The Proactive Personality Disposition and Entrepreneurial Behavior among Small Company Presidents
by Richard C. Becherer and John G. Maurer

Using a sample of 215 small company presidents, this study examined the relationship of the president's proactivity disposition to his/her entrepreneurial behavior. Entrepreneurial behavior was measured in terms of starting versus not starting the business, the number of startups, and the types of ownership (start, purchase, inherit). The relationships of proactivity to the firm's entrepreneurial posture, its performance, and the extent of the president's delegation of authority were also examined. The president's level of proactivity was related to each of three types of entrepreneurial behavior. Proactivity was directly and significantly related to the entrepreneurial posture of the firm and to change in sales of the firm. No relationship was found between proactivity and change in profits or delegation-of-authority style.

Much of the effort to understand entrepreneurship and new venture creation has focused on the characteristics of individual entrepreneurs. From the early work of McClelland (1961) which focused on the need for achievement as a personality characteristic of entrepreneurs, the field has examined a number of different traits like locus of control, propensity to take risks, personal values, and tolerance for ambiguity in a variety of different studies (see for example, Hornaday and Aboud 1971; Timmons 1978; Brockhaus 1980; Brockhaus and Horwitz 1986; Carland, Hoy, and Carland 1988; Hebert and Bass 1995). This trait-oriented line of research has come under fire as "inadequate to explain the phenomenon of entrepreneurship" (Gartner 1988, p. 12).

As the preoccupation with individual traits has been de-emphasized, several other elements of entrepreneurship have been proposed to define the entrepreneur. "Behavior" has been argued as the best method to identify an entrepreneur (Gartner 1994), and it is suggested that founding a business is one behavior which certainly defines entrepreneurship (Stewart, Carland, and Carland 1996). Another type of behavior which has been linked to entrepreneurial activity is strategic planning (Olsen 1985), as entrepreneurs plan in more depth than small business owners (Carland et al. 1984). Other studies have identified a number of elements that define entrepreneurship and entrepreneurial behavior including: leadership and dimensions of teamwork, organizational creation, opportunity recognition, innovation, risk assumption, marshaling of resources, and the creation of value (Stearns and Hills 1996). While

Dr. Becherer is the Clarence E. Harris Chair of Excellence in Business and Entrepreneurship at the University of Tennessee at Chattanooga. His research interests are in entrepreneurship and marketing issues in health care delivery systems.

Dr. Maurer is a professor of management at Wayne State University in Detroit, Michigan. His research interests are small business, organization theory, and strategy.
many studies have enumerated the wide variety of elements that may define an entrepreneur, it has recently been posited that perhaps we can identify several types of entrepreneurs (Stewart, Carland, and Carlard 1996).

This variety of perspectives is best understood through the integrative approaches that have recently evolved to explain entrepreneurial behavior. They suggest that entrepreneurship is an activity that can only be understood by simultaneously combining several of the individual elements of the phenomenon. A model developed by Gartner (1985) integrated four major dimensions of entrepreneurship: characteristics of the individual who starts the venture, the organization which is created, the environment surrounding the new venture, and the process by which the new venture is started. He emphasizes that it is the interaction of these variables that result in varying patterns of new business creation.

Shaver and Scott’s (1991) psychological model based on the person, the process, and the choices also attempts to explain entrepreneurial activity in terms of variable interaction. In their theoretical framework, these researchers strongly reject the solo role of “personological” approaches to understanding entrepreneurship and propose that we must also understand both how the external environment is perceived in the mind of the potential entrepreneur (the process of social cognition) and whether the person chooses to act. They emphasize that it is critical to understand how cognitive representations in the mind of the potential entrepreneur get translated into action.

