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# The Influence of Perceptions on Entrepreneurial Success

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Running Head: THE INFLUENCE OF PERCEPTIONS ON ENTREPRENEURIAL SUCCESS

THE INFLUENCE OF PERCEPTIONS ON ENTREPRENEURIAL SUCCESS

by

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### **Abstract**

The purpose of this work is to investigate and identify the influence of perceptions on entrepreneurial success. Entrepreneurs have been identified as instrumental to the economic survival of society and have therefore become the focus of an increasingly large number of studies. This thesis will expound upon those studies by focusing on aspects of the studies that pertain to entrepreneurial perceptions and success. This work will focus on three types of perceptions and how they influence success. It will focus on the perceptions the entrepreneurs have of themselves, the perceptions they have of their environments and the perceptions others have of entrepreneurs. The aim of this work is to increase understanding of the exact influence of these perceptions by studying the topic from a variety of its properties based on literature that has been written by others in the past.

Keywords: Entrepreneurs, entrepreneurship, success, perceptions, business, start-up

## **Chapter 1: Introduction and Methodology**

### **Introduction**

Entrepreneurs are the heartbeat of business; they facilitate financial circulation around the world and have saved many countries from dangerously low unemployment rates because of their ability to produce in the absence of previously existing corporate infrastructure. Entrepreneurship is the process of taking on the risk of starting a new business. This involves organizing and running the business. Entrepreneurs are unique because of their ability to concoct ideas and develop ways to make those ideas possible, profitable and sustainable. Unfortunately, nearly two-thirds of entrepreneurial business ventures fail or are abandoned within four years of their creation (Bann, 2007). Because entrepreneurs are so important to the world's economic wellbeing, hundreds of studies have been conducted with the intention of identifying the factors that influence the entrepreneurial process. If the mental processes and the consequential physical actions of successful entrepreneurs can be replicated, it is believed that the success rates of up-and-coming entrepreneurs would see increased effectiveness. The perception of entrepreneurs has been identified as important components of success. Not only are the perceptions held by the entrepreneurs of significance, the perceptions held by those who have potential influence on an entrepreneur's success are also worth consideration. This paper will investigate the influence of perceptions on entrepreneurial success by giving a more complete analysis of entrepreneurs' perceptions of internal and external factors as well as an investigation of the perceptions that others have of the entrepreneurs; past and present research has shown that each of these perceptions has a unique impact on creation and success of entrepreneurial endeavors.

A difficulty faced in the development of this research was that the definitions of success vary within each particular piece of research. Not only was the definition different to each researcher, but it was also different to each entrepreneur. Some defined success as growth, some as sustainability, some as wealth accumulation, and others as happiness. Gomezelj and Kusce (2013) understood success to be the achievement of previously set goals and objectives, regardless of their monetary nature. They went on to acknowledge that there is no established measurement for success or performance that is accepted and used for all research. With such variation in the definition of a key term within this work, it was decided that the original researchers' definitions of success would be accepted. So long as the research being analyzed by this work deemed a venture successful, then it could be used as an example of success in this work. As long as some degree of growth and sustainability was observed in the organizations being studied, then there existed evidence of success in that venture.

The goal of this paper is to identify the influence of perceptions on entrepreneurial success. If certain perceptions are found to have notable influence, then entrepreneurs can be educated to pursue practices that encourage positive perceptions. Additionally, being able to assess perceptions prior to venture creation and social networking would allow entrepreneurs to make educated predictions about future business efforts. With increased knowledge, entrepreneurs would be more likely to find success in their ventures. An increasingly high number of successful entrepreneurs would bolster the economy by bringing more business to the home countries of the entrepreneurs. Additionally, if the successful venture grows, others may be hired by the

business and continue to decrease the unemployment rate. Each of these levels of success would benefit the economies, the entrepreneurs and their families.

Jensen (2003) did research on the influences of perceptions and found strong correlations between success and perceived self-efficacy. Leaders who saw themselves as more able to motivate and lead tended to see more success in their ventures. In 2016, Navis and Ozbek conducted research that found conflicting results that point towards negative effects of overconfidence. Conflicting research findings make it unclear what actually leads to success for entrepreneurs in this area. This is just one of many perception types that influence businesses. The same study by Jensen (2003) found that leaders who are perceived by others as being more confident and capable are more likely to be viewed in a positive way and experience more success. According to Norman (2006), employees were even more trusting of leaders who expressed confident. This trust was found in employees regardless of the accomplishments of the leader of the company. The results were consistent for every subgroup as well. This study will investigate these research findings to see how the views of others affect success. It will also investigate how entrepreneurs' perceptions of themselves influence their success.

Another conflict in the area of entrepreneurial success is the argument of creation vs. discovery. The creation side argues that entrepreneurial success depends on an entrepreneur's ability to recognize and take advantage of opportunities. This view is based on the perceptions and abilities of the entrepreneur rather than the objective factors of the outside world. The discovery side argues that objective opportunities exist and that success depends mainly on the nature of opportunity rather than the ability of the entrepreneur. This view takes much of the control out of the hands of the entrepreneurs



and attributes success to luck and external factors (Edelman and Yli-Renko, 2010). This thesis will aim to find whether or not perceptions of the outside world play a major role in entrepreneurial success.

This thesis aims to answer questions that will hopefully help with further research and improvement of entrepreneurial endeavors in the future. These questions include:

1. How do entrepreneurs' self-perceptions affect their business success?
2. How do the perceptions that others have of entrepreneurs affect the entrepreneurs' success?
3. How do entrepreneurs' perceptions of the world around them influence their decisions and success?

The purpose of this thesis is to discover ways in which perceptions influence business success for entrepreneurs. Once the influence of these perceptions is determined, educational material based on these findings can be developed so that future entrepreneurs may be benefitted. Equipped with an understanding of positive and negative perceptual influences, entrepreneurs would be able to apply new tactics and mindsets to their practices. By learning how to influence the perceptions that they have and that others have towards them, they should be able to see success increase for their businesses.

### **Methodology**

A review of previous literature will be the primary source for this thesis. The development of the information that this thesis provides will come from the analysis of both quantitative and qualitative research from existing research sources. This secondary research allows for a deeper understanding of the research that has already been done and

compiles the implications and alternative meanings of multiple findings into one place. While many of the sources from which this information will come have focused on a single aspect of perception or entrepreneurship, this thesis will bring them all together to give a rounded analysis of the affect of perceptions on entrepreneurial success by looking at the issue from multiple perspectives. Individual studies of all these different sides to perception would take extensive time and funding to conduct if it were all being done by one researcher. Using dozens of sources from a variety of authors carries the effect of having an extensive network of personal connections and a staff of researchers at hand. Although this study has never been specifically conducted, other similar studies have taken place over the last few decades. Even studies that did not intend to study entrepreneurial perceptions may be helpful for this study. The hope is that having a fuller range of incoming data and information will help develop a deeper understanding of the influences of perceptions. Another benefit of pulling from multiple sources is the likelihood that this will minimize the probability of bias in data collection.

The existing literature will be broken down into three main categories, which will be subsequently be categorized even further. The first and second sections will concentrate on the perceptions of the entrepreneurs. Because these perceptions have heavy influence on the actions taken and mannerisms expressed by the entrepreneurs, an in depth study of those perceptions will take up the majority of the study. The study of entrepreneurs' perceptions will be divided into two sections because multiple aspects of entrepreneurial perception will be studied. The first of these sections will examine how entrepreneurs view others and the world around them; this study will be followed by an investigation of how those views have impact on entrepreneurial success. The second

section concerning the perceptions of the entrepreneur will cover the perceptions that entrepreneurs have of themselves. Because this section will be concerning self-image, its intention is to find ways in which entrepreneurs project that image to others and believe it is received by those with whom they surround themselves. This section can be associated with the first of the three sections to find alignment or lack of alignment in the ways in which others perceive certain mannerisms. It is hypothesized that the way in which entrepreneurs believe themselves to be perceived will tend to differ from reality to some extent.

