were probably eliminated at that point (i.e., their ventures failed due to lack of resources) and confidence ceased to be a significant distinguishing factor among the firm founders who survived to reach the next stages in the process since they all had to have scored high on self-confidence to overcome the resource collection hurdle. In the same vein, they pointed out that a high score on one of the motivating factors did not necessarily guarantee success of the venture or the activity if that factor was only relevant to one of the steps in entrepreneurial process. For example, high nAch may be quite important in impressing venture capitalists to provide capital for the business; however, once the money is in nAch may have little or no effect on completion of the subsequent steps in the process that will determine whether or not the firm is successful.

Other problems cited by Shane et al. included failure to control for variations in the opportunities available to prospective entrepreneurs, studying the “wrong motives”, failure to consider the indirect effects of motives on other factors such as cognitive skills, strategy and environmental conditions, and inconsistent definitions of “entrepreneurship”. However, in spite of all the shortcomings and inadequacies in prior research work relating to human motivations in the entrepreneurial process, Shane et al. argued that the role that motivations play with respect to entrepreneurship should not be minimized and that the better approach was to develop and test a new model of how the motivational traits of prospective entrepreneurs combined with other factors to influence the entrepreneurial process. This model is the basis of the discussion of multi-factor analysis of entrepreneurial activity that follows below.

Not surprisingly, Shane is not alone in criticizing the manner in which research on entrepreneurship has been conducted and the failure of researchers to look beyond a search for entrepreneurial traits or characteristics. Gartner, a proponent of the behavioral approach to studying entrepreneurship, prepared a comprehensive comparison of the major literature on the entrepreneur and entrepreneurship as he found it in 1988.\textsuperscript{41} The comparison included attempts of various researchers to define an “entrepreneur” and/or “entrepreneurship”, a description of the samples used by the researchers and a summary

\textsuperscript{40} Id.
\textsuperscript{41} W. Gartner, “‘Who is an Entrepreneur?’ Is the Wrong Question”, American Journal of Small Business, Spring 1988, 11-32, 13-20.
of the “characteristics” of entrepreneurs noted by the researchers. Gartner’s list of the major shortcomings of work through that date included the following: a wide range of definitions of “the entrepreneur”, many of which Gartner judged to be “vague”, were used and it was not uncommon for researchers to neglect including any definition at all; few of the studies used the same definition of “the entrepreneur”; the samples of “entrepreneurs” were far from homogenous, a finding Gartner attributed to the inability to reach agreement on a definition of “the entrepreneur”; and the number of traits and characteristics attributed to entrepreneurs were full of contradictions and any “psychological profile” based on those traits and characteristics would portray a person that Gartner described as “larger than life” and “a sort of generic ‘Everyman’”.42

42 Id. at 12 and 21.
About the Author

This chapter was written by Alan S. Gutterman, whose prolific output of practical guidance and tools for legal and financial professionals, managers, entrepreneurs and investors has made him one of the best-selling individual authors in the global legal publishing marketplace. His cornerstone work, Business Transactions Solution, is an online-only product available and featured on Thomson Reuters’ Westlaw, the world’s largest legal content platform, which includes almost 200 book-length modules covering the entire lifecycle of a business. Alan has also authored or edited over 90 books on sustainable entrepreneurship, leadership and management, business law and transactions, international law and business and technology management for a number of publishers including Thomson Reuters, Practical Law, Kluwer, Aspatore, Oxford, Quorum, ABA Press, Aspen, Sweet & Maxwell, Euromoney, Business Expert Press, Harvard Business Publishing, CCH and BNA. Alan is currently a partner of GCA Law Partners LLP in Mountain View CA (www.gcalaw.com) and has extensive experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He has been an adjunct faculty member at several colleges and universities, including Berkeley Law, Golden Gate University, Hastings College of Law, Santa Clara University and the University of San Francisco, teaching classes on corporate finance, venture capital, corporate governance, Japanese business law and law and economic development. He has also launched and oversees projects relating to sustainable entrepreneurship and ageism. He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Alan and his activities, and the services he provides through GCA Law Partners LLP, please contact him directly at alangutterman@gmail.com, follow him on LinkedIn (https://www.linkedin.com/in/alangutterman/) and visit his website at alangutterman.com.

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) was launched by Alan Gutterman to teach and support individuals and companies, both startups and mature firms, seeking to create and build sustainable businesses based on purpose, innovation, shared value and respect for people and planet. The Project is a California nonprofit public benefit corporation with tax exempt status under section 501(c)(3) of the Internal Revenue Code dedicated to furthering and promoting sustainable entrepreneurship through education and awareness and supporting entrepreneurs in their efforts to launch and scale innovative sustainable enterprises that will have a material positive environmental or social impact on society as a whole.

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