More recently, other models have been developed which recognize the importance of the interaction among several variables. Herron and Sapienza (1992) propose a model of new venture creation which links individual traits with the situational context experienced by the potential entrepreneur. Similarly, the role of personal characteristics interacting with perceptions of situational factors serve as the basis for a model of entrepreneurial motivation developed by Naffziger, Hornsby, and Kuratko (1994). All of these recent multi-dimensional models reflect the importance of the interface between the environment or situation and the personal characteristics of the potential entrepreneur in understanding the process of venture creation. While these multidimensional and interactive models of entrepreneurship do not discount the role of individual traits, they do emphasize the need to also include the environment or context as perceived by the potential entrepreneur.

While criticizing much of the methodology and operationalization of variables in entrepreneurial research, the work of Woo, Daellenbach, and Nicholls-Nixon (1994) presents an interesting perspective which proposes an even more dominant role for the way the potential entrepreneur interprets and approaches the environment. Their perspective parallels Glade’s (1967) in that the success of an organization is viewed as dependent on the capacity of the entrepreneur to perceive and act on opportunities embedded in the objective environment.

From this point of view, the prospective entrepreneur’s interpretation of the environment is also moderated by his/her beliefs about the environment (Daft and Weick 1984). When the environment is believed to be “concrete, measurable and determinant,” the entrepreneur uses analysis and data collection to discover the “right” combination. On the other hand, a non-deterministic view of the environment invokes intuition, rule breaking, and qualitative factors to achieve success. Hence, these two perspectives on the interface with the environment represent the polar extremes of the potential entrepreneur’s action orientation. This entrepreneurial process, as envisioned by these theorists, is governed by experimentation and learning, and is strongly influenced by random events (for example, luck). The nature of the experimentation and the resultant learning by the potential entrepreneur are influenced by the way the traits of the individual relate to his/her percep-
tion of the environment. These variables determine the potential entrepreneurs' approach to the environment in terms of the actions that they take.

Proactivity

With this multi-dimensional and interactive framework as a model of the entrepreneurial process, a variable of potential interest is a personal disposition toward proactive behavior, defined as the extent to which people "...take action to influence their environments" (Bateman and Crant 1993, p. 103). This construct emerges from the work of the interactionist research, which holds that person, environments, and behaviors represent interdependent and reciprocal causal relationships (Bowers 1973; Schneider 1983). To some extent they believe that individuals create their own environments.

As an entrepreneurial disposition, proactivity is very appealing. It represents a construct at the interface between the potential entrepreneur's individual orientation and his/her view of the environment. The proactive personality as defined by Bateman and Crant (1993) is one who in relative terms is not constrained by the situation and who causes environmental change. Proactive individuals are said to "...scan for opportunities, show initiative, take action, and persevere until they reach closure by bringing about change" (Bateman and Crant 1993, p. 105).

Not only does proactivity represent an action-oriented variable which appears to blend the individual trait- and environmental-context approaches of many of the entrepreneurial process models, but the construct also parallels many definitions of entrepreneurship. Timmons (1994, p. 7) defines an entrepreneur as someone who "pursues an opportunity regardless of the resources they control." This certainly fits the proactivity definition of "...one who is relatively unconstrained by situational forces..." (Bateman and Crant 1993, p. 105). Similarly, perseverance is an important aspect of the entrepreneurial process, and change is certainly an aspect of every new venture start-up.

The Research

The conceptual and theoretical literature review presented above suggests that proactivity with its emphasis on how people influence their environments may be an important variable in understanding entrepreneurial behavior. Not only does it fit the emerging models of entrepreneurship, but it also would appear to be a broad individual construct which might be exhibited through entrepreneurial behavior, such as starting a business.

It is the purpose of this research to investigate the relationship between proactivity and entrepreneurial behavior. This is a relationship that has not been examined in other studies. The interface between the individual and his/her approach to the environment may be understood better through a disposition to be proactive. Using a sample of small company presidents, the individual proactivity of the presidents will be related to the entrepreneurial orientation of the organizations they manage as well as to the performance of the firm in terms of both sales growth and growth in profits. Additionally, this article will examine the proactivity of the presidents relative to how their firm was created.

