Personal and Social Attributes as Determinants of Entrepreneurial Intention

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The concept of entrepreneurship is an interesting phenomenon in the context of contemporary economy today. Since entrepreneurship is directly linked to small and medium sized enterprises (SMEs), the existence of SME is important because SME is one of the factors driving the increase of economic growth. Many studies have aimed to discover and formulate what attributes contribute to the intent of becoming an entrepreneur and the success of an entrepreneur. Based on research conducted by Hongdiyanto (2017), there are 4 attributes trusted to mold entrepreneurs through learning models which are personal, social, support and organization. In this study, the researcher chose two attributes (personal and social) to be discussed further. This research represents a conceptual study that will discuss in detail these two variables, namely personal and social attributes. As a result, personal and social attributes are explored in detail with examples and useful descriptions.

Keywords: entrepreneurship, SME, entrepreneur, entrepreneurial model, personal attributes, social attributes

JEL Classification: I25, J6

1. Introduction

The importance of the concept of entrepreneurship is an interesting phenomenon in the context of today’s contemporary economy. This is an interesting subject to study further, especially for developing countries, since entrepreneurship is directly linked to small and medium sized enterprises (SMEs) throughout many academic studies. The existence of SMEs is important because SMEs represent one of the factors driving economic growth. The positive impact of entrepreneurship has been understood by society, however this topic is still one of the subjects of the economic field that is still ambiguous because of varied understandings and many research results that are not always aligned with one another. In addition, entrepreneurial endeavors do not always give positive results, as expected. The failure of the entrepreneurial business is also quite high.

Robert and Lindemann (2013) found that success and failure in business is natural and something that is sure to happen. There is no definite formula that can guarantee 100% that a business run by an entrepreneur will not fail. Based on the reflection from their personal experience, the trial-and-error process must be done in the process of doing business to be a learning material. In addition, throughout the process, an entrepreneur

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must have an open mindset and willingness to learn from the parties around him. That is, learning from experience is a process that must be taken upon by an entrepreneur.

Many studies have been done to discover and formulate what attributes contributed to the intent of becoming an entrepreneur and the success of an entrepreneur. Research conducted by Astebro et al. (2014) managed to find the qualities that differentiate an entrepreneur and a manager. This reinforced the results of previous studies in the same area that attempt to investigate the personality traits of a person who encourage and motivate themselves to become entrepreneurs.

The result of research conducted in the field of entrepreneurship has linked several attributes and characteristics of an individual who is believed to contribute to the interest and success of an entrepreneur. Other similar researches even connect certain educational models to give birth / shape an entrepreneur. Many educational institutions have attempted to educate their students to be entrepreneurs, but using unfitting approach which is focused on hard-skills. Based on recent research, it is believed that a good entrepreneurship education method should focus on soft-skills. Rauch (2014) in his research stated that the motivation to aspiring entrepreneurs and self-efficacy significantly contribute to entrepreneur interest. Therefore, a good and clear understanding of the specific attributes that lead to the interest become an entrepreneur and success of entrepreneurs can be applied properly through the right model which will further lead to quality entrepreneurs.

2. Research Design

Based on research conducted by Hongdiyanto (2017), there are 4 attributes trusted to mold entrepreneur through learning models which are personal, social, support and organization. In this research, researcher chose two attributes (personal and social) to be discussed further. This research is conceptual research where the researcher will discuss in detail about two variables chosen. The researcher will conduct a literature study research, using journals and articles in the field of entrepreneurship that discusses the personal and social aspects as factors that contribute to the entrepreneur interest. The selection of research resources from the topics discussed refers to the author's preferences with the study criteria of not more than 5 years and has been cited minimum by 10 times by other researchers to ensure the selected journals and articles are updated and have good quality. Another thing to consider is the compatibility between the variables’ discussion and definition with the purpose of this study.

3. Literature Review and Discussion

3.1. Personal Attribute

Currently, we can easily know about a successful worldwide entrepreneur by reading the biography of that person. But just by reading about life of that person, can we truly find the secret key to be a successful entrepreneur? Of course, it’s not that easy. Kerr et al. (2017) mentioned that every successful entrepreneur has certain characteristics, because each person has a different personality so it is not easy to be able to determine certain personal characteristics as the key to success that applies to everyone.

