Who becomes an entrepreneur?

Early life experiences as predictors of entrepreneurship

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“I always felt I'd have my own business. . . I never wanted to be a rocket scientist or a football player...You don't 'want' to be an entrepreneur. People call you an entrepreneur in recognition of what you've done - I was a salesman - wheeling and dealing and trading.”

Sir Alan Sugar, Interview in The Times, 2008
Introduction

- Biographies and anecdotes from successful entrepreneurs suggest that they are different from other employers and that this is evident early.

- However, while many agree that there is an association between early qualities of individuals and their later work performance (e.g. Dyer, 1994), in the case of entrepreneurship the evidence has been scarce.

- Across many countries, today’s young people are facing a job situation characterised by high (and rising) unemployment rates, changes in education policy, high uncertainty, part-time and temporary contracts.

- Studies of entrepreneurial activity suggest it can promote innovation and thus create new jobs.

- Understanding patterns into and profiles of entrepreneurial behaviour is thus a highly topical area of interest given the current fiscal climate and emphasis on the private sector to stimulate growth.
Theoretical framework

- The Trait Approach
  - The assumption that “the choice of vocation is an expression of personality”
  - Holland’s “Type E” – the Entrepreneurial Personality
  - Based on the Big Five and is marked by high extraversion, openness for experience, conscientiousness, and low agreeableness and neuroticism

- The economic approach focuses more on the micro-economic determinants of self-employment and the economic conditions required to foster entrepreneurial behaviour
  - Regional and countrywide variation
  - Lack of capital / receipt of lump sum inheritance or gift
Overview of previous literature

- Both economic and psychological evidence finds that an important determinant of being self-employed is having a self-employed parent
  
  (Broussard et al., 2003; Dunn & Holtz-Eakin, 2000; Hisrich & Brush, 1986)

- Vocational interests and aspirations are good predictors of later occupational choices
  
  (Schoon, 2001; Schoon & Parsons, 2002; Trice & McClellan, 1993)

- Continuity in entrepreneurial intention and entrepreneurial agency
  
  (Obschonka, Silbereisen & Schmitt-Rodermund, 2010)

- Entrepreneurs have been shown to be more risk-taking and are more likely to be male
  
  (Busenitz, 1999; Miner et al., 1994)
Overview of previous literature

- Research also suggests that authoritative parenting may be of particular importance for the development of expectations about entrepreneurial skills
  
  (Schmitt-Rodermund, 2004)

- In adulthood, evidence suggests that self-employed individuals report better well-being in adulthood: higher levels of both job and life satisfaction than employees of identical personal characteristics
  
  (Blanchflower & Oswald, 2004, 2007)

- Yet despite the importance of middle childhood skills and capabilities in predicting a host of adult outcomes, this developmental perspective has not been applied to the study of entrepreneurial agency
  
  (Duncan et al., forthcoming; Feinstein & Bynner, 2004; Huston & Ripke, 2006)
Aims of the current study:
Toward a development-contextual understanding of entrepreneurial agency
Aims of the current study:

- This study aims to identify possible precursors of an entrepreneurial career in middle childhood as well as adolescence.

- Using a longitudinal approach, following individuals from birth, we examine the predictors of self employment by age 34.

- We differentiate pathways associated with entrepreneurship in general and successful entrepreneurship.

- Build on previous research by adopting a life course perspective to entrepreneurship.
  - Type of data: longitudinal / multi-source
  - Issues of reverse causality
Data

- 1970 British Cohort Study
  - Socio-demographic characteristics measured at birth
  - Cognitive achievement, behaviours, self concept and control beliefs in middle childhood measured at age 10
  - Parenting, attitudes and aspirations measured at age 16
  - Economic activity measured at age 34

- Entrepreneurship defined in simple terms as individuals who are self-employed:
  - “Those who have made a job for themselves, and often for others”
    (Blanchflower, Oswald, & Stutzer, 2000)
  - Focussing on those who own their own business
Entrepreneurs in the BCS in 2004

- Our original sample from the age 34 sweep comprises:
  - In employment: 8,013
  - Unemployed: 193
  - Not in economic activity: 1,430

- Of those in employment, 960 individuals are self-employed (794 full-time, 166 part-time)
  - 12% of the economically active sample
  - Contextual comparison: In the UK, self-employment rates among workers only averaged over the period 2001-6 were 11% for those over the age of 25 and 7% under 25

