

# PSYCHOLOGICAL FACTORS OF STARTING ENTREPRENEURS' BUSINESS SUCCESS

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## **Abstract**

The article presents the results of the performed research of personal psychological factors contributing to business success. The analysis of these factors was carried out according to three criteria of business success: entrepreneurial motives, entrepreneurial goals and entrepreneurial resources. The differences in entrepreneurial motives and goals of successful entrepreneurs and beginners have been determined. The revealed personal traits promoting business success are autonomy, self-expression, purposefulness, planning and self-efficacy.

**Keywords:** *business success, entrepreneurial motives, entrepreneurial goals, entrepreneurial resources, personal traits of an entrepreneur.*

## **Introduction**

Entrepreneurship development is one of the most important factors of economic growth and social stability in society. The practice of developed economies shows that small and medium enterprises are the most massive form of business life, and namely they provide the socio-economic stability of society.

Effectiveness of entrepreneurship is determined by the extent of its successfulness which implies existence of influencing psychological factors, namely internal, psychological characteristics of an entrepreneur him-/herself.

In addition, under the conditions of labour market, instability and high unemployment, entrepreneurship experience for young people is a guarantee of their employment in the future, a possibility to realise their personal potential and to develop a sense of independence and autonomy, which is extremely important for professional and personal development.

There are two main interrelated factors in the entrepreneurship structure:

- *economic*, this factor includes the desire to independently raise own level of material capacities, to gain economic independence, to improve quality of life;
- *psychological*, this factor is related to personal self-realisation, the desire to increase social status; to gain personal independence and autonomy; to achieve professional

self-fulfilment, inaccessible in other ways; to fulfil leadership and power ambitions; to correspond with own ideological beliefs and values.

Modern understanding of entrepreneurship by *foreign scientists* is presented, first of all, in the works of Drucker & Senge (2003), Hisrich (1990). Entrepreneurship is defined as an innovative activity associated with the use of available opportunities with maximum benefit (Drucker & Senge, 2003), as a process creating something new (Hisrich, 1990) and an entrepreneur means a person who dedicates all his/her time and force to this purpose, assumes all financial, psychological and social risks and receives money and satisfaction as reward (Hisrich, 1990). Also, entrepreneurship is considered (Okhomina, 2010) as a specific type of activities promoting personal development, a person's creative activity in the process of self-realisation. At the same time, an entrepreneur's main activities are: embracement of an important strategic goal, innovations, risk bearing, which distinguishes his/her from other economic actors (Chell, 2008).

We understand entrepreneurship (entrepreneurial activity) as a special activity aimed at profit and having the following features:

- freedom and independence;
- initiative and commitment;
- innovations and risk taking.

An entrepreneur is a person fulfilling entrepreneurial activities; he/she is their actor, alone or in partnership with other people.

Empirical studies of business success distinguish the motive of gaining personal independence through entrepreneurship among the main motives of entrepreneurs' activities; *material interest* is another important motive (Hisrich, 1990). However, the main motive is *self-realisation*; and the motive of *commercial success* is rated lower (Bandura, 1994; Dubini, 1989).

The concept of "*an entrepreneurs' successfulness*" consists of two interconnected components: successfulness of business operations and personal success of an entrepreneur. We propose to evaluate professional successfulness with two criteria: external (estimates given by other people) and internal (own assessment of business success) (Stephen & Thomas, 2001).

The most common approach proposes to describe objective (external, characterising an activity) and subjective (internal, characterising an actor) reasons for determination of the criteria for professional success. An enterprise net income is considered as an *objective reason* in the world practice. *Subjective reasons* of business success usually include: psychophysiological preconditions (inclinations, a taste for entrepreneurial activities); existence of entrepreneurial abilities, professionally important qualities; experience of success, satisfaction with the affair process (Pachkovskyi, 2015).

We believe that the psychological criteria for business success should be divided into three blocks: entrepreneurial motives, entrepreneurial goals, entrepreneurial resources.

*Entrepreneurial motives* mean a hierarchy of person's leading professional motives related, first of all, to the need for self-realisation in business activities, they reflect the tendency to a weighted risk.

