

**Nascent versus Successor Entrepreneurs:
Differences in Personal Traits and Motives**

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1 Introduction

Whereas the academic field of family business is often linked to the issue of succession (Brockhaus, 2004; Birley, 2002), the field of entrepreneurship has rather been associated with the creation of new entrepreneurial initiatives (Bygraves & Hofer, 1991; Shane & Venkataraman, 2000). Despite the overlap between the two academic fields (Hoy & Verser, 1994, Dyer & Handler, 1994) still little is known on entrepreneurship in the family business context, and to what extent theoretical concepts emerging from entrepreneurship literature are applicable in the context of family firms.

One important stream of research in the field of entrepreneurship has investigated to what extent the personal traits and motives of an individual affect nascent entrepreneurship (e.g. Shepherd & Zacharakis, 2000; Stavrou, 1999; Covin, 1994).

Regarding traits, Defruyt & Mervielde (1999) and Holland, Johnston, Asama & Polys (1993) for example find that extraversion is an important personal trait of a successful founder. Regarding personal motives, the motives affecting a person's choice for an employment or to start an own business, Douglas and Shepherd (2003) find that founders are often driven by a strive for independence.

Whereas the literature on personal traits and motives of founders is abundant, little is known about the personal traits and motives of successors (e.g. Chrisman, Chua & Sharma, 1998; Sharma & Rao, 2000). Even though both, nascent and successor entrepreneurs, have to take over entrepreneurial responsibility, it is questionable as to whether personal traits and career choice motives of founders and successors are comparable. This observation is related to the question as to whether the challenges linked with founding a firm, that could be primarily characterized as creating new entrepreneurial initiatives (Hoy & Verser, 1994), attract the same type of person as does the succession in an existing business, that requires for renewal and revitalizing of an established firm (Steier, Chrisman & Chua, 2004; Hoy & Verser, 1994).

The relevance of the question is not only related to the observation that most of the existing research on person-entrepreneurship fit has been conducted on personal traits and motives of nascent entrepreneurs, whereas little is known on the traits and motives of successors. Just as importantly, most of the existing entrepreneurship courses in academic institutions have focused on nascent entrepreneurs, underlying the image of the risk taking, extraverted and independence driven entrepreneur. As outlined above it needs to be questioned, whether this image fits to successor entrepreneurs and, therefore, whether relevant academic courses need to adapt to the characteristics and motives of successors.

2 Theoretical foundations

To answer the question as to whether nascent and successor entrepreneurs differ in personal traits and motives, we relate to Attraction-Selection-Attrition (ASA) theory developed by Schneider (1987 & 1998). Schneider (1987 & 1998) shows that individuals differ between organizations and that it “is the people who are attracted to, are selected by, and remain in a setting that determine the setting” (Schneider, 1987, page 440).

In line with vocational psychology literature (Holland, 1985) it is argued that people’s *attraction* to careers is a function of their own interests and personality. There is wide theoretical and empirical evidence for vocational choices, which shows that people feel attracted to (work) environments that have the same “personality” profile as they do (Vroom, 1966; Tom, 1971; Kristof, 1996).

Next to attraction, ASA theory postulates that *attrition* explains why people leave work environments. Schneider (1987) argues while people may be attracted to one place, they will make errors, and find they do not fit in and will tend to leave. Empirical studies are showing a positive correlation between the person-environment-fit and job satisfaction (Premack & Wanous, 1985).

Furthermore, Schneider (1987) introduces that an individual's *goals* are a constituting element of positive interaction. In particular, it is argued that the goals of the people who formed an organization are constitutive for the processes and structures within organizations (Kimberly & Miles, 1980). Schneider (1987) argues that people leave an organization if there is no fit between the organization's goals and the individual's goals.

Finally, Schneider (1987) introduces *selection* as the fourth element of ASA theory. Selection means that through recruitment and selection procedures organizations end up choosing people sharing many common personal attributes, but differ in competencies along the requirements of the business.

