

# Main Personal Characteristics of Entrepreneurs

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An extensive body of literature was produced in recent years with the objective of shedding light on the main determinants of entry into entrepreneurship. Who become an entrepreneur? It is not difficult to observe that entrepreneurs have some differentiation personal characteristics. Our main objective in the current text is to summarize some of these key characteristics.

Keywords: entrepreneurship ; determinant factors ; survey

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## 1. Introduction

For a long period, with some few exceptions, the mainstream approach in economics does not pay direct attention to entrepreneurship and to the role of the entrepreneur. As mentioned by <sup>[1]</sup> and <sup>[2]</sup>, this neglect is a source of embarrassment to economic science. However, the importance of entrepreneurship in the real world is remarkable at different levels, including economic growth and employment creation. Therefore, it becomes more and more difficult to ignore this critical dimension of economic activity.

## 2. Eight Main Determinants

An extensive body of literature was produced in recent years with the objective of shedding light on the main determinants of entry into entrepreneurship. In other words, who become an entrepreneur? It is not difficult to observe that entrepreneurs have some differentiation personal characteristics. Our main objective in the current text is to summarize some of these key characteristics. More specifically, we address eight main determinants (for further discussion, see <sup>[3]</sup>):

1. Gender: there is a vast literature – including, for example, <sup>[4]</sup> and <sup>[5]</sup> – suggesting that men have a higher probability to become entrepreneur. This theoretical prediction is confirmed at the empirical level. Despite this difference between men and women, recent evidence also suggests that female entrepreneurship is increasing (<sup>[5]</sup>).
2. Age: both theory and previous empirical evidence support the existence of an inversed U-shaped relationship between age and probability of entrepreneurship entry. This result derives from the occurrence of two combined effects. First, until a given threshold, the probability of entrepreneurship entry is positively influenced by age. Among the most critical reasons for that, we can mention the availability of key resources such as human capital, financial capital and social capital. All these dimensions are identified as important determinants to succeed in entrepreneurship. On the other hand, the possibility to postpone retirement is another reason linking age and entrepreneurship entry (<sup>[6]</sup>). The existence of higher risk aversion levels and a lower physical and mental availability for long periods of work and stress situations justifies the decreasing trend registered above a given threshold (usually ranging between 35 and 48 years).
3. Marital status: regarding this potential determinant factor, the main argument suggests that if an individual is married, he/she has more favourable conditions to entry into entrepreneurship. These include, for example, additional financial resources, the possibility of the spouse participate in the business and a stronger emotional support (<sup>[7]</sup>). In empirical terms, most studies confirm this relationship.
4. Parents: <sup>[8]</sup> and <sup>[9]</sup> are among the vast group of studies investigating the influence of parents on the decision to become entrepreneur. The empirical literature on this topic found a positive impact of having an entrepreneur parent on the probability to become entrepreneur. Simoes et al. (2016) identify four channels through which this impact can occur: transference of (general or specific) human capital, better financial conditions, inheritance of the parents' business and parental role models.
5. Personality characteristics: the literature that establishes the link between personality characteristics and the probability to become entrepreneur is vast and very stimulating. In this area, the study of <sup>[10]</sup> is a critical milestone. Its main result – the idea that the probability of entrepreneurship entry is greater for individuals with a lower level of risk aversion –

opened an important field of research. In the vast majority of the empirical studies on this question, the expected impact is confirmed. Nevertheless, beyond risk aversion, there are other very important personality characteristics that impact on the probability of entrepreneurship entry, namely: overoptimism, overconfidence, need for achievement, need for autonomy, assertiveness, internal locus of control, narcissism, and taste for variety. Although, of course, with different quantitative dimensions, the influence of these characteristics are commonly confirmed.

6. Education: it is not surprising the fact that education matters for the decision to become entrepreneur. The exact way this impact occurs is, however, not clear since many effects and counter-effects are at play. On the one hand, individuals with higher levels of education have greater managerial ability, which is vital to succeed in entrepreneurship activities. On the other, however, they have better opportunities in the wage sector, making entrepreneurship less attractive in relative terms. In line with these contradictory theoretical impacts, also the empirical evidence on this topic is not conclusive.
7. Experience: The impact of previous experience is clear and strong. In this area, one of the most interesting research avenues was introduced by <sup>[11]</sup>, usually called jack-of-all-trades hypothesis. The basic rationale is that, while for the wage sector specialization determines the wage the individual obtains, in the case of entrepreneurship the individual must have several different managerial skills. Several empirical studies provide support for this theoretical hypothesis.
8. Nationality: as summarized by <sup>[12]</sup>, the immigrants have an above-average propensity to become entrepreneurs. Which factors explain this empirical finding? The literature in this field is extremely vast and emerges from different scientific areas. Let us consider some key possible explanations. First, the existence of employer discrimination implies fewer opportunities for immigrants in the wage sector, as discussed, for example, by <sup>[12]</sup>. Second, the enclave hypothesis advanced by <sup>[13]</sup> highlights the idea that immigrant population tends to concentrate into ethnic enclaves. When these enclaves are large enough, some market opportunities arise. Third, when immigrants are from countries with high tradition in entrepreneurship, the probability of previous experience in entrepreneurship activities is higher, increasing the propensity of entry into entrepreneurship also in the host country. Fourth, there are theoretical and empirical studies suggesting that immigrants are more likely to have key characteristics that facilitate the transition into entrepreneurship, including lower levels of risk aversion, the availability to work longer periods and to accept lower wages.

### 3. Conclusion

In concluding, the decision to become entrepreneur is critical for the individual and the propensity to initiate and "entrepreneurial adventure" is not the same for all. In fact, both the theoretical literature and the empirical evidence already produced are very clear suggesting that several factors are at play in what concerns the propensity to enter into entrepreneurship.

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