*Entrepreneurial goals* reveal a degree of compliance of personal objectives with entrepreneurial objectives and their achievement, persistence in objective achieving.

*Entrepreneurial resources* mean a degree of actualisation of an entrepreneur's potential (his/her initiative, strategic thinking, working ability, etc.), ensuring a successful start of business and its development.

A degree of actor's mastering of entrepreneurship is manifested in the coherence of all its components in the structure of his/her personality. A low level of any of the components negatively affects the overall success.

The purpose of our study is to determine the actual *psychological factors*, namely, the *personal traits favouring business success*.

**The object of the research:** psychological factors of personal business success.

**The subject of the research:** personal traits favouring to business success.

**Methods of the research.** We used the following diagnostic techniques for the research: the test of general entrepreneurship abilities GET TEST (Pachkovskiy, 2015); the test-questionnaire on self-organisation in activities (Mandrikova, 2010); the self-determination questionnaire (Osin, Ivanova, & Gordeieva, 2013); the self-efficacy scale (Schwarzer, Jerusalem & Romek, 1996); our questionnaire designed to identify entrepreneurial motives that contribute to the aspiration to start own business and to achieve business objectives.

The following methods of mathematical statistics were used for statistical analysis of the obtained data: descriptive statistics, correlations, regression, factor analysis, comparison of group meanings with the Student's T-criterion for independent samples.

**Participants of the research.** The research was carried out in private enterprises of Kyiv and Kyiv region working in three main areas (sales of goods, provision of services, manufacturing). The study included 52 successful entrepreneurs and 45 beginners only started their business. They all were small business entrepreneurs aged from 20 to 43 years old. Their business experience was from 2 to 12 years.

### Results and discussion

In our study, we have analysed the factors of business success, based on the above-mentioned components.

To study entrepreneurial motives, we used the questionnaire developed by us (the respondents chose answers out of three options). The rating of the respondents' answers is given in Table 1.

**Table 1.** Motives for entrepreneurship

Sources of ideas for entrepreneurship	Successful entrepreneurs (%)	Beginners (%)
Own interest	33.3	60.8
Own knowledge and abilities	44.4	54.8
Advice of others	16.7	29.5
Transfer/modification of someone else's idea	2.3	15.6
Family company	16.7	15.6
Experience	31.9	28.9
Research and analysis of the market	16.7	40.9
<b>Entrepreneurship objectives</b>		
Fulfilling of own interests, dreams	60.8	54.8
Desire to be independent	54.8	60.8
Expectation for financial benefits	40.9	54.8
Existence of ideas as for business	40.9	44.4
Expectation of a flexible working schedule	29.5	33.3
Propensity to risk	22.1	31.9
Fear of failing to find a job	22.1	44.4
Traditions and family business	15.6	16.7

Continued Table 1

<i>Motives for entrepreneurial activities</i>		
Motives for self-realisation	<i>54.8</i>	<i>16.7</i>
Motives of freedom and independence	<i>40.9</i>	<i>44.4</i>
Motives of initiative and commitment	<i>60.8</i>	<i>31.9</i>
Motives of commercial success	<i>29.5</i>	<i>33.3</i>
Motives of respect and self-esteem	<i>22.1</i>	<i>28.9</i>
Motives of risks	<i>15.6</i>	<i>16.7</i>

As the data in Table 1 shows, the main sources of ideas for entrepreneurship for the majority of the respondents, both successful entrepreneurs and beginners, are, primarily, “own knowledge and abilities” and “own interests”; “experience” and “research and analysis of the market” occupy the second place.

The obtained data as for business objectives indicate that “the desire to fulfil own interests, dreams”, “the desire to be independent”, “expectations for financial benefits”, “existence of ideas as for business”, “expectations for a flexible work schedule” etc., are of the greatest importance.

The analysis of entrepreneurial motivation shows that about one-third of the respondents noted commercial success as the leading motive; about one-fourth of them stated forcedness (or influence of life circumstances) as one of the reasons for starting entrepreneurship. The majority of the entrepreneurs mentioned motives of initiative and commitment, respect and self-esteem, self-realisation as their main motives.