The third and final category of literature will consist of works that have examined the perceptions of others about entrepreneurs. In this section, the mindset of those who are examining and influencing the success of entrepreneurs will be looked at to see how it affects those that they perceive. Those who are studied in this section can be internal stakeholders if they fall under the employment of the entrepreneur. Those who are studied that are outside the company's employment do not necessarily have to be stakeholders because the choice to not do business with an entrepreneur can be just as significant in this study as the choice to interact with and become a customer of that entrepreneur's business.

### **Limitations**

This thesis is comprised completely of secondhand research. No interviews, surveys or research was done that involved direct contact with consumers or entrepreneurs. The authors of the original sources had a certain degree of interpretive power in the definition of the terms they used in their works; because of this, the works compiled in this paper are all using at least slightly different definitions of the same terms

because of their own interpretations of observable behaviors. Commonly used terms that were defined differently by different authors include success and entrepreneur. The characteristics and tendencies of entrepreneurs discussed in this work were observed and are not concrete due to the abstract nature they possess.

## **Chapter 2: Perceptions of Self**

This chapter investigates the perceptions that entrepreneurs have concerning themselves, their own businesses and their actions. The perceptions that entrepreneurs have of their own actions, abilities, and characteristics is the most influential perceptual factor being studied in this work that affects the success of the entrepreneur. The perceptions of an entrepreneur guide thoughts and actions, shaping the way in which the business is formed and run. Entrepreneurs have the ability to be better equipped for success if there is a correlation between perceptions and success and that correlation is found and studied by the entrepreneurs.

### **Locus of Control**

In 2015, a survey was taken by nearly 400 college students in an attempt to find a correlation between causal attribution and success (Dong, Stupnisky, Obade, Gerszewski and Ruthig, 2015). Based on past researchers and their own assumptions, it was hypothesized that students who maintained an internal locus of control would be more likely to succeed academically. While the students surveyed were not all entrepreneurs, the correlations between success and causal attribution that were found from this study are valid for a variety of success types. The results of these surveys revealed that those who attributed their academic results to internal, controllable factors were found to perceive themselves as more successful than those who attributed their results to factors that were alleged to be out of their control. The reason this seems to be true is because students who blamed themselves for failures saw their problems as correctable. On the other hand, those who attributed failure to external factors were less likely to search for

or find ways to be more successful. The findings in this article are strongly correlated to Bernard Weiner's (1986) theories that were developed in his work "An Attributional Theory of Achievement Motivation and Emotion." In this book, Weiner (1986) dissects the ways in which people attribute their success or failure to internal or external causes, also known as a locus of control. Through this work, it was theorized that those who experience success are more likely to identify internal locus' of control rather than external ones. This success attribution tends to have a positive affect on future endeavors by encouraging the individual to continue with additional tasks because of a belief in the ability to find success in subsequent future endeavors (Weiner, 1986). Individuals with increased reliance on internal factors for future successes have been found to be more likely to experience a confidence in their ability to succeed with future endeavors, regardless of the nature of that particular endeavor. An increased perception of success has also been found to correlate with this mindset. Those who perceive an internal locus of control are often more satisfied with the results of their businesses because they feel that they can credit successful endeavors to their own efforts and abilities (Dong et al, 2015). When successes are experiences, those who perceive internal causal attribution are likely to learn and improve upon their successes. Because they recognize their own actions as the leading causes of the success, they will study the factors that they believe led to the success so that those actions can be replicated in future endeavors. With each success, self-efficacy is built as entrepreneurs develop a growing confidence in their own abilities, experience and knowledge to succeed (Schmitt-Rodermund, 2004).

Through the works of Weiner (1986) and many subsequent studies, a correlation between past experience and future success has been established. In 2013, Simon Parker

conducted an observational study to find whether success or failure was a better predictor of future success for entrepreneurs. According to the Learning By Doing Theory and resource acquisition, one success should most likely lead to another in the next venture (Parker, 2013). These circles of thought believe that entrepreneurial endeavors tend to move in an upward trajectory, as each successful venture is increasingly likely to lead to another one. Along the way, experience exposes entrepreneurs to new skills, materials, connections and possibilities that can be used in each new task that is encountered. The learning by doing theory was developed and introduced as a revolutionary new approach to the educational system. Over time, it has been applied to other fields, including business initiation. By applying the learning by doing theory to entrepreneurs, we can expect that a business venture is more likely to be successful if it follows a previously successful venture; this is attributed to the knowledge and experience that are accumulated in previous ventures. On the other hand, the selective learning from failure theory would suggest that success would be more likely to follow a past failure than a past success. Using data from annual phone surveys over the course of dozens of years, Simon Parker (2013) conducted an observational study on how serial entrepreneurs fared in endeavors that followed both successes and failures. The conclusion of the study is that past success increases the likelihood that future ventures will be successful. In the article, this correlation is attributed to the fact that knowledge and experience gained in the past will be beneficial to future ventures. In addition to skills that are acquired, confidence is also built, which increased the entrepreneur's belief in his or her ability to succeed in subsequent professional opportunities. Through these successful business endeavors, it is important for entrepreneurs to avoid becoming overly confident. Entrepreneurs who

followed one success with another success are usually those who can maintain their composure and not get carried away with the emotional high that often accompanies success.

### **Overconfidence and Narcissism**

Confidence is a highly common factor in entrepreneurs. A survey of 6,000 American entrepreneurs found that, while people in general tend to be optimistic, entrepreneurial individuals are more likely to show optimistic tendencies than the average person (Puri and Robinson, 2013). For this reason, they have been found to overestimate the expected success of their endeavors (Casser, 2010). A study conducted by Casser (2010) indicated that entrepreneurs were twice as likely to estimate future success for a specific venture than they were to actually experience success with it. Other studies have found that this overconfidence for entrepreneurs does not decrease with experience. Serial entrepreneurs have been found to forecast success with equally inaccurate expectations as new entrepreneurs (Landier and Thesmar, 2009). These findings indicate that entrepreneurs fail to improve the quality of their perceptions even after failing in the past. Because overconfidence and increased optimism are repeatedly seen in entrepreneurs, the effect of these characteristics on success is an important subject to investigate.

Navis and Ozbek (2016) studied two common entrepreneurial characteristics and the effect those characteristics have on entrepreneurial success. These characteristics were overconfidence and narcissism. By investigating over 100 studies on these subjects, they found that high levels of either of these characteristics often have detrimental effects on entrepreneurs because they inhibit individuals from listening to others and learning



from mistakes. The overconfidence factor drives the up-and-coming entrepreneurs to believe that they are more capable than others to take on a variety of projects. While very similar in nature, overconfidence and optimism have distinct differences. Overconfidence describes the belief that one's own abilities, projections and understanding exceed those of one's peers' (Griffin & Varey, 1996). Entrepreneurs often view their own chances of success as being much higher than the chances of others. This increased optimism has been found prevalent regardless of preparation or previous experience or education. Expected chances of success were ranked as certain (10/10) by as many as 33% of entrepreneurs that were studied (Cooper, Woo, & Dunkelberg, 1988). This overconfidence is likely to be followed by overinvestment into questionable opportunities that often leave entrepreneurs at a loss. Armed with a misguided perception of the chances of success, entrepreneurs tend to find that their ventures fall short of the expectations that were established by the overconfidence and zeal that accompanied the establishment of the business (Koellinger, Minniti, and Schade, 2007). This is a cause for disappointment in many entrepreneurs who experience a difference between their expectations and experiences.

The second focus of Navis and Ozbek's (2016) study was concerned with the study of narcissism and its effect on entrepreneurial success. Chatterjee and Hambrick (2007) describe narcissism as "the degree to which an individual has an inflated sense of self and is preoccupied with having that self-view continually reinforced." Narcissism is a factor that influences self-image concerning physical and intellectual superiority (Campbell, Goodie and Foster, 2004). For the purposes of this study, only the aspects of narcissism that are directly influential in the success of entrepreneurs will be considered;

this mostly concerns the narcissistic belief that entrepreneurs have concerning their abilities to outperform their competition and the need for recognition as the superior entrepreneur when compared with others of similar characteristics. The narcissistic factor calls for a need to do something that has yet to be done because of the increased praise and reward that this type of endeavor is likely to illicit from others, or so the narcissist believes. This need to do something new is a reason that narcissistic individuals are often found in entrepreneurial positions. Narcissistic entrepreneurs are often drawn to ventures with low success likelihood because of their belief in their own ability to outdo those who have attempted that venture in the past (Casser, 2010).