- Our sample of entrepreneurs, i.e. those in full-time, self-employment who own their own business, is 561
  - Male = 432; Female = 121
## Characteristics of entrepreneurs

<table>
<thead>
<tr>
<th>Age 5: Copying</th>
<th>Entrepreneurs</th>
<th>Non-entrepreneurs</th>
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<tbody>
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<td>CM’s parent was self-employed</td>
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<td>CM expects to be in same job next year</td>
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<tr>
<td>Gross annual wages (Net)</td>
<td>£33,667</td>
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<td>CM reports having had financial difficulties</td>
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Predicting entrepreneurship

- Individuals from higher SES families and those from entrepreneurial backgrounds are more likely to themselves be entrepreneurs.

- Achievement doesn’t predict entrepreneurship, but teacher ratings of general knowledge do.

- Those with stronger peer relations and higher self-esteem are more likely to become entrepreneurs.

- Entrepreneurial values and intentions are evident in adolescence.

<table>
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<th>Fathers’ SES (ref: low)</th>
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<tr>
<td>Middle SES</td>
<td>1.03</td>
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<tr>
<td>High SES</td>
<td>1.70***</td>
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<td>Age 10 measures:</td>
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<td>Reading</td>
<td>.95</td>
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<td>High general knowledge</td>
<td>.69**</td>
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<tr>
<td>Peer relations / social skills</td>
<td>1.14*</td>
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<tr>
<td>Inattention / poor self-regulation</td>
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<td>Locus of control</td>
<td>.92</td>
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| Age 16 measures:               |     |
| School motivation              | 1.03|

| Age 16 work values:            |     |
| Wants to work for myself       | 1.16*|
| Want to get trained for trade/profession | 1.09 |
| To make or build things        | 1.05|
| Don't want to be bossed around | 1.04|
| CM has family business contacts| 1.46†|
| CM knows what job they want to do: Other | 1.28*|
| CM parents are strict          | 1.00|
| CM parents are warm/accepting | .83 |
| CM smokes                       | 1.13|

| CM age 16 - 28 work histories:|     |
| Months in full-time employment | 1.00|
| Months out of the labour force | 1.00|
| Months in full-time education  | 1.00|
| Female                         | .35***|
Successful entrepreneurship
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Successful entrepreneurship

"I have always found that my view of success has been iconoclastic: success to me is not about money or status or fame, it's about finding a livelihood that brings me joy and self-sufficiency and a sense of contributing to the world”

- Anita Roddick, Founder of The Body Shop
Successful entrepreneurship

- In this study, successful entrepreneurs are defined by indicators of income level (making a profit), time in self employment, and having their own employees.
  - Splits the sample of 561 entrepreneurs into 113 “successful entrepreneurs” and 448 others.
  - Male = 89; Female = 24.
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Predicting successful entrepreneurial activity

In predicting who becomes a successful entrepreneur, the only factor that differentiates the two is anti-social/aggressive behaviour. That is those who are rated as more aggressive, are more successful in their entrepreneurial endeavours.

“A good leader is not necessarily the most popular person in their business, but the best ones are liked because they are respected for their clarity and vision”

Sir Alan Sugar
Conclusions

- Replicate the findings of many previous studies
- Highlight the intergenerational transmission of entrepreneurial values and a clear career focus on being productive (which is manifest already by age 16) as being crucial in predicting who becomes an entrepreneur
- Demonstrate that the characteristics of entrepreneurs are evident during childhood
- Bright, but academically disengaged young people – even by age 10
- To facilitate adaptive vocational development, societies and their education systems need to prepare young people for this future – possibly through promotion of early entrepreneurial competence
Next steps

- Defining “entrepreneurship”
  - There is no generic definition of the entrepreneur
  - Moreover, entrepreneurs are unlikely to be a homogenous group
  - Requires methodologies and techniques that do justice to the complexity of entrepreneurship
Next steps

- Defining “entrepreneurship”
- Understanding what it is entrepreneurs actually do
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- Examples from the string data in the BCS
  - Crossword compiler
  - Bricklayer
  - Company Director
  - Farmer
  - Dentist
  - Photographer
  - Shop owner
  - Wedding planner
  - Freelance aerospace engineer
  - Golf professional
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- Changing socio-historical context and the impact of the recession
Thank you

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