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A Matter of Personality**

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Latent and Nascent Entrepreneurship – A Matter of Personality

“Europe needs to foster entrepreneurial drive more effectively” postulates the European Commission in its ‘Green Paper’ (COM, 2003, p. 4). Indeed, in recent years, many industrialized economies have implemented policies trying to encourage entrepreneurial activity. Public support of new venture creation and transition into self-employment may persist as entrepreneurship is considered as the key to economic growth and the entrepreneur as the outstanding actor in a modern economy (Acs & Audretsch, 2005). Although it has become a key issue in academic research, the determinants of entrepreneurship are not fully understood. The focus of entrepreneurship research has shifted away from the role of individuals to the role of environmental conditions affecting firm formation (Thornton & Flynn, 2003) and to the characteristics of entrepreneurial opportunities (Shane, 2003; Shane, Locke, & Collins, 2003; Eckhardt & Shane, 2003; Shane & Venkataraman, 2000; Venkataraman, 1997). While the relevance of environmental factors, opportunities and non-psychological characteristics of the individual for business creation is widely accepted, academic scholars have not yet reached consensus on the degree to which *personality traits* and entrepreneurial behavior are interrelated. Although this relationship has been studied for many decades, the classical trait approach is still controversially discussed. This is indeed surprising since classical researchers, such as Knight (1921) and Schumpeter (1934) already considered the psychological characteristics of entrepreneurs as central to the explanation of entrepreneurship and many scholars have contributed to this field of research in the past fifty years (Cromie, 2000).

Against this background, this thesis contributes to literature by investigating the relationship between personality traits and entrepreneurship. We focus on personality traits that match the tasks of entrepreneurs, i.e. *competitiveness, risk taking, innovativeness, autonomy, proactiveness, general self-efficacy, internal locus of control, and general optimism*. We introduce this group of traits as *Individual Entrepreneurial Aptitude (IEA)*. We investigate latent and nascent entrepreneurship, where the former is measured by the preference for self-employment and the latter by taking first steps to start a business. Our analyses provide ample evidence for the relevance of *IEA* for both, latent and nascent entrepreneurship. A significant relationship can be observed conducting analysis of covariance structure applying multi-item measurement based on a sample of students, where the investigation is restricted to the preference for self-employment and entrepreneurial intention. Moreover, this significant relationship is also found conducting probit estimation based on a representative sample for the general population using the Flash Eurobarometer *Entrepreneurship 2009*, comprising 26000 observations from 36 countries. In this survey, we have integrated single item measurement for *IEA* and the analysis is extended to nascent entrepreneurship. Moreover, we find gender differences in *IEA* to contribute significantly to the gender gap in latent and nascent entrepreneurship as our empirical analyses show that the share of female latent and nascent entrepreneurs would increase significantly, if women would have the same distribution in *IEA* as compared to men. Finally, we observe the positive relationship between entrepreneurial aptitude and entrepreneurship on national-level, where the share of latent entrepreneurs is significantly correlated with the national-level of the eight task matched traits, called *National Entrepreneurial Aptitude (NEA)*.