Overconfident or narcissistic entrepreneurs often do not have enough knowledge in the field they pursue to operate a business. These two characteristics are often found together, which can amount to a dangerously high willingness to invest into projects with low likelihood of success. The interaction between these characteristics was well summarized by Navis and Ozbek (2016) in the following statement: “Whereas overconfidence influences the type of opportunities that entrepreneurs perceive, giving them a heightened belief in their ability to be successful in novel opportunity pursuits, narcissism influences the type of opportunities that entrepreneurs pursue, pushing them toward novel venture contexts, where their efforts are subject to praise, and away from familiar venture contexts, where such an outcome is unlikely” (p. 116-117).

Entrepreneurs who possess these characteristics perceive themselves as more capable than they actually are, and this is often their downfall. According to Navis and Ozbek (2016), the very things that draw individuals to entrepreneurship are often the things that can inhibit their success or cause them to pursue ventures in which success

will bring the highest of praise. With these characteristics, there often comes a stubbornness that inhibits individuals from being open to outside suggestions or ideas. Being too set on their own original ideas, overconfident and narcissistic entrepreneurs are often so determined to see their venture come to fruition through means of their own ideas that they disregard advice or indications that suggest alternative routes (Chatterjee & Hambrick, 2011). Navis and Ozbek (2016) conclude that entrepreneurs with characteristics of narcissism and overconfidence are likely to find success in more familiar ventures but tend to pursue novel ventures, which offer lower probability of success but higher praise and gain.

While overconfidence can be detrimental to entrepreneurs, self-efficacy has been found to correlate with success. In a 2013 study, it was found to be one of the most distinct and essential skills for entrepreneurs so have (Morris, Webb, Fu, and Singhal). Self-efficacy is defined as one's belief in one's ability to succeed. Marksman and Baron (2003) researched this characteristic and found it correlated with entrepreneurial success. If self-efficacy increases success while overconfidence decreases success, this suggests a significant difference between the two. This paper suggests that, like optimism, overconfidence is an example of having a potentially beneficial quality but in too great of a quantity. Self-efficacy, as defined by Bandura (1977), is the belief in one's ability to successfully fulfill the requirements of a given task. This differs from overconfidence because it does not infer that there is any excess of confidence. Self-efficacy is also much more concentrated on a specific type of ability rather than a general confidence in oneself and tends to be a much more accurate and realistic indicator of one's ability to complete a task. Overconfidence tends to bleed into an individual's beliefs about all types of

endeavors, including those in which the entrepreneur has little to no experience or knowledge. For this reason, overconfidence is typically a much less useful characteristic than self-efficacy.

### **Skill Prioritization**

The attributes and skills that are valued and emphasized by entrepreneurs often have a strong influence on the success that they find. Knowing which skills to develop and focus on is an essential factor in successful entrepreneurial action. These skills are referred to as *competencies*, which have been defined as the knowledge, skills, attitudes, values, and behaviors that people need in order to successfully perform a particular activity or task (Rankin, 2004). These competencies are divided into additional subcategories in order to more clearly identify their particular functionality within a variety of fields. Botha, Van Vuuren and Kunene (2015) compiled and analyzed past research to break entrepreneurial competencies into two categories: enterprising competencies and functional competencies. Enterprising competencies are the skills needed to motivate an entrepreneur and give him or her the skills to succeed especially in the initial stages of business development. These competencies include many of the characteristics that personify the stereotypical management personnel such as leadership and creativity. Functional competencies are more specific to the particular field in which the business operates. As expected, research showed that established SMEs (small and medium enterprises) were notably more proficient in both types of competencies. These established entrepreneurs also saw themselves as more capable with both types of competencies. Established SMEs that were studied found functional competencies to be more important than start-up SMEs did; this disparity of views explains why the

established SMEs were capable enough to continue as a business beyond their initial start-up attempts. It was found though, that start-up SMEs tend to put just as much of an emphasis on enterprising competencies as the established SMEs do. The findings of this study infer that entrepreneurs are less successful if they fail to put an emphasis on functional competencies. No matter how well the entrepreneur leads, the company is unlikely to succeed in its start-up phase if there is a lack of knowledge and skill in the field in which the entrepreneur ventures. This research supports the results that show how overconfidence and narcissism can be detrimental to entrepreneurial success. This overconfidence is shown by the way that entrepreneurs overemphasize their perceived ability to lead and believe that their leadership qualities will be enough to keep the business running effectively, despite deficiencies in functional competencies. The development and study of functional competencies allow an entrepreneur to endure the nuances and challenges of a business start-up beyond the initial years of its conception (Morris et al., 2013).

Understanding differences in the types and functions of skills is an important key for entrepreneurs who are deciding which skills on which to focus their attention and effort. Distinctions between different skill types have been made by a variety of studies over the past decade and beyond. The importance of having a well-rounded understanding of these different types of skills and competencies is essential for fully comprehending what is necessary to keep a business start-up afloat from initiation on. In order to appropriately identify the competencies necessary for entrepreneurial success, distinctions have been made between general business competencies and entrepreneurial competencies (Morris et al., 2013). The competencies that have been identified as

distinctly entrepreneurial include the following: opportunity recognition, opportunity assessment, risk management/mitigation, conveying a compelling vision, tenacity/perseverance, creative problem solving/imaginativeness, resource leveraging (skills at accessing resources one does not necessarily own or control to accomplish personal ends), guerrilla skills (the capacity to take advantage of one's surroundings, employ unconventional, low-cost tactics not recognized by others, and do more with less), value creation, maintain focus yet adapt, resilience, self-efficacy and building and using networks (Morris et al., 2013).

Rather than focusing on these competencies, which are specific to entrepreneurial success, there is often more of an emphasis on general business skills within the any institution that is involved in the education of entrepreneurs. These general business skills tend to apply more to the management side of business within an established entity rather than enhancing the ability of an entrepreneur to successfully build and maintain a business from conception (Morris et al., 2013). These general business skills would be more closely related to the enterprising competencies that were discussed in the previous section (Botha et al., 2015); they are nonspecific and not typically the defining characteristics of a successful entrepreneurial venture. In yet another similar study, a differentiation was made between entrepreneurial and managerial competencies. The study also affirms the proposition that the skills for entrepreneurial success are distinct and different from those of business management that are taught to many who intend to go into business as an entrepreneur. This research supports the idea that there are multiple stages of the entrepreneurial process that differ in the skills required to fulfill their needs. It is suggested that success through each stage requires entrepreneurs to be proficient in

both competency types (Mitchelmore & Rowley, 2010).

In order for entrepreneurs to be more successful long term, it is important for them to have an accurate perception of which skills are most important for each stage of a business. As many other studies have found, entrepreneurial competencies, especially opportunity recognition and assessment, are primarily needed in the original developmental stages of business creation. After the business is in existence, the managerial competencies are essential for creating sustainable growth. While managerial competencies become more prominent and regularly exercised during the growth and later stages of business creation, research has shown that the entrepreneurial competencies are necessary for success in every stage of a business venture (Man, Lau & Chan, 2002). In order to be better positioned for success, Morris (2013) and his colleagues argue that entrepreneurs should be educated in skills more specific to entrepreneurialism. The general business skills which are taught in most business programs have been found to be very useful in the business world and the general consensus is that those skills should continue to be taught; the change in the education of entrepreneurs that is being suggested by these researchers involves a shift towards more entrepreneur-specific skill set development that would allow for most successful business inception (Mitchelmore & Rowley, 2010; Morris et al., 2013). For example, this skill-set brought to the educational platform could include teaching on how to identify and assess risk or overcome common new venture difficulties. Entrepreneurs who are educated with only one area of competency are likely to be filled with a misinformed confidence in their ability to succeed; for this reason, the perceptions of what entrepreneurs value in their education and skill sets must be better informed. As research showed, those who

emphasize a learning of both managerial and entrepreneurial competencies were typically the ones with established and thriving SME's (Botha, Van Vuuren & Kunene, 2015).