In line with the above-outlined ASA model our research approach relates to the assumption that people look for a work environment that firstly, fits their character and secondly, their personal goals. Hence, we will discuss attraction and goals, as two constituting elements of ASA theory in the context of nascent and successor entrepreneurs. This selection is based on the cross sectional nature of our study, since a longitudinal survey would be needed to study the effects of attrition and selection within the ASA model and to determine what traits and motives of successor are positively related to successor performance.

Insert Figure 1 about here

Within literature that combines vocational psychology and entrepreneurship, there are two streams research that are particularly prolific for explaining our research question. The first stream of research investigates person-organization fit, the second one person-entrepreneurship fit. Person-organization fit literature indicates that organizations are indeed relatively homogeneous with respect to incumbents' personal attributes (Schneider, Smith, Taylor & Fleenor, 1998). Furthermore Van Vianen (2000) suggests that a match between

newcomers' characteristics and those of tenured incumbents also determines a good person-organization fit.

Person-entrepreneurship literature investigates the personal traits of founders and the "personality" of their businesses (Markman & Baron, 2003). In contrast to person-organization fit, that scrutinizes the overlap between employees' attitudes and existing organizations, in the context of newly created firms the founder is forming the personality of his or her organization. Schneider (1987) argues that organizations are systems that are activated and dictated by goals. These goals emerge from the person who establishes that firm (Schein, 1985).

Hence, whereas newly founded firms reflect the goals and the personality of the founder, when organizations evolve into maturity it is the behaviour of all people in them that defines the organizational direction. In line with ASA theory we therefore expect that founders who fundamentally shape organizations significantly differ from successors who need to fit into an existing set of behaviours and goals.

3 Hypotheses

Traits

As outlined above, ASA theory and person-entrepreneurship fit literature predict that the decision to become a nascent versus a successor entrepreneur is related to some difference in personal traits. One of the best researched theories on personal traits is what is known as the five factor model developed by Mc Crae and John (1992 & 1980) based on the works by Fiske (1949), Tupes and Christal (1961 & 1992), Norman (1963), Borgatta (1964) and Hake (1974). Despite some recent criticism on the traits approach (e.g., Brockhaus & Horwitz, 1986; Carsrud, Olm & Eddy, 1986; Gartner, 1988) there is a continued interest in determining

what motivates some individuals to initiate a venture or become an employee in an existing firm (Mueller & Thomas, 2000; Ciavarella, Buchholtz, Riordan, Gatewood & Stokes, 2004). According to Mc Rae and John (1992, p. 178) the Big Five include the following factors: extraversion, agreeableness, conscientiousness, emotional stability and openness. In contrast to goals that can be influenced by the environment, these factors have proven to be stable over time (McClelland, 1961; Begley & Boyd, 1987; Green, David & Dent, 1996; Utsch, Rauch, Rothfuss & Frese, 1999; Cromie & Johns, 1983). In addition the five factor model has been successfully applied in different cultural contexts (Amelang & Bartussek, 2001, p. 369) and has proven to be both valid and reliable (Barrick & Mount, 1991; Hurtz & Donovan, 2000). As the first element of the Big Five *extraversion* relates to people who are active, assertive, outgoing and enthusiastic (Mc Rae & John, 1992). Several pieces of research show that when establishing a firm, extraversion of the founder is an important aspect (Fruyt & Mervielde 1999; Holland, Johnston, Asama & Polys, 1993; Nicholson, 1998), since nascent entrepreneurs are particularly challenged to be outgoing to convince clients, employees and banks for their businesses. Regarding sales initiatives Vinchur, Schippmann, Switzer & Roth (1998) provide evidence that extraversion is a predictor of job performance of salespeople. While the subjects for the study by Vinchur et al. (1998) were not entrepreneurs, it is plausible that the results are applicable to entrepreneurs, since efficient sales practices are crucial for the success of nascent entrepreneurs (Ciavarella et al., 2004).