Thus, entrepreneurs, establishing their own business, mostly tend to show commitment, initiative; they also seek *respect and self-esteem*, considering entrepreneurship as a high-status work position where certain ambitions can be fulfilled; *self-realisation*, since entrepreneurship promotes person’s abilities, knowledge and professional skills; a part of the respondents also mentioned the *motives of risks*, their desire to present an innovative product, the desire to risk and get something new.

The main motives and factors that encourage people to engage in entrepreneurship:

**Internal:** the desire to implement own abilities; the desire for freedom and independence; the desire to improve own material well-being.

**External:** influence of circumstances; entrepreneurs by a tradition (when a company is inherited); fear of failing to find a job; participation in state programmes.

The internal motives occupy higher places in the entrepreneurship hierarchy than external ones.

Our data is consistent with the results of entrepreneurial motivation studies performed by many scholars (Okhomina, 2010; Osin & Boniwell, 2010; Schoof, 2006; Stephen & Thomas, 2001), in which freedom, independence and self-realisation are indicated as essential for starting own business.

Analysis of successful entrepreneurs’ personal traits was carried by employing the factor analysis of the obtained empirical data. Thus, 4 factors were identified; their contribution to the overall variance of the data was 80.43% (Table 2).

Kaiser-Meyer-Olkin measure of sampling adequacy was 0.65, and Bartlett’s test of sphericity was less than 0.5, so we received a reliable factor analysis.

**Table 2.** Factor analysis matrix

Factors	Component			
	1	2	3	4
<b>Factor loads</b>	<b>36.64 %</b>	<b>21.45%</b>	<b>11.75%</b>	<b>10.58%</b>
Self-expression	.822			
Need for independence	.769			
Determination	.720			
Autonomy	.694			
Self-efficacy	.673			
Persistence		.781		
Planning		.776		
Need for achievements		.727		
Purposefulness		.669		
Ability to take a reasonable risk			.701	
A taste for creativity			.671	
Orientation towards the present			.620	
Self-organisation				.766
Fixation (Flexibility)				.676

The method for factor identification: principal component analysis.

On the basis of this table, we can analyse the content of the identified factors:

**Factor 1** (36.64%). This factor characterises entrepreneur's self-identity, confidence in own capabilities, autonomy and independence.

**Factor 2** (21.45%). The factor characterises entrepreneur's volitional and organisational capabilities, his/her power to structure own behaviour and complete a started affair, certainty of his/her goals.

**Factor 3** (11.75%). This factor characterises entrepreneur's craving for something new, unknown, challenge and competition, his/her advanced intuition; at the same time, this factor includes an adequate and weighted assessment of own capabilities, a probability of success or a possibility of defeat, an entrepreneur's ability to make complex decisions.

**Factor 4** (10.58%). The factor is formed with one indicator, self-organisation. It means a high level of self-organisation, planning and time budgeting, as well as flexibility during activity planning and relationship building.

Analysing factors, we can say that *business success is influenced positively* by the desires for freedom and independence, for self-development and self-realisation, personal self-efficacy, belief in own powers, craving for achievements; personal volitional and organisational capabilities, the ability to structure own behaviour, to determine goals, meaningfulness of life and purposefulness, self-organisation, ability to control life events, persistence, planning capabilities; innovative thinking, striving for novelty, developed intuition, ability to take a reasonable risk, adequate assessment of own abilities, a taste for creativity.

Therefore, measures supporting development of the traits facilitating business success and identified through the performed factor analysis should be aimed at optimising person's self-determination, self-organisation, his/her awareness of goals, meanings, sequence of life events, development of entrepreneur's professional competence, etc.

According to the performed factor analysis concerning personality traits, the successful entrepreneurs showed high results of such self-determination indicators as autonomy and self-expression. This gives us the reason to consider these parameters the main factors for business success. We have performed a regression analysis of the data obtained to determine

an influence on these indicators of other entrepreneurs' personal traits to support development of these revealed traits.