### **Chapter 3: Perceptions of Environment**

Regardless of the abilities, talents or training possessed by a particular entrepreneur, environmental surroundings and the perceptions that entrepreneurs have of those surroundings will always have an influence on entrepreneurial ventures. The way in which an environment is perceived is a decisive factor in regards to the way in which that environment is interacted. The work of Gomezelj and Kusce (2013) concluded with the fact that no environmental factor was found to be more influential to entrepreneurial success than the characteristics of the entrepreneurs themselves; for this reason, an entrepreneur's perceptions of and reactions to his or her environment hold much more weight than the environment itself. For the purposes of this literature review and thesis, the term environment refers to the settings and conditions with which an entrepreneur interacts. These settings can include people, government, competing entities or a number of other objects that entrepreneurs may recognize as influential to their own business success. As researchers have pointed out, the decision to start an entrepreneurial venture begins when an individual perceives that practice as desirable and possible (Gomezelj & Kusce, 2013). Without this type of perception of the environment, entrepreneurs would be unwilling to start their own businesses at all.

In 2013, Gomezelj and Kusce conducted surveys to find the influence of environmental factors on entrepreneurs' performances. It was found that cultural and social norms have measurable influence on the ways that businesses are established and conducted. Successful entrepreneurs tend to recognize how to cater to the needs of their market by providing services in a way that was appealing to their target audience; this recognition of market needs requires an accurate perception of the features of a business

that will satisfy the needs of a target customer base. The types of services that will succeed or fail in a particular environment depend largely on the culture in which they are implemented. Incorrect assumptions concerning the market needs will create a gap between services provided and services desired. The necessity of accurate need fulfillment cannot be overstated in the risky business of entrepreneurship. A solution to this problem could be found through education and the development of familiarity with a target market. The quality of a service provided is irrelevant if that service fails to meet the needs and desires of those it aims to serve.

### **Opportunity Recognition and Assessment**

Researchers continually agree on two particular characteristics that are essential to the success of an entrepreneurial endeavor: opportunity recognition and opportunity assessment (Morris et al, 2013). These characteristics are completely dependent on the perceptions of the entrepreneur. As Robert Singh (2001) stated: “when entrepreneurial opportunities are, in fact, opportunities and not incorrect conjecture, ... the entrepreneur will achieve a profit” (p. 11). In assessing opportunities, accuracy is key; an individual must be able to accurately assess the way in which a target market will respond to a new business venture and account for a multitude of possible occurrences in the process. Singh (2001) goes on to recognize that one of the leading factors of failed entrepreneurial endeavors is over-optimism. As the earlier chapter discussed, overconfidence in one’s own ability is a common flaw in entrepreneurial actions (Navis & Ozbek, 2016). While overconfidence refers to an overinflated assurance in an entrepreneur’s belief in his or her own ability, the over-optimism discussed in Singh’s (2001) article refers to an overinflated view of how promising an opportunity may be. While the former

characteristic concerns self-perception, the latter influences environmental perception. Although entrepreneurship typically requires a certain degree of optimism, Von Bergen and Bressler (2011) found that there are dangers in being excessively optimistic as an entrepreneur. Studies have shown that, on average, entrepreneurs display heightened levels of optimism when compared to individuals in other professions. This has been found to be true even when those entrepreneurs are inadequately prepared for the endeavors they choose to pursue. Further research indicated that optimism leads to higher success rates up until a certain point. At that certain level of optimism, the entrepreneur is causing detrimental affects that are likely to harm his or her business (Fraser & Green, 2006). The results showed that success increased with optimism levels to a certain extent but then the two began to have negative correlations. The detrimental optimism was exhibited in those who tested as being a part of the top 5% of most optimistic. It is suggested that entrepreneurs who do not possess unusually high optimism levels are more likely to experience long-term success. In the end, the authors suggest that optimism is a positive attribute so long as it does not deter the entrepreneur's perceptions away from reality.

Keeping an intact perception of reality in the context of this thesis has very little to do with one's mental stability but has more to do with accurate projections of trends and preferences of a target market. A commonly held belief in the realm of entrepreneurial research revolves around the idea that there are infinite opportunities for success in existence and that realization of these opportunities is what differentiates successful entrepreneurs from "nonentrepreneurs." These authors encourage a realist view of opportunity, which involves the awareness and search of opportunities. It is

argued that those who are intrinsically entrepreneurial will be able to identify the opportunities that provide the most potential for success (Ramoglou & Tsang, 2016). Robert Baron (2006) uses the term “connecting the dots” to describe the way in which successful entrepreneurs are able to use cognitive frameworks to develop and update an understanding of the world around them. This connecting of dots can be used to accurately predict how a business will fare in a particular environment. Given any situation, an aware entrepreneur should be able to predict environmental changes that can be expected in the near future due to current events and conditions (assuming few significant unforeseen events take place). The development of these connections requires a constant awareness of a variety of factors and a complex understanding of their interactions with each other. Those who are unable to track and predict the behaviors of these factors are what Ramoglou and Tsang (2016) refer to as *nonentrepreneurs*.

In addition to identifying potential opportunities for entrepreneurial undertakings, there must also be an assessment of risk. While entrepreneurs may be able to identify the potential of an opportunity, they may be blind to the risks associated with that opportunity. Within every entrepreneurial endeavor, there exists a certain degree of risk of failure. Those who start their own businesses have been referred to as risk acceptors (Barney & Busenitz, 1997), but accepting risks does not mean that those risks must be approached without prior consideration. The management of risk (risk management) has been identified as a success factors for entrepreneurs across the world (Arian & Tipu, 2011). It has been established that those who take a conservative approach to risk are more likely to succeed. As Von Bergen and Bressler (2011) noted, many entrepreneurs approach opportunities with a mindset of being inevitably successful. This is an another

example of over-optimism that can be detrimental to the survival of a company. In order to maintain a realistic perception of opportunities, entrepreneurs must be able to identify potential risks that they may face. Once those risks are identified, risk management can be implemented to minimize the effects of that risk on the business. If risk reaches a certain level of likelihood, it is suggested that measures be taken to avoid that risk altogether.

### **Counterfactual Thinking**

Baron (2000) indicated that entrepreneurs tended to partake in less counterfactual thinking than other people. Counterfactual thinking is the act of imagining a variety of potential outcomes that could have resulted of a past event. These outcomes that are imagined in counterfactual thinking are not the outcomes of the actual event. Roese (1994) defined this type of thinking as “‘might-have-been’ reconstructions of past outcomes.” Such thinking patterns often deter entrepreneurs from reality and cause them to dwell on an alternative past that never came into existence. The realist approach to entrepreneurship supports the idea that those who wish to succeed must maintain an accurate depiction of reality in order to detect and forecast patterns in their environments. Because the alternative outcomes imagined by individuals who participate in counterfactual thinking never actually happened in the past or present, those outcomes are separate from reality. Those who think counterfactually are often more focused with the way things could have been rather than focusing on the way that things were and will be. When counterfactual thinking causes excessive focus on failed ventures, discouragement and uncertainty often settle in. Entrepreneurs who spend less time thinking about these past events are less likely to doubt themselves when starting a new

business venture. For this reason, it can often be a positive thing that entrepreneurs are less likely to participate in counterfactual thinking than most other individuals (Roese, 1997).