The following are some personality definitions. Personality, according to Funder (2004), is the characteristic possessed by a person in the form of mindset, emotion, behavior that as a whole forms a unified psychological mechanism. Larsen and Buss (2005) define personality as the unity of psychological characteristics owned by a person that relatively long-lasting and inherent in the person's self and affects the way the person interacts and adapts to his environment. Personality is an integrated system owned by a person represented by a combination of actions and behaviors shown (Mayer, 2007) whereas according to (Pervin, Cervone and John, 2005) the definition of personality is a particular characteristic possessed by a person governing the way he feels, thinks and behaves.

The first attribute to be discussed is the personal dimension. The personal side refers to the existence of an entrepreneur as an individual who certainly has a different personality. This first attribute, the personal side of an entrepreneur is divided into four sub-attributes namely; Risk, Motivation, Education and Age.

3.1.1. Risk

Business climate is a climate that is very risky, especially for those who want to look for big profits, because the greater the potential for profits, the greater the risk as well. Astebro et al. (2014) in their research found that half of startups failed before reaching the business age of 6 years and 75% of entrepreneurs even went bankrupt. The concept of risk has been expressed by Knight (1921) nearly 100 years ago and up until now it is still used and linked to entrepreneurial traits. According to Knight (1921), what differentiate an entrepreneur from people in general is the courage to take chances even if the opportunity has uncertainty and
risk. Knight (1921) saw that uncertainty differs from risk because risk is predictable while uncertainty is not. Many researches combine these two things.

Khilstrom and Laffont (1979) have developed a theory that is able to give prediction that people with very high risk averse levels will become employees while the opposite of low risk averse will be an entrepreneur. This theory has been updated by Feng and Rauch (2015) with the same concept but with a simpler model. In general, Astebro et al. (2014) states that the choice to be entrepreneur is related to risk preferences. The majority of people tend to avoid risk and prefer to receive regular and fixed income despite its small value. But there are a small number of people who dare to take risks, these people will become entrepreneurs. By excluding other influential factors such as the availability of capital and the environment, individual preference factors for risk are an important factor in determining a person to become an entrepreneur.

Agreeing with Astebro et al. (2014), Hall and Woodward (2010) said that an entrepreneur must have relatively high tolerance of risk. The risk according to Gartner (1990) is divided into 3, namely financial risk, management risk, and personal risk. These three risks must be faced by an entrepreneur when starting his business. In the different context that many researchers agree upon, risk tolerance only supports the entrepreneurial interest and business opening in the early stages of business establishment but does not have a clear impact on long-term business success. Zhao et al. (2010) in their research states that the level of acceptance of risk only affects the interest to become an entrepreneur. The performance of business by an entrepreneur is not determined by the level of risk acceptance, but is a combination of growth and profitability factors. A similar study with similar results was also performed by Kessler et al. (2012).

According to de Haan (2010), risk is divided into three categories, namely:

1. **Risk as variance.** In traditional financial theory a risk is something inherent to the choice of investment selected, this is reflected by the variation in income gained (Duxbury and Summers, 2004). An example of this risk is stock market return risk that can be seen from changes in stock prices of a company that usually fluctuates (Brown and Warner, 1985).

2. **Risk as downsize loss.** This risk is usually associated with managerial decisions that cause companies to incur losses due to misleading decisions (Lumpkin and Dess, 1996). This risk is also based on the understanding that it is better to pay extra attention to opportunities if the risk of loss is bigger than the chance of getting positive results in the future (MacCrimmon and Wehrung, 1986).

3. **Risk of opportunity cost.** Opportunity cost occurs when an entrepreneur sacrifices something to get a profit. This means that if a person chooses not to take an opportunity to gain profit potential, it can be said to have taken a risk. If illustrated, risk as downsize loss is sinking boat, then risk of opportunity cost is missing the boat (Dickson and Giglierano, 1986).

### 3.1.2. Motivation

Being an entrepreneur means one must be brave to work hard on their own from starting, organizing and running his business and taking on all the risks that may occur. This is in contrast to the relatively small risk of working as an employee for others who only performs the required duties. A person who dares to bear the risk shows that the person also has the opportunity to gain potential profit. This is what makes the choice to be an entrepreneur is not a favorite choice for many people, because the risk is quite large. In addition, being an entrepreneur means that one is faced with a work condition that is full of risk of uncertainty, failure and frustration (Segal et al., 2005). This is the topic of many researchers: what factors make some people dare to take risks? What motivation underpins that person's choice?