Agreeableness can be characterized by the adjectives appreciative, forgiving, generous, kind and sympathetic (Mc Crae & John, 1992). Several studies have hypothesized a positive relation between agreeableness and career choices (e.g. Fruyt & Mervielde, 1999; Ciavarella et al., 2004). However these studies could not provide evidence for such a relation. One reason for that might be linked to the argument that entrepreneurs who establish trusting and courteous (i.e. agreeable) relationships might be more successful in establishing interpersonal relationships rather than task performance (Van Scotter & Motowidlo, 1996).

Conscientious people are found to be efficient, organized, reliable, and responsible (Mc Rae & John, 1992). Several studies support that nascent entrepreneurs tend to be more conscientious (Fruyt & Mervielde, 1999) and that conscientiousness is positively related to new venture success (Sciavarella et al., 2004). The importance of not only having but also persevering in conscientiousness is confirmed by research showing that the number one factor venture capitalists seek in prospective loan recipients is the capability of sustained intense effort (MacMillan, Siegel, Subba Narasimha, 1985).

Emotionally stable people (emotional stability being the contrary of neuroticism) are characterized as being stress resistant, self-confident, optimistic and having stable moods (Mc Rae & John, 1992). Since one of the basic aspects of an entrepreneurial activity relates to risk taking it is expected that those individuals who are emotionally more stable can cope with uncertainty more easily. Begley & Boyd (1987) indeed report evidence that nascent entrepreneurs scored higher than non-founders in the dimension of emotional stability.

Openness relates to individuals who tend to be artistic, intellectual, curious, imaginative, original and with wide interests (Mc Rae & John, 1992; Ciavarella et al., 2004). It is found that openness and creativity positively affect a person choice to become a founder. This finding is inline with the consideration, that broad-mindedness and originality are salient for starting a new venture (Bird, 1989).

In sum, in line with ASA and person-entrepreneurship fit literature and the above considerations it is expected that the more extraverted, the more conscientious, the higher the emotional stability and the more open a person is, the more likely he or she will opt to become a nascent entrepreneur. Given our considerations on agreeableness we do not expect any clear relation between the extent of agreeableness experienced at the person and his or her career choices.

This leads us to the following hypotheses:

Hypothesis 1a: The decision to found a firm is positively affected by the person's extraversion.

Hypothesis 2a: The decision to found a firm is unaffected by the person's agreeableness.

Hypothesis 3a: The decision to found a firm is positively affected by the person's conscientiousness.

Hypothesis 4a: The decision to found a firm is positively affected by the person's emotional stability.

Hypothesis 5a: The decision to found a firm is positively affected by the person's openness.

In contrast to nascent entrepreneurship, we believe that a person's propensity take over an existing firm from his family is related to different personal traits. Despite the relevance of the question how successors should be selected and prepared for the job, little is known about successors' motives and traits. The few studies on successor traits and attributes by Chrisman, Chua & Sharma (1998) and Sharma & Rao (2000) present integrity and commitment to the business as desirable in successors. Furthermore, Venter, Boshoff & Maas (2005) state that the successor-related factors that explain the perceived success of the succession process are the willingness of the successor to take over and the relationship between the owner-manager and the successor. To our knowledge, however, there is no empirical study that would provide insight into the personal traits of successors, using an established personality measure as Big Five.

Appreciating the two different types of roles entrepreneurs fulfil in a nascent versus an existing business, a growing stream of research suggests that although newly founded firms share much in common with established organizations, managerially and operationally, these two company types differ in important respects (Markman & Barton, 2003). Young entrepreneurial firms suffer from the liabilities of smallness, newness and legitimacy (Aldrich

& Fiol, 1994). Nascent entrepreneurship also entails a higher organization-internal instability than commonly observed among established firms (Shane & Venkataraman, 2000).