While the potential negative affects of counterfactual thinking are numerous, there are also many potential benefits. According to Roese (1997), there are two sides to counterfactual thinking. The two sides can be understood as healthy and unhealthy counterfactual thinking. The unhealthy version was discussed in the pervious section and refers to an obsession with past inadequacies that ultimately leads to feelings of discouragement and uncertainty. The beneficial alternative to this results in the opposite emotions. An entrepreneur can use counterfactual thinking to focus on a failed venture in order to identify the reasons that the venture was not as much of a success as had been hoped for. Through considering alternative outcomes, entrepreneurs may be able to develop solutions that can improve business potential in the future. If counterfactual thinking is conducted correctly, it should lead to an increased confidence in one's ability to succeed in future ventures. Once an entrepreneur understands the pitfalls of a previous endeavor, he or she should feel more capable than before to overcome those pitfalls and achieve the success that was lacking in the previous effort. The difference between healthy and unhealthy counterfactual thinking lies in perception. Regardless of the outcome, a previous venture should always be perceived as an opportunity to further develop one's understanding of the environment and one's own capabilities. With healthy counterfactual thinking, a more correct interpretation of the business environment can be established to increase the likelihood of success.

### **Market Perceptions**

Accurate understanding of the business environment remains a necessity throughout the existence of a firm, not just at the conception stage. Entrepreneurs must be proactive in their interactions with their environments so that they can continually satisfy the needs of their customer bases. A business venture that experiences initial success will rarely continue to maintain a competitive advantage unless there is an ongoing effort to create dynamic need-fulfillment. Mazzei, Flynn and Haynie, (2016) found that entrepreneurs are most successful long-term when they are innovative over time with their businesses. Without innovation, a product will become outdated, and a company will not be able to keep the interest of the customers on which it relies. This suggests that entrepreneurs who perceive the market in which they operate as fluid, rather than static, will experience more long-lasting success. Stubbornness tends to bode poorly for those who wish to have stay in business for a long time. Entrepreneurs must recognize the direction in which a market is moving and then move with it. Because the environment is in a constant state of change, an entrepreneur must cause his or her business to do the same to maintain the attention of the changing crowds. This inventive mindset can be implemented at every level of a company's personal process in order to become part of the corporate culture and really have an effect on the longevity of the company (Lewicka, 2013). While the reaction to the environment takes place throughout a company, it is the perceptions of the entrepreneur that guide the way in which his or her company interacts with an environment. An entrepreneur that consistently presents innovative ideas will push a company into extended favor with customers, potentially lasting through multiple generations.

### **Impact of Social Background**

Some research has been done that indicated factors that could influence the degree of optimism that individuals possess regarding their ability to succeed. Anderson and Miller (2003) found that social background has significant influence on perceptions of opportunities. Individuals from higher socio-economic classes tended to be more successful; this success is attributed to the increased access to social and human capital that a higher class offered. Not only was there a greater quantity of human capital available to entrepreneurs from higher socio-economic classes, there was greater quality of human capital available as well. Byrne (1961) found that those with similar economic backgrounds were more likely to experience mutual interpersonal attraction. The perception of upper-class individuals as attractive social and professional counterparts allows for access to the connections, advice and support that accompany networking with these successful individuals. Men and women from wealthy backgrounds were found to be likely to mimic the successful behavior that had been demonstrated to them throughout their childhoods. Existing research supports the idea that having the opportunity to see success achieved by family and friends throughout one's own childhood helps develop the belief that success can be had in one's own life. The likelihood of succeeding in entrepreneurial endeavors will seem increased because of the regulatory with which success has been observed. The more entrepreneurs are surrounded by success, the less they will perceive failure as a likely outcome of their endeavors.

As Anderson and Miller (2003) found in their research, perceived support is a common motivating factor for entrepreneurs. In their work, these researchers found that being raised around success increases one's perceived amount of social network support.



Perceived support is an issue that has been found to have the ability to inhibit or encourage the business ventures of entrepreneurs worldwide. Because of social norms and culture, gender often has a significant affect on the way in which individuals perceive the support that will be offered to them through an entrepreneurial endeavor. Pollard (2001) used secondary research to investigate the differences between social support perceived by male and female entrepreneurs. Pollard (2001) conducted her study by analyzing archived transcripts of female entrepreneurs that were recorded between 1993 and 1996. The research backed the author's hypothesis that stated that perceived support had a stronger correlation to success than actual support did. This hypothesis held true regardless of whether success was defined using traditional measurements or the entrepreneurs' definition of success. Additionally, the author found a strong correlation between perceived success and perceived support. Female entrepreneurs' who believed they had a strong support base tended to perceive themselves as more successful and vice versa. The support that the entrepreneurs perceived did not have to be of any certain type or source; the presence of support was typically all that was required in order for female entrepreneurs to have increased success. This study supports the superior influence of environmental perceptions over the environment itself. The way in which these entrepreneurs understood their environments had a significant influence on success regardless of the objective nature of that environment.

The amount of wealth and success around which a potential entrepreneur is raised is one of many childhood factors that can influence environmental perceptions. These influences are significant because of the long-term affects that those perceptions can have on the success of entrepreneurs. Schmitt-Rodermund (2004) conducted two cross-

sectional studies to investigate how parenting styles influence environmental perceptions. Through their studies, they found that children who were raised with an authoritative parenting style were more likely to be self-confident, independent and achievement-oriented. This parenting type promotes performance, which, if implemented effectively, leads to the adolescent becoming aware of his or her ability to perform necessary tasks; for this reason, children raised in this environment exhibited a higher entrepreneurial competence and interest (Schmitt-Rodermund, 2004). Additionally, people were found to be more likely to become entrepreneurs if they were raised by at least one self-employed parent. Perceiving independent competence from the proximity of family often develops the idea that entrepreneurship is possible, profitable, and enjoyable. This instillation of entrepreneurial preferences and abilities seems to create a chain reaction that often leads to success as an entrepreneur. An internal locus of control often resulted from this parenting style because of the focus on ability and independent control that it encourages. Schneewind (1995) indicated that responsive parenting is one of the greatest indicators of the development of an internal locus of control in children. When a parent is responsive to the actions and statements of a child, then the child begins to develop the belief that they are able to have some semblance of control over the way in which the world around them reacts.

### **Locus of Control**

On the other hand, those who attribute their success or failure to external factors tend to be less likely to continue with future endeavors because of the lack of control they feel they have over the outcome (Weiner, 1986). While an internal locus of control encourages entrepreneurs in their own abilities to fix problems and recognize

opportunities, external locus of control creates a belief that outcomes are primarily influenced by uncontrollable environmental factor. Research has also shown that less responsive parents tend to raise children who develop external locus of control (Schneewind, 1995). With unresponsive parents, children tend to develop a perception that their actions result in little to no reaction. The conclusion that many children develop from this interaction is that they are unable to significantly impact the outcome of a situation. Possessing an external locus of control mindset is unusual for successful entrepreneurs because of the lack of significance it provides the entrepreneurs' actions. Those who attribute success to luck or environmental factors have developed a very unstable understanding of environmental functions. An external locus of control encourages an entrepreneur to simply hope for the best rather than making efforts to prevent unfortunate outcomes. Those who attribute fortune to chance rather than ability have been found more likely to fail as entrepreneurs. Those same entrepreneurs who blame chance have also been found to be more likely to give up after a failed venture (Weiner, 1986). In order to increase the likelihood of success, an entrepreneur must be able to attribute his or her success to ability rather than perceiving outcomes as the results of environmental factors that are beyond control.

### **Perceptions of Entrepreneurship**

Perception of the entrepreneurial experience itself has important influence in success. Entrepreneurs who exhibit entrepreneurial traits were found to experience greater enjoyment in their ventures than those who were not naturally entrepreneurial, according to the measurements used to indicate entrepreneurial traits. The environment around entrepreneurs was typically perceived positively through from the perspective of

those who carried entrepreneurial traits. Additionally, those who found their work more enjoyable were also more likely to have businesses that were successful over a longer period of time. On average, as long as the entrepreneur continued to enjoy the line of work in which he or she found themselves, the more likely that endeavor was to continue succeeding. This correlation between enjoyment and longevity exists regardless of the income of the business (Schmitt-Rodermund, 2004). The findings of Schmitt-Rodermund's (2004) research indicated a correlation between enjoyment and entrepreneurial success. Entrepreneurs who did not enjoy their entrepreneurial ventures were found to be more likely to give up or fail earlier.