The topic of motivation associated with an entrepreneur has a close relationship with the scope of psychology and evolves with the development of time. When referring to the original theory (Gilad and Levine, 1986), the motivation to become entrepreneur is divided into two, namely push and pull theory. Push theory mentions that a person's desire to be an entrepreneur is driven by dissatisfaction with current employment and personal risk. These three risks must be faced by an entrepreneur when starting his business. In the different context that many researchers agree upon, risk tolerance only supports the entrepreneurial interest and business opening in the early stages of business establishment but does not have a clear impact on long-term business success. Zhao et al. (2010) in their research states that the level of acceptance of risk only affects the interest to become an entrepreneur. The performance of business by an entrepreneur is not determined by the level of risk acceptance, but is a combination of growth and profitability factors. A similar study with similar results was also performed by Kessler et al. (2012).

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3.1.3. Education

Entrepreneur is not a person who is simply born, but to become an entrepreneur requires undergoing a process. The process is through entrepreneurial education that provides the skills, expertise and experience to dare to start a business and develop it. Peter Drucker (1985), who is one of popular management figures, stated that entrepreneurial is not something that is magical or supernatural, nor is it something related to the genes that were brought when someone was born. Entrepreneur is a discipline and like any other kind of discipline, it can be learned (Drucker, 1985). According to Raposo and Do Paco (2011), the entrepreneur’s perspective is developed in a person, something that can be improved. The process of developing entrepreneur mindset can be shown either inside or outside the company, whether for profit or nonprofit-oriented organization or for economic activity or not.

Good entrepreneurship education not only teaches individuals (especially for young people through general education) how to run a business but also trains individuals to become a strong, creative and confident person. Through the education gained, not only skills in managing business are given, but more than that; mindset, values and good behavior are also provided. This young generation who has been forged with good knowledge and skills in entrepreneurial manner will be able to contribute positively to the economic development in the area.

Jamieson (1984) divides entrepreneurship education into 3 categories, namely education about enterprise, education for enterprise and education in enterprise. The first category, education about enterprise is education that provides the basic concept of entrepreneurship that aims to provide individual awareness of the existence of the concept. This type of education teaches students how process to start a business and the preparation that must be taken. Entrepreneurship learning modules at school and university levels are included in this category. Education for enterprise is the second category where education at this stage focuses on encouraging students to have a desire to start a business. Training that gives students the skills to start a business is an example of this category. The third stage is education in enterprise. An example of this category is self-development training to a company’s management level to improve its entrepreneurial abilities. The goal is for the ability of management staff in a company to have the skill to give innovation to the company where he work so that they can survive in business competition and become superior.

3.1.4. Age

The demographic factor is one of the determinants that influence the existence of entrepreneurship. Changes in this factor will affect many things related to the economic scope of a country, for example economy policy, taxes, technological changes, education level, unemployment rate and various other things. With proper demographic analysis, economists are able to predict future trends. This will certainly be very beneficial for a company, in particular, and the economy situation of a country, in general. One example is the volume of senior population (elderly) who dominates the countries in America and Europe, lately. With lower birth rates as well as the option to delay or to not have children for couples in these countries, this caused the proportion of the elderly population is increasing in comparison to the young population. In the long run this will cause the number of entrepreneurs in the future to be reduced because the majority of new entrepreneurs are those who are young. The population segment that is senior (over 55 years old) tends not to have enough courage to take risks to start a new business and prefer a safer and more promising job that is to be an employee. In this paper, the researcher will explore the relationship between a demographic factor, that is age, to entrepreneurship and the continuity of entrepreneurship in the future.

In the previous explanation, it is known that there is a "peak age", namely at a certain age range, the opportunity to become an entrepreneur will be greater than if someone has passed this "peak age" stage. This does not rule out that there is still new entrepreneurs after passing the "peak age", but the number is relatively small. If someone has become an entrepreneur at the age of 30, then chances he will still pursue the entrepreneur profession in the 50s and 60s will be greater. This also means the number of new entrepreneurs after the "peak age" stage is less than those who are still at that stage. In the end, if the proportion of the elder population is higher than the young population, then the number of entrepreneurs will decline and will impact the reducing number of new businesses.