A secondary interest of the research is the managerial style of the president, as proactivity suggests a "hands-on" approach. It is hypothesized that presidents who tend to be more proactive are more likely to be involved in both the day-to-day and long-term decisions of the firm.

Hypotheses

Based on the discussion above, we expect that proactivity and entrepreneurial behavior are directly related. Thus:

\[ H_1: \text{The proactivity disposition of a company president is directly related to the entrepreneurial posture of the firm he or she manages.} \]

Since proactive company presidents are more likely to scan their environment for opportunities and to take action, the performance of the organiza-
tions they manage should reflect this behavior. Crant (1995) found that proactivity was associated with the objective job performance of real estate agents. Thus:

1. The proactivity disposition of a company president is directly related to the change in sales of the firm he or she manages.

2. The proactivity disposition of a company president is directly related to the change in profits of the firm he or she manages.

Since proactive individuals are more likely to engage in entrepreneurial behavior:

3. There is a significant difference in the proactivity disposition between company presidents who have started a business versus those who have not started a business.

4. There is a significant difference among company presidents on the proactivity disposition relative to the number of businesses they have started.

Proactivity may be related to different types and levels of entrepreneurial or managerial behavior, thus:

5. There is a significant difference in the proactivity disposition between company presidents who started their businesses versus those who purchased or inherited their businesses.

6. There is a significant difference in the proactive disposition between company presidents who make most of the significant day-to-day managerial decisions in their firm versus those who share or do not make these decisions.

7. There is a significant difference in proactive disposition between company presidents who make most of the long-term strategic decisions in their firm versus those who share or do not make these decisions.

Data Collection and Methodology

The data were collected by questionnaires mailed to 683 small business presidents located in a large Midwestern metropolitan area. These respondents were drawn from a list of firms who had previously participated in a university Small Business Institute consulting program over a twelve-year period. Many of these firms had grown and matured over time. To attempt to make the sample more comprehensive, over a several-year time period additional startup and small businesses were added to the mailing list. While this may represent a convenience sample, it is certainly diverse and characteristic of many different types of small businesses.

The data collection procedure included an initial postcard alerting the respondent to the study and two subsequent mailings of the questionnaire and return envelope. There were a total of 215 usable responses, for a response rate of 31 percent. Non-response bias was investigated by comparing the first 25 percent of the responses with the last 25 percent of the responses that were received. No significant differences were found for several demographic characteristics such as the age of the firm or the number of employees in the firm. A t-test was also used to compare the early and late respondents for each of the research variables. Again, this analysis revealed no significant difference. These results suggest that non-response bias is probably not an issue in the sample.

The respondent small company presidents were 79 percent male. Companies had median characteristics of $3.5 million in sales, 22 employees, and were on average 15 years old. The sample was quite diverse, in that the scope of operation ranged from local to international, and sales were $10 million at only the 75th percentile.

Measures

Proactive personality. Proactivity was measured using a 17-item scale developed by Bateman and Crant (1993). Responses are based on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). These items were summed to produce a proactive personality score. A sample item is, "No
matter what the odds, if I believe in something, I will make it happen.”

The scale demonstrated a coefficient alpha of .88, indicating very high internal consistency. Bateman and Crant (1993) and Crant (1995) both provide evidence of acceptable psychometric properties for the proactivity scale. Bateman and Crant (1993) demonstrated the unidimensionality of the scale through three factor analytic studies. They also provided evidence of both convergent and discriminant validity through correlation data. The data in both studies also provide considerable evidence of criterion validity.

**Entrepreneurial posture.** To measure the entrepreneurial posture of the firms from the perspective of the company president, a nine-item Likert scale adapted from Covin and Slevin (1989) was used. While the original scale uses a semantic differential, it was determined that a Likert scale was more suitable for this research. The scale exhibited a coefficient alpha of .87. In a similar scaling format, Miles and Arnold (1991) performed a confirmatory factor analysis to establish construct validity. Thus, the entrepreneurial posture scale has been used and validated in other settings. Sample items are: “We have an emphasis on innovation and R&D” and “We feel that our environment requires boldness to achieve objectives.”