There are also differences in the way innovation takes place in established versus newly created firms. While many established firms innovate and compete under adverse market conditions, entrepreneurial firms must – simultaneously – build their internal infrastructure. New ventures and established organizations also differ in their access to capital, employees, knowledge and further resources. For example, Cooper, Folta & Woo (1995) suggest that novice entrepreneurs tend to search for information less extensively than more seasoned entrepreneurs. These and other differences explain why newly founded and mature firms often use different operations, strategies and tactics (e.g. marketing) to achieve distinct and contrasting goals (Miller & Friesen, 2003).

Besides the differences related to the liabilities of newness, smallness and legitimacy, family firms display distinct characteristics related to family centred business culture (Astrachan, Klein, & Smyrniotis, 2002). Often family firms display a high overlap between the goals of the business family and the goals of the organization. The resulting corporate culture is often determined by the values and core beliefs of the family. In line with Schneider (1987, p. 443) and ASA theory, which states that structures and processes in organization can be ultimately traced to the founder, family firms often exhibit a very founder centric culture, which emerges from the family involvement in business.

In line with vocational choice theory, we expect that people are attracted and stay with the firm, if there is a fit between the person's and the firm's personality (i.e. culture). Therefore we expect that successor entrepreneurs differ from nascent entrepreneurs in personal traits, since the work environments of a newly founded firm significantly differ from the one in a family firm that needs to be taken over. In particular we argue that whereas nascent entrepreneurs face the challenge of creating new initiatives, successors rather face the challenge of being entrepreneurial within an existing organization.

Extraversion is one of the traits within the big five that display the most consistent results across several studies regarding career choices (De Fluyt & Mervielde, 1999; Ciavarella et al., 2004; Nicholson, 1998; Holland, Johnston, Asama & Polys (1993). Extraverted people tend to be ambitious and seek leadership roles (Mc Rae & John, 1992). However, in a family firm context leadership might need to be shared, with parents, siblings or nonfamily team members. Similarly, whereas extraverted, enthusiastic people display a rapid personal tempo in decision making (Mc Rae & John, 2002), the family firm context with altruistic considerations (Schulze, Lubatkin & Dino, 2003) and family harmony as important aspect of decision making require slower procedures.

Whereas *agreeableness* is not expected to have any explicative power for the career choice to become a nascent entrepreneur, as outlined above, we expect that agreeableness is positively related to a successor's willingness to take over the family firm. De Fruyt & Mervielde (1999) provide evidence that agreeableness does have a limited predictive power for enterprising jobs within existing organizations. Hence, whereas in the context of a newly founded firm agreeableness can hinder the founder from winning recognition for example from banks, become accepted in the market and respected by competitors, agreeableness might be an important trait in an existing organization, since it helps establishing contacts and support from employees and top management team members.

Similarly, from research on decision making in newly founded firms it is reported that entrepreneurs tend to use heuristics more often in their decision making than do people in established firms (Alvarez & Busenitz, 2001; Baron, 1998; Busenitz & Barney, 1997). Hence we expect that *conscientious*, organized and reliable people are attracted to the succession in their family firm.

Similarly, whereas *emotional volatility* and worrying are expected to be obstacles with nascent entrepreneurs (Vesper, 1990), the stable, long-term oriented and often stewardship and trust-based culture in family firms (Corbetta & Salvato, 2004) can be attractive for

successor entrepreneurs, looking for this type of work environment since it fits their personality traits.

Finally we expect that *openness*, which is expected to be positively related to nascent entrepreneurship, will have a differing significance in the succession context. We rather expect that very imaginative individuals seek for self-actualisation in organizational context that allows them to do so, hence create their own environment, i.e. a new firm. In contrast we expect that successors prefer a more predefined work environment, that does not require for unusual thought processes, and judgement in unconventional terms. Ciavarella et al. (2004) indeed finds that long term venture survival was negatively associated to openness of entrepreneurs.

Hypothesis 1b: The decision to succeed in a family firm is negatively affected by the person's extraversion.

Hypothesis 2b: The decision to succeed in a family firm is positively affected by the person's agreeableness.

Hypothesis 3b: The decision to succeed in a family firm is positively affected by the person's conscientiousness.