Based on the latest research on entrepreneurship (Botham and Graves, 2009), it is found that peak age to become entrepreneur is in the 30s-40s age range. This is quite different from the general view that the best age to be entrepreneur is in the range of younger age in accordance to the entrepreneurship characteristic which is to be brave, to take risk, and face challenges. Of course, it is undeniable that today there are successful entrepreneurs at a young age (20s-30s), but their volume is not large. Young entrepreneurs tend to open a significant number of businesses, but the majority of these businesses do not last long.
Then the question is, what is the most appropriate age range to become an entrepreneur? Based on research, the best age distribution is between 30s-40s, but this is not the case for a company focused on innovation. The example is a high-tech company, because this type of company relies heavily on innovation and creativity, so for this type of business the best age is younger than 30. The conclusion that can be drawn is that not everyone can, is capable and willing to be an entrepreneur, yet the entrepreneurship education should be given at young age. At least the younger generation has adequate understanding and knowledge about it so that the interest and motivation to be entrepreneur has been planted early on. This is useful in preparing the younger generation to become the driving force of a country’s economy.

3.2. Social Attribute

In the literature review about entrepreneurship, the human relationship is seen as less important compared with other factors (Stacey, 2001). But in this study, the author tries to explore this factor more deeply and tries to deepen the analysis of entrepreneur from the social side, because after all, the concept of entrepreneurship cannot be left alone without any ties built from the social interactions.

Stacey (2001), in her research, has provided a thorough understanding of the relationship and interaction between individuals who gave birth to a complex relationship. This study was developed from research conducted by George Herbert Mead in 1934 where he found that humans can respond to gestures from other humans in everyday interactions. Stacey (2001) concludes that human interaction can create new ideas, topics and concepts because we interact with different intentions. The question is, how can the social attributes provide a better understanding of the scope of entrepreneurship?

3.2.1. Family

The researcher feels the need to include the family factor in this model because family is the earliest and closest environment in shaping one’s character. In the research conducted by Scott and Twomey (1988) about career preference to become an entrepreneur, there are two things that become determinant factors, namely family and experience (either work or hobby). Both of these aspects coupled with the perception of self-ability and good business ideas are factors driving someone to dare to open a new business. The conclusion is that individuals with entrepreneurial family backgrounds are more likely to choose entrepreneurship as a way of life and vice versa, less likely to be employees in other companies.

Dyer (1994) developed an entrepreneurial career model in which there are several factors that influence their career choice to become entrepreneurs, namely the individual factor (individual inherent characteristics), the social factor, and the economic factor. Referring to this research, the child of an entrepreneur has the view that owning a business is better than working for others. Dyer (1994) did not examine whether the role of the family affects the behavior and abilities of the child to become an entrepreneur, but a clear interest to be an entrepreneur has existed from early age.

Understanding the role of a family with entrepreneurial background certainly provides additional insights of how family businesses can survive for generations. Perhaps, over the course of time, the initial business pioneered is not owned anymore, however the entrepreneurial value embedded in the family culture provides the foundation for family members to find and grow other businesses (Rosplock and Welsh, 2012). In this case, the family business becomes a bridge between family and business activities that ultimately can encourage family members (children) to become entrepreneurs. Rosplock and Welsh’s study (2012) has three contributions: (1) to examine the relationship of family wealth that makes it easier for the child to raise funds to open a new business (Greve and Salaff, 2003), (2) to determine how activities in the family business encourage the child to get motivation to become an entrepreneur (Naldi et al., 2007), (3) to examine how the culture within the family provides the ability for a child to run the business (Gilding, 2003).

The understanding the family support for entrepreneurial activity lies in the support of knowledge, capital and materials that the child can use to continue the family business or open a new business. Of course it is common that family provides emotional and economic support to the child who is still young and does not have enough experience in business. This is in accordance with research by Chrisman, Chua and Steier (2002) which stated that family is an important factor of one’s choice to be an entrepreneur and a place where the capital to establish a business comes from. The same thing was also expressed by Aldrich and Cliff (2003) who stated that family contributed to the business establishment by providing capital and mental support, as well as advice to run a business.

3.2.2. Role Model

Many factors have been studied that make a person dare to take the choice to become an entrepreneur. One of the factors is the role model that influences a person. Research by Scherer et al. (1989) stated that 35%
75% of entrepreneurs have role models. This number, although quite widespread, is relatively high. Why is it important for an entrepreneur to have a role model? This is because that figure can provide practical experience and wisdom to prospective entrepreneurs where knowledge is not only useful for prospective entrepreneurs but also can provide motivation. The figure of a role model can also be their own parents. This happens as described in the previous section.