*Personal* autonomy characterises a degree of a perceived choice, or a degree of person's confidence in the fact that he/she has opportunities to choose in life and that he/she makes this choice by him-/herself to define a course of own life.

*Self-expression* characterises to what extent a person experiences his/her own life as conforming to his/her own desires, needs and values.

The importance of self-determination for development of entrepreneur's personality and his/her business success is confirmed by the performed correlation analysis. Table 3 shows Pearson's coefficients of linear correlation between the indicators of the studied entrepreneurs' self-determination and their entrepreneurial abilities.

**Table 3.** Correlation analysis

		Entrepreneurial abilities				
		Need for achievements	Need for independence	A taste for creativity	Ability to take a reasonable risk	Purposefulness
Self-determination	Autonomy	.46**	.67**	.44**	.44**	.57**
	Self-expression	.57**	.50**	-	-	.58**

\*\* . Correlation at the significant level of 0.01

The obtained data shows quite strong correlations of indicators of entrepreneurs' self-determination with their entrepreneurial abilities. Entrepreneurs' personal traits have close internal structural interrelations and interdependencies; factors of *personal autonomy and self-expression* are important in this structure.

Table 4 presents the results of the regression analysis to predict the autonomy indicator.

**Table 4.** Summary of the model

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. estimation error
1	.674 <sup>a</sup>	.454	.443	3.09216
2	.849 <sup>b</sup>	.720	.709	2.23595
3	.933 <sup>c</sup>	.870	.862	1.53847

a. Predictors: (const) need for independence

b. Predictors: (const) need for independence, a taste for creativity

c. Predictors: (const) need for independence, a taste for creativity, self-organisation

d. Dependent variable: autonomy

Table 4 shows that autonomy can be forecasted using three predictors. Thus, based on the third model which explains 87% of variances, we have found that the indicators of "the need for independence", "a taste for creativity" and "self-organisation" have the greatest influence on autonomy.

Similarly, the influence of possible variables on entrepreneurs' self-expression has been determined (the performed regression analysis is presented in Table 5).

**Table 5.** Summary of the model

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. estimation error
1	.696 <sup>a</sup>	.485	.474	5.37489
2	.836 <sup>b</sup>	.698	.686	4.15482
3	.914 <sup>c</sup>	.835	.825	3.10243
4	.970 <sup>d</sup>	.941	.936	1.87860

a. Predictors: (const) self-efficacy

b. Predictors: (const) self-efficacy, craving for achievements

c. Predictors: (const) self-efficacy, craving for achievements, planning

d. Predictors: (const) self-efficacy, craving for achievements, planning, a taste for creativity

e. Dependent variable: self-expression

The data in Table 5 shows that self-expression can be predicted with four predictors. The fourth model (94% of dispersions) determines that self-expression is influenced mostly by such traits as self-efficacy, craving for achievements, planning and a taste for creativity.

### Conclusions

Thus, pursuit of self-realisation as well as freedom and independence are leading psychological factors of entrepreneurship. In their activities, entrepreneurs are also guided by the motive of commercial success; they show commitment and initiative at conduction of their business; they also seek respect and self-esteem, considering entrepreneurship as a status position, realising certain ambitions.

The main motives of entrepreneurship are motives of initiative and commitment, respect and self-esteem, self-realisation, risk acceptance.

The successful entrepreneurs, contrary to the beginners, have more pronounced such characteristics as the need for achievement, purposefulness and determination, the need for independence, a taste for creativity, the ability to take a reasonable risk and determination.

Entrepreneurs' personal traits have close internal structural interconnections and interdependencies which testify complicated and multidimensional personal determination of business success; and the factors of *personal autonomy*, *self-expression*, *purposefulness*, *planning and self-efficacy* are important in this structure.

The performed research determines that indicators of self-determination, i.e. autonomy and self-expression, create the base for development of personality traits promoting business success; such personal characteristics as “the need for independence”, “a taste for creativity”, “self-organisation”, “self-efficacy”, “the need for achievements” and “planning” have the greatest influence on development of autonomy and self-expression.

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