Hypothesis 4b: The decision to succeed in a family firm is positively affected by the person's emotional stability.

Hypothesis 5b: The decision to succeed in a family firm is negatively affected by the person's openness.

Goals

In line with ASA and vocational choice theory, we argue that people make career choices depending on the question whether the goals of the organization fit to their personal goals. Researchers have argued, that since entrepreneurial behaviour such as becoming self-employed or starting a business are intentional, such behaviour can be best predicted by intentions toward that behaviour, not only by traits (Kolvereid, 1996b; Ajzen, 1991, Krueger & Carsrud, 1993). Instead of asking “What are the traits of entrepreneurs?” as done in the preceding chapter, with entrepreneurial intentions we ask “What personal goals determine entrepreneurial intentions?”.

To operationalize a person’s goals we refer to a construct developed and used by Kolvereid (1996a), Kuratko, Hornsby & Naffziger (1998), and Douglas & Shepherd (2003). This model consists of the following elements: independence, leisure time, creativity, solution orientation, and security orientation. In contrast to the personal traits, it has been argued that motives can change over time since they are influenced by the environment (Begley & Boyd, 1987; Cromie & Johns, 1983; Green, David & Dent, 1996).

For example, nascent entrepreneurs have been found to display a high degree of aspiration for *independence* and autonomy (Kolvereid, 1996a). Thereby independence is related to statements like freedom, be one’s own boss and choose own work tasks. In addition, founders have been found to work longer hours (Hammermesh, 1990; Chay, 1993) thereby displaying a lower *leisure time orientation*. Furthermore, since nascent entrepreneurs need to come up with new ideas to exploit entrepreneurial opportunities, *creativity* and self-realization are important goals of founders (Kolvereid, 1996a; Arvanitis & Marmet, 2001). Additionally, one can expect a lower strive for *security* at entrepreneurs (Kolvereid, 1996a; Douglas & Shepherd, 2003), since younger firms exhibit a higher default probability (Cantor & Packer, 1995), which also translates into a more variable but potentially higher income in contrast to a mainly fixed income in case of organizational employment (Tucker, 1990).

Solution orientation measures a person's willingness to improve existing solutions and work on narrow, highly specified questions. The fact that entrepreneurs simultaneously need to build an internal infrastructure and innovate new products and services (Markman & Barton, 2003), provides evidence that solution orientation is limited for nascent entrepreneurs.

However, it could be argued that entrepreneurs are often interested in incremental improvements of existing products, thereby creating a niche for some highly specified product or service, which could be taken as evidence for solution orientation at the entrepreneur.

Hence, it remains open as to whether nascent entrepreneurs display a high solution orientation.

Above considerations on goals of nascent entrepreneurs lead to the following hypotheses:

Hypothesis 6a: The decision to found a firm is positively affected by the independence goal.

Hypothesis 7a: The decision to found a firm is negatively affected by leisure time orientation

Hypothesis 8a: The decision to found a firm is positively affected by creativity orientation.

Hypothesis 9a: The decision to found a firm is negatively affected by strive for security.

Hypothesis 10a: The decision to found a firm is unaffected by solution orientation.

“Pull” and “Push” factors have become a common way of explaining different motivations to start a business (Orhan & Scott, 2001; Alstete, 2002). Whereas push factors are elements of necessity such as insufficient income, pull factors relate to independence, self-fulfilment, and desire for wealth, social status and power (Apospori, Papalexandris & Galanaki, 2005).

Whereas for nascent entrepreneurs researchers find that it is not a clear cut selection of pull and push factors (Alstete, 2002), we expect that a successor's decision to take over the family's firm is not primarily related to push factors, as insufficient income, since business families often have acquired some wealth over the preceding generation(s). Rather, we expect that pull factors that are associated to the socialisation of the person in the family business

context (Mc Clelland (1961) affect the person's goals and his aspiration to become a successor. For example, whereas autonomy is reported to play a pivotal role with founder entrepreneurs (Cromie, Callaghan & Jansen, 1992) reputation and social status associated to the continuation of a family legacy might become more relevant in the family business context. Hence, whereas individuals with *independence* and autonomy goals are expected to feel attracted to the creation of a new firm, individuals with a lower strive for autonomy might feel more interested in continuing an existing firm. This is, successor entrepreneurs need to partly accept the existing (governance) structures, rules, rituals and sometimes even long-established business activities (Sharma & Manikutty, 2005) from their predecessors.