Scherer et al. (1989) in their research using social learning theory approach to connect the role of the role model to the choice of someone to be entrepreneur. They have collected many previous studies that show that there is indeed a relationship between the existence of a role model with the desire to become an entrepreneur. It is based on the premise that a person will have a good preference to someone if that person shows a positive attitude. This is attributed to the success of that person becoming successful entrepreneur. Other result from research by Scherer et al. (1989) is the existence of a role model can also affect the success of running a business at a certain level. By just being close to an experienced businessman who shows positive attitudes and behaviors, one can be inspired to try to be that role model.

Based on these aspects, the author proposes that there are two things associated with the existence of a role model and the decision to become an entrepreneur. First, the role model that owns a business affects the interest to be entrepreneur more than a role model that has no business, such as being an employee or teacher. Second, the activity of a role model that is directly related to the individual to become an entrepreneur is more influential than if the role model is not directly involved.

3.2.3. Networking

From the research conducted by De Hoyos et al. (2013), it was found that although broad networking is one of the driving factors to become an entrepreneur, the data shows that the variables in networking have not been well connected. Thus, the entrepreneurs have not been able to properly use the network developed. It also makes a person’s interest to become an entrepreneur decrease because he can not see thoroughly the elements apart from his own network that can contribute positively.

As expressed by Audretsch and Thurik (2004), an entrepreneurial environment is characterized by the ability of the environment to provide support to a person by connecting parties that can help the entrepreneur in running his business. For example, connecting suppliers and buyers. Therefore, the network in a social or work environment gives a person’s advantages in seeing and recognizing opportunities (Beckert, 2010).

The social networking of an individual represents the activity that a person undertakes with his environment that can drive the creation of a business (Aldrich and Zimmer, 1986). Examples of social networking environments are friends, relatives, acquaintances as well as other entrepreneurs. The purpose of this type of networking is to provide profitable and strategic information, help from sharing experiences and advice from role models and motivation (Manning et al., 1989). It also gives encouragement to someone to become an entrepreneur by looking directly at the benefits they get by interacting with their network.

Meanwhile, a professional network consists of network activity both formal and non-formal. The parties associated with the professional work network are society, government and private parties who can provide business ideas and facilitate business activities. If good collaboration can happen between the parties in the network, then the individual is able to see business opportunities or help to run business. It also deals with the career choice to be an entrepreneur. This is because the wider the network related to the job, then the bigger the potential for business ideas and opportunities that may happen. Someone who is quite keen to see this opportunity can be motivated to become an entrepreneur (Audretsch and Thuric, 2004).

In conclusion, a good social network can provide an opportunity for a person to gain access to resources and useful information to see opportunities and challenges and responding quickly to a dynamic mechanism (Klyver and Hindle, 2006). Furthermore, good work networking also create opportunities for someone to open a new business. Therefore, someone who can use the advantages given by networking effectively other than it can give motivation to become an entrepreneur and open a new business, can also help make the business a success (Manning et al., 1989). This supports research by Baron and Markman (2003) where good networking can provide access to individuals related to entrepreneurial decisions.

4. Conclusion

The existence of entrepreneurs has been proven to improve the economy conditions of a country by increasing the number of jobs through the creation of new businesses. In order to give birth to new entrepreneurs, effective education and training with appropriate methods is needed. So, far many entrepreneurship education models have been developed and implemented but not all models work well in different areas, within different situations. Therefore, we need to know in advance what attributes that
contribute to entrepreneurial intention and the success of an entrepreneur. Among the factors that contribute to it, there are personal and social attributes. Personal attributes consist of risk, motivation, education and age, while social attributes consist of family, role models and networking.

This research is a conceptual research in the form of a literature study, which is processed by the researcher by using only two attributes that contribute to the entrepreneurial intention which are personal and social attributes, while there are other attributes that also contribute to it, such as support of related parties and things related to the business itself. Thus, the next research can be directed to examine other attributes so that the scope is wider. In addition, research methods can be developed into quantitative or qualitative research to find out the relationship between variables and more in-depth analysis of each attributes studied. Therefore, hypothesis regarding correlation between personal and social attributes towards entrepreneurial intention can be drawn. Moreover, other attributes can be also be used in formulating the hypotheses for further study.

References


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