### **Chapter 4: Perceptions of Others**

The final perceptual influence to be discussed in this work is the perceptions that others have of entrepreneurs. This section will focus on how entrepreneurial success is influenced by the opinions that form concerning entrepreneurs and their endeavors. For the sake of this work, others will be defined by any individual who is able to have some type of influence on the success of an entrepreneur's business. This influence can come actively or passively depending on whether the perception of the entrepreneur causes the individual to take action or withhold from doing so. This action can take the form of anything from becoming a customer to developing a business partnership with an entrepreneur. The perceptions of individuals inside and outside of the entrepreneurial organization will be considered in this section so that a more full understanding of the influence of these perceptions can be developed. Entrepreneurs who are perceived positively by their potential support network are much more likely to find success with their businesses and with personal relationships; for this reason, striving to be seen in a positive way can lead to greater chances of success. Positive perceptions encourage active participation by others in the supporting of entrepreneurs. On the other hand, being perceived poorly usually leads to a lacking in regards to social and professional support from others (Scott and Cable, 2002). For this reason, it is important for entrepreneurs to understand the established research in this area so that they may be equipped to position themselves in a way that will encourage others to support them.

Research has shown that the way others view an individual has a strong correlation to the success that is experienced by that person. In an article published by Gupta, Sikdar, Turban and Wasti (2009), the authors point out the reason that there are

more men or women in certain career fields is often because certain careers are perceived as masculine while others are perceived as feminine in nature. The tendency to enter a certain type of profession is therefore determined, at least in part, by one's perception of the gender-association with that vocation. An individual might pursue a career in an alternative career than their own were it not for these social constructs that become instilled in the minds of developing professionals. According to Gupta et al (2009), the perception of gender-profession associations has a strong influence on entrepreneurial pursuits as well as other professions. It is then suggested that the reason there are more male than female entrepreneurs is because of the perception that entrepreneurship is a predominantly masculine line of work. Because of this, men will be more likely to pursue entrepreneurship because they were more convinced that their skill set aligns with the task requirements. To support their hypothesis, a survey was given to both men and women in three countries to gain insights into the gender associations made about entrepreneurship. The results of this survey suggested a stereotype that identified entrepreneurship was perceived as a masculine line of work. Assuming these results are accurate indications of the way the majority of people perceive entrepreneurs and that individuals are swayed by these social expectations, women are less likely to find success in entrepreneurship because they are viewed as a more inferior fit for the job than men. While many would argue that women are more fit for entrepreneurship than men, there is still a prominent idea that men fit the entrepreneurial position and image more appropriately and are therefore better options in regards to partnership and capability. It has also been suggested that women face more obstacles than men in developing social and professional networks that are essential in the construction of a successful

entrepreneurial endeavor (Marlow & Patton, 2005). The same research that reported these findings also found that female entrepreneurs tend to have more trouble gaining traction in the business world in multiple areas as a result of the common perceptions associated with the correlations between their gender and profession.

Preconceptions like those mentioned are detrimental to the chances of finding success because of the importance that social networking has in creating and sustaining a business. While the influence of social networks on entrepreneurial success has been a debated topic for decades, it is a generally accepted supposition that social networks are a helpful tool in the establishment and sustainment of a business for entrepreneurs if used well. Kristiansen (2004) investigated this topic through two separate case studies; the first case study involved an African businessman who did not take advantage of the social networking opportunities around him. The second study focused on an Asian entrepreneur who was well connected and had seen great success in his company. Both men helped business operations in the same city at the same time but experienced notably different levels of profitability. Kristiansen (2004) attributed this success disparity to the extent to which the Asian businessman used his social connections to boost the profitability of his business. He was able to receive lower costs on goods through friends and was able to bring in customers because of his reputation. This entrepreneur supposedly had characteristics that allowed him to create a beneficial social network. He was perceived as worth the investments with which his social network were willing to benefit him. One might suggest that the Asian businessman had substantial social capital. In this article, social capital is defined by Kristiansen (2004) as “an attribute created in the interaction between people, which increases the strength and value of personal

qualities such as intelligence and work experience, and represents a resource for collective as well as individual action” (p. 1150). This social capital is directly related to the perceptions that others have of the entrepreneur. Access to social capital is significantly increased for those who are positively viewed by their professional and social counterparts. Developing oneself in a way that invites positive perceptions is an important tool in achieving social capital that can be used to increase one’s likelihood of being successful (Anderson, 2003). Necessary resources become more accessible through social ties that are created between individuals. Even financing for businesses can be obtained more easily for entrepreneurs who are able to create an enjoyable social experience for others in conversation and relationship (Scott and Cable, 2002). Because these resources have the potential to greatly improve a company’s wellbeing, the perceived desirability of investment in an entrepreneur is a significant factor to consider. The individual characteristics that decide the degree of this desirability must also be taken into account.

### **The Big Five Personality Traits**

Certain specific characteristics have been identified that help entrepreneurs establish social capital. Nga and Shamuganathan (2010) conducted a study of 200 individuals to see how certain personality traits influenced businesses. In their study, they chose to focus on the five-factor model of personality traits: agreeableness, conscientiousness, openness, neuroticism and extroversion. These traits are often referred to as the Big Five personality traits and have been studied extensively with application in a variety of industries. The following section will analyze each of these traits and the influence they have on the perceptions that others have of the entrepreneurs. The



influence of these perceptions on entrepreneurial success will subsequently be discussed.

After analyzing the results of their study, the authors found that agreeableness, conscientiousness and openness are generally positive personality traits for entrepreneurs to have when determining success and entrepreneurial tendencies. Specifically, agreeableness was found to correlate with success in all areas of social entrepreneurship. Agreeableness is a trait that reassures others of the ability of an individual to facilitate consensus among a group and remain trustworthy in the process (Ciavarella, Buchholtz, Riordan, Gatewood, & Stokes, 2004). When others view an entrepreneur as an individual that is easy to get along with, they are significantly more likely to be willing to invest in the development of relationship with that person. Within this relationship exists the potential to gain access to resources, experiences and connections that can benefit entrepreneurial endeavors short-term and long-term. The ability to be perceived as agreeable by a variety of individuals allows for an entrepreneur to develop social capital with a larger number and variety of people. These characteristics are very important in developing a social network and building social capital. If an entrepreneur is perceived as possessing these characteristics (especially agreeableness), they are more likely to be given the opportunity to build relationships that are essential to the growth and success of their businesses. Ciavarella et al. (2004) defines personality traits as permanent and defining characteristics of an individual. If these traits are defining, insincere characteristics are likely to undermine attempts to build social capital if relationships are built upon the perceived presence of those characteristics.

Within agreeableness, conscientiousness, and openness is the common thread of trust. Each carries its own connotations concerning what the entrepreneur is being trusted

with but both characteristics assure others of trustworthiness when present. The characteristic of agreeableness conveys to others that an individual is capable of facilitating cohesive relationships within an organization and in his or her own life. The observable mannerisms and tendencies that accompany agreeableness are good listening skills and patience. When others recognize that an individual is interested in what is being said to them, an agreeable personality is perceived. An additional observable tendency that suggests an agreeable disposition is the promotion of harmonious relationships between others (Caliendo & Kritikos, 2008). When these actions are seen, the observers often make positive assumptions concerning the entrepreneur and his or her business. To these observers, an agreeable personality indicates that an entrepreneur can be trusted to create a co-operative environment that will run smoothly. Because of the agreeable personality of the individual, it will be assumed that there are a minimal amount of active disputes in the social or professional lives of that entrepreneur. Agreeable entrepreneurs are more likely to be trusted to keep order and co-operation at high levels in the areas over which they preside. They are also perceived to be able to maintain stability and considerate of the needs and desires of stakeholders both inside and outside of their organizations (Ciavarella et al., 2004). Once this characteristic is perceived, a positive view of the entrepreneur is more likely to be developed, and potential investors are more likely to be willing to invest resources into the endeavors of that entrepreneur. In addition to attracting support from external sources, agreeableness within an organization creates an appealing corporate culture that attracts employees to a company. When employees feel that those they work with and for are concerned with their wellbeing, they are more likely to show a willingness to work hard for that

company. Agreeable leaders who strive to empower employees within their organizations emphasize the sense of personal importance. Mahembe & Engelbrecht (2014) found a statistically significant positive correlation between servant leadership and team effectiveness. Their research also found that employees were much more attracted to positions under employers who exhibited agreeable tendencies. . Employees trust that an agreeable boss will strive to maintain a company that cares for all within it and resolve all internal disputes and difficulties when possible. The encouragement of these perceptions helps companies maintain smooth operation and efficient execution of necessary tasks.