In terms of *creativity* we expect that successor entrepreneurs display a lower creativity orientation than experienced with founder entrepreneurs. This expectation is based on the consideration that founding a firm not only requires creativeness to come up with new product or service ideas but, on top of that, necessitates that simultaneously the entrepreneur creates an organization that is able to produce and market the new good or service. Furthermore, whereas founder entrepreneurs need to be recombine scarce resources in a creative manner, successor entrepreneurs start from a different position since they take over a more or less running business, in which the primary goal is to assure its continuity (Sharma, Rao 2000; Chrisman, Chua, Sharma 1998).

In contrast to creativity it can be expected that successors are confronted by a work environment that requires adapting or improving existing processes or goods to new demands. Therefore we expect that even though successor entrepreneurs might display a lower creativity orientation, they can be expected to display a higher *solution orientation*.

Simultaneously, the risk associated to founding a firm is higher than continuing an existing one. Cantor and Packer (1995) find that the likelihood of default of a firm diminishes with increasing firm age. Hence, comparing the *security* propensity of founders and successors we expect that successor entrepreneurs display a lower acceptance of risk.

In terms of *leisure time orientation* we expect that the socialization within the business affects a successor's strive for spare time. For example, within the family the potential successor might have experienced the significant work load of the parents (Erdmann, 1999). Therefore, just as with the nascent entrepreneurs we expect that the decision to succeed is negatively associated to leisure time orientation.

Above considerations lead us to the following hypotheses regarding the successor's goals:

Hypothesis 6b: The decision to succeed in the family firm is negatively affected by the independence goal.

Hypothesis 7b: The decision to succeed in the family firm is unaffected by leisure time orientation.

Hypothesis 8b: The decision to succeed in the family firm is negatively affected by the creativity orientation.

Hypothesis 9b: The decision to succeed in the family firm is positively affected by the strive for security.

Hypothesis 10b: The decision to succeed in the family firm is unaffected by solution orientation.

4 Sample and methodology outlook

The data for the present study was collected in Spring 2006 for an international research project about academic entrepreneurship. We collected the data using an online questionnaire. The high quality of generated data was ensured by the insistence that only satisfactorily answered questionnaires would be used as data sources. The data was stored in a way that prevented multiple responses to the questionnaire by allowing only one-time access to the online survey.

The fact that the link for the questionnaire was provided via email meant that a number of restrictions could be made to ensure the authenticity of the results. The selection effects of respondents included self-selection effects of students and a relatively small penetration rate. The collected data set consists of 36,451 questionnaires, stemming from the following countries: Switzerland (8,825), Germany (3,189), Austria (8,857), Belgium (1,612), Finland (1,566), Norway (1,086), Hungary (3,346) and New Zealand (7,970). The average response rate lies within 6.03 %.

The methodology chosen for the analysis of above-outlined hypotheses is logistic regression. We define four regression models, each one pertaining to a binary variable: (1) whether a student intended to be employee or not five years after completion of his studies; (2) whether a student intended to be a nascent entrepreneur or not five years after completion of his studies; (3) whether a student intended to be become a successor entrepreneur or not five years after completion of his studies; (4) whether a student intended to be a nascent or a successor entrepreneur five years after completion of his studies.

5 Outlook on the results

A preliminary analysis of the data reveals that nascent entrepreneurs do significantly differ from successor entrepreneurs, supporting the certain of our hypotheses.

The data is currently under scrutiny at the Center for Family Business at the University of St. Gallen, Switzerland.

Figure 1: Research Model