Conscientiousness, another of the Big Five personality traits, is less concerned with interpersonal communication and relationships; this characteristic focuses more on the way in which work is completed. Conscientious individuals are driven by a strong sense of responsibility, industriousness and need for achievement which promotes their dependability at work (Ciavarella et al., 2004). Trust is brought into the equation with conscientiousness because others who observe this characteristic as present and active have a tendency to believe that the individual who possesses this quality is qualified to handle the work with which he or she is presented. Many entrepreneurial individuals have difficulty carrying their ideas any further than the drawing board. Because of the tendencies of entrepreneurs to be overconfident, investors must be wary of grandiose ideas that are accompanied by lackadaisical planning and implementation. In order for promises to be implemented as projected, an entrepreneur must be responsible enough to plan accordingly and then follow their plans faithfully. A conscientious personality indicates to others that an entrepreneur is capable of following through with ideas by

implementing the necessary steps involved in achievement. Efficiency is the most observable quality of a conscientious entrepreneur. When an entrepreneur is seen habitually planning ahead and arriving on time, an increased trust in the capability of that entrepreneur is developed (Ciavarella et al., 2004). This conscientious behavior increases trust received from those inside and outside the company. For external stakeholders, an entrepreneur's incessant need to maintain high standards within his or her organization communicates that investments into that organization will be respected and protected at all costs. For those within an entrepreneur's company, conscientiousness acts as a reassurance that those in management are dedicated and willing to put in necessary time and effort to keep the company thriving. Employees are much more willing to work for an employer they trust, which makes conscientiousness an essential characteristic for entrepreneurs to exhibit. With trust comes stability that gives a company the ability to sustain growth long-term. Throughout the years, multiple companies have been undermined by lack of effort and willingness to work. With conscientious management, the chance of that type of downfall is eliminated.

The last Big Five personality trait discussed by Nga and Shamuganathan (2010) that related to entrepreneurial inclination was openness. This trait describes a tendency towards curiosity and creativity that often leads to revolutionary solutions. It is also described as openness to new experiences (Ciavarella et al., 2004). Openness is a common characteristic of entrepreneurs because of the creativity involved in developing new ideas that spark the creation of businesses. When looking for ventures to invest in, people often want to be amazed by the business in which they are investing. In order to create a business that leaves a lasting impression, a certain degree of creativity must be

present. For a business, this creativity has its genesis with the entrepreneur who started it. Entrepreneurs who exhibit openness come across to others as creatively minded and intellectually curious. Perceiving these characteristics in an entrepreneur gives assurance to investors that the product or service of that company will stand out among its competitors. Individuals tend to enjoy being a part of a revolutionary new idea or business venture, which makes the perception of the entrepreneurs as creative necessary. The openness trait causes an entrepreneur to stand out among others and therefore gain the attention of others. The danger of this characteristic is the fact that impulsivity is often associated with mannerisms of openness (Nga & Shamuganathan, 2010). An impulsive entrepreneur is less likely to have an organization that experiences long-term sustainability. For this reason, investors typically want to see the creative side of the openness paired with conscientious tendencies. Like agreeableness and conscientiousness, the attractive standing out draws positive attention from those in the company as well. Those under the direction and vision of an entrepreneur who exhibits openness are more likely to take pride in their work because of the novel nature of it. The opportunity to play a part in a unique business venture draws talent that supports the growth of that company. Potential employees are often drawn to a company where they believe that they will be able to express themselves creatively and see their ideas come to fruition. Creative problem solving has been found to typically come as a result of seeing creativity in the practices of management (Amabile, Conti, & Coon, 1996).

Extroversion is the next of the Big Five personality traits and is often a characteristic associated with entrepreneurs. While it was not deemed indicative of entrepreneurial tendency by Nga and Shamuganathan (2010), it still influences the way in

which others perceive entrepreneurs. The tendency of extroverted entrepreneurs to socialize with others often adds a charismatic element to their personalities. This charisma attracts others to the entrepreneur from inside and outside the company. A higher level of assertiveness is exhibited by extroverted entrepreneurs, which gains them more attention and gives them more opportunities for relationship building. According to Caliendo and Kritikis (2008), this assertiveness has a positive affect on success. When an entrepreneur is perceived as friendly and enjoyable, networking is made possible. As relationships grow, opportunities are made available as a result of the perceptions that others have of the entrepreneur. Extroverts also tend to show a greater ability to speak publically, which allows for greater positive perceptions from large groups of people at once. Although there are many positive aspects of extroverted entrepreneurs that can be utilized to optimize success likelihood, the characteristics of entrepreneurs are often perceived as overwhelming or overly talkative. Strong extroverts are known for showing off out of a need to be the center of attention (Ciavarella et al., 2004). Because of the excessive nature of entrepreneurs who exhibit extroversion, it is suggested that this characteristic is only beneficial to success likelihood when present in moderation. When entrepreneurs are perceived as only moderately extroverted, it is more likely that others will be interested in collaborating with that entrepreneur. When entrepreneurs are able to rein in their extroverted tendencies, others perceive that their own ideas will be heard and considered rather than being overshadowed by the ideas of the attention-hungry entrepreneur (Ankeny, 2015).

Finally, neuroticism is the last of the Big Five personality traits. While it has not been found to indicate interest in entrepreneurial inclinations, the presence of this

characteristic can have a strong and lasting effect on the success of an entrepreneur. The neuroticism of an entrepreneur refers to the emotional stability that the entrepreneur possesses. Those who are highly neurotic are more likely to experience mood swings and change their minds regularly (Nga & Shamuganathan, 2010). The opposite of this trait is emotional stability, which indicates that the opinions of others are unlikely to significantly change the objective and opinions of the entrepreneur. Emotional stability leads others to believe that an entrepreneur experience consistency of thought, intention, action, and emotion (Ciavarella et al., 2004). For those inside and outside the company, emotional stability is favorable over neuroticism because of the consistency that it brings. Low neuroticism shows investors that an entrepreneur is committed to the presented business plans and is willing to see projects through to fruition. Entrepreneurs who can maintain this emotional stability are less likely to make irrational decisions without consideration or exhibit poor judgment as a result of situational factors. With emotionally stable entrepreneur, assets are better protected and tactics remain consistent. Under the leadership of a neurotic entrepreneur, employees are unable to predict their work environment because of daily changes; this presents challenges that are undesirable to the vast majority. Instead, individuals prefer to be led by an entrepreneur they perceive as consistent and stable in emotional intensity. Stability in emotions is perceived as a sign of the way in which a business will be managed. For investors, neuroticism indicates that a business will be unstable and a high-risk investment.

### **Psychological Capital**

Other factors that influence the way that entrepreneurs are perceived is psychological capital. Psychological capital (also known as PsyCap) is an attribute

possessed by those who exhibit high levels of hope, optimism, efficacy and resilience. In order to measure the affects of the presence of Psycap on trust levels, Norman (2006) administered a survey to over 300 fully employed adults to find what characteristics caused them to view a leader in a positive light. Regardless of internal or external factors affecting those who were surveyed, they consistently reported higher trust levels for leaders who exhibited high psychological capital. Trust is established as one of the most essential factors for entrepreneurial success (Neace, 1999). A trustful perception of an entrepreneur is necessary for the development of profitable relationships with investors and is needed in order to establish positive relationships with employees. The need for trust was discussed and established in the previous section, and the presence of psychological capital is a way trust can be attained. The more PsyCap factors that were present in the study, the more the respondents trusted the individual. It is noted by Norman (2006) that entrepreneurs who are perceived as hopeful and optimistic are trusted because it is assumed that this hopeful optimism comes from having a set plan in place for achievement. Those who are observing will internally replicate the confidence that is exuded by these optimistic and hopeful entrepreneurs, which consequently makes the others more confident themselves. Exhibiting the psychological capital characteristics increased the likelihood that employees will perceive their superiors in a positive way. As noted before, the trust increases even more when efficacy and resilience are perceived. These two additional values indicate to others that an entrepreneur has the capabilities and willingness needed to complete his or her company's goals. The confidence that investors perceive in an entrepreneur has a direct correlation to the trust that exists concerning that entrepreneur (Norman, 2006).



Entrepreneurs who possess the traits that have been discussed will most likely develop a better reputation than those who lack them. Reputation is a very important factor in the starting and maintaining of a company, especially if funding is needed. With a positive reputation comes opportunity for the development of relationships with customers and investors that have heard positive reports concerning one's company. Scott and Cable (2002) surveyed 136 seed-stage investors who had made recent investments into entrepreneurial start-ups. Through analysis of the results, the author concludes that social ties are the most important way to build reputation with potential investors. When a direct tie exists between entrepreneurs and others, the characteristics described in the previous sections can be utilized to affect the direct perceptions of others. When there is no direct social tie between an entrepreneur and another person, reputation is likely to be the main influencer in the development of perceptions. It is important to note that reputation is often built through referrals made by those who have ties to the entrepreneur. Depending on the potential customer, investor or partner's opinion of the referrer, the information that is shared concerning an entrepreneur and his business can have significant impact. The opinions of referrers who are perceived to have trustworthy judgment are weighed much more heavily than the opinions of others (Blau, 1994); for this reason, the perceptions that others have of the referrers can have significant influence on entrepreneurial success. When attempting to build a reputation, entrepreneurs should consider the perceptions others have of those that are responsible for attempting to spread opinions. Reputation is identified as a key factor in increasing the likelihood that an investment will be made into an entrepreneur's venture creation. The perceptions of those who have experience with a specific entrepreneurial venture influence that venture's

success in a ripple effect by spreading their opinions to others. Potential customers and investors can be won or lost depending on the perceptions of those referring them.

Reputations are built upon perceptions, which have the power to influence an entrepreneur very positively or negatively; for this reason, the characteristics and traits perceived in an entrepreneur in initial encounters have lasting affects.

### **Chapter 5: Conclusion**

As entrepreneurship continues to grow and affect the economic structure of the world, it becomes increasingly important for entrepreneurs to know how they can gain a sustainable competitive advantage against others. Understanding the way that perceptions influence professional success can bring awareness to how actions can be taken to affect those perceptions positively. For maximum effectiveness, all areas of perceptions discussed in this work should be acknowledged. Recognizing the impact of all three areas helps to avoid weaknesses in one area that could counter the beneficial influences of the others. The hope of this work is that it will encourage entrepreneurs to learn from and act on moments of self-reflection in which they may realize opportunities for improvement.

Concerning the perceptions that entrepreneurs have of themselves, these can be a difficult perception to change because of the distortions that they can cause. For example, an overconfident entrepreneur may believe that he or she has no need for change in regards to self-perception and will then never pursue learning about the subject. For those who do choose to make an attempt to fix harmful self-perceptions, the key is often to develop realistic view of oneself. Because of the overconfident and narcissistic nature of the average entrepreneur, many potentially promising opportunities have been squandered in attempts to achieve recognition and praise. If an entrepreneur can realistically identify his or her own strengths and weaknesses, endeavors can be pursued that play to the strengths of the individual. In addition to this realistic view of oneself, an accurate understanding of essential entrepreneurial skill can help one prepare and train to the best of his or her abilities. Because general business practices are often mistaken for

entrepreneurial skills, many entrepreneurs feel confident about endeavors for which they are quite underprepared.

In addition to the perceptions that entrepreneurs have of themselves, the perceptions they have of their environments and those around them are also significant and have the ability to influence the success of the entrepreneur. As most people are aware, the perceptions that are held concerning opportunities impact success greatly. The ability to accurately perceive opportunities and the risk associated with those opportunities is a way that an individual may increase the likelihood of success. Accurate perceptions of opportunity and risk reduce the chances that ventures will be pursued that are unlikely to succeed. The perceptions of the opportunities are directly related to the perceptions held about the market environment. In order to have an accurate perception of the market environment, an entrepreneur must be aware of the trends and preferences of potential customers. Individuals who are able to predict the way the market will react with high accuracy is much more likely to be successful because they will know how to provide goods and services desired by others. Additionally, the perceived locus of control that entrepreneurs possess concerning their ability to influence outcomes has been found to correlate directly to the success that entrepreneurs have. When an entrepreneur sees his or her environment as responsible for success, there is a lower chance of success. Entrepreneurs need to be able to take responsibility for their actions so that they can pursue routes to correcting mistakes made in the past. Although entrepreneurs need to be able to recognize their hand in their own success, they also must realize the value of social networking. Those with whom an entrepreneur associates can have a lasting impact on an endeavor because of the resources that can be provided by certain relationships.

Knowing how others impact one's venture without crediting all success or failure to others is an essential understanding for entrepreneurs to develop. With the recognition of this impact of relationships comes the opportunity to correct detrimental practices or beliefs.

For both entrepreneur-side perceptions discussed in this work, accuracy of perception was found to be the most essential factor in deciding success; when it comes to the perceptions that others have of entrepreneurs, trust stands as the most prevalent and important theme. When deciding whether or not to interact with the business of an entrepreneur, others consider how much they trust that entrepreneur to protect their valued assets. For investors, this means that an entrepreneur must exhibit an ability to remain consistent and capable with their work while maintaining an agreeable demeanor. Entrepreneur must be able to convince others that they are creative enough to build a venture that can maintain a competitive advantage. When it comes to potential employees, entrepreneurs can exhibit tendencies and characteristics that are attractive to others. When an entrepreneur has a personality and company that draw others in, they are able to build a team that is passionate about their work and excited to be a part of a unique venture. An entrepreneur who will work hard with his or her employees, encourage creativity, and maintain order in the workplace is much more likely to succeed than entrepreneurs who are unable to do this.

### **Future Implications and Possibilities**

Using the framework developed in this thesis, it is believed that there are many implications for potential future studies. For example, individual entrepreneurs who exhibit the traits mentioned in this thesis could be examined in a case study and studied in

depth. Such a thorough study method could reveal information more directly because of the intentionality that would be involved. Having these specific traits in mind when studying entrepreneurs would allow more specific and accurate results to be found that could then be applied to entrepreneurial education for the future. With a concrete understanding of how perceptions influence entrepreneurs and their success potential, educators and professionals would be better equipped to assess the landscape of entrepreneurialism. Educators would be better able to instruct potential or current entrepreneurs on characteristics and patterns to pay attention to when going into the workforce. Contrariwise, the results of these tests would have the ability to give entrepreneurs insights concerning helpful perceptions that can be used and developed to increase business success. The results of these tests could be followed up with training on ways to procure entrepreneurial perceptions so that those who start their own businesses would be better mentally equipped to handle the needs of their businesses. When the perceptions of entrepreneurs are appropriately trained and educated, the entrepreneurial workforce will begin to see diminishing failure rates.

In addition to providing education and evaluations for the entrepreneurs, training could also be given to others, especially those who are likely to encounter entrepreneurs on a regular basis. Through this education, individuals could be made aware of the effects of perceptions on entrepreneurial success. In this way, a perceptual framework could be developed that would increase the likelihood of success for entrepreneurs. By recognizing the importance of supporting entrepreneurs and investing in those who exhibit favorable characteristics such as psychological capital and the “Big Five” personality traits, consumers can recognize what to look for when purchasing goods and services.

Entrepreneurs and their clienteles could be complimentarily educated in order to create a cohesive professional environment in which entrepreneurs are better equipped to thrive and are provided with support from others.

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