**Change in sales.** This performance measure asked the company president to indicate the change in annual sales as a percentage compared to three years ago. The coded data included positive and negative percentages, as well as no change.

**Change in profits.** Similar to sales (above), the company president was asked to indicate the change in annual profits compared to three years ago. Positive, negative, and no change responses were coded.

**Day-to-day decisions.** Respondents were asked to indicate whether they make, share, or do not make most significant day-to-day managerial decisions like hiring, credit, or purchasing.

**Long-term decisions.** Respondents were asked to indicate whether they make, share, or do not make most significant long-term strategic decisions like expansion, new products or services, or major financial commitments.

To measure whether the respondents had engaged in entrepreneurial behavior, they were asked if they owned the business, and if so, how they became the owner of the business. Forty-nine percent of the sample started the business, 20 percent had purchased the business, and 13 percent had inherited it. The remaining presidents were managing the business for other ownership. Respon-
dents were also asked how many businesses they had started.

Results

To investigate the first hypothesis ($H_1$), that the proactivity of a company president is directly related to the entrepreneurial posture of his or her firm, correlation analysis was utilized. As indicated in Table 1, proactivity and the firm's entrepreneurial posture are significantly and directly interrelated. With a correlation of $r = .33$, significant at $p \leq .01$, there is support for the first hypothesis.

Regarding the performance of the firm, the next two hypotheses ($H_2$ and $H_3$) were also tested with correlation analysis. As indicated in Table 1, the proactivity orientation of the company president is positively correlated with higher, positive changes in company sales (with $r = .17$, significant at $p \leq .01$). For change in profits, however, this relationship was not significant. There is not a significant correlation between change in profits and proactivity. Thus, support exists for $H_2$, but not for $H_3$.

The data in Table 2 present mean average proactivity scores for several different variables. To test the fourth hypothesis ($H_4$), analysis of variance (ANOVA) was run relating the proactivity scores of company presidents to the number of businesses they had started. The difference among the means was statistically significant ($F = 3.66, p \leq .05$). Moreover, those who have started more businesses have higher proactivity dispositions ($H_5$). Thus, $H_4$ and $H_5$ are supported.

An ANOVA test relating the proactivity scores of company presidents in three different categories of ownership was used to test $H_6$. The first category of ownership (those who had started the business) had the highest level of proactivity, followed by those who had purchased the business, and then those who had either inherited it or who only manage the organization. With a highly sig-

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean Proactivity</th>
<th>$F$-Ratio</th>
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<tbody>
<tr>
<td>Number of Businesses Started</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>84.9</td>
<td></td>
</tr>
<tr>
<td>1-2</td>
<td>92.5</td>
<td>3.66*</td>
</tr>
<tr>
<td>3 or more</td>
<td>92.8</td>
<td></td>
</tr>
<tr>
<td>Ownership of Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Started the Business</td>
<td>93.6</td>
<td></td>
</tr>
<tr>
<td>Purchased the Business</td>
<td>90.6</td>
<td>4.38**</td>
</tr>
<tr>
<td>Inherited or Manage Business</td>
<td>85.5</td>
<td></td>
</tr>
<tr>
<td>Day-to-Day Decisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make</td>
<td>91.6</td>
<td></td>
</tr>
<tr>
<td>Share</td>
<td>91.1</td>
<td>1.05</td>
</tr>
<tr>
<td>Do not make</td>
<td>81.3</td>
<td></td>
</tr>
</tbody>
</table>

* $p \leq .05$
** $p \leq .01$
significant F-ratio \((F = 4.38, \ p \leq .01)\), there is support for \(H_G\). Thus, company presidents with a higher disposition toward proactivity are most likely to have started their businesses, and secondarily, likely to have purchased it.

The remaining hypotheses \((H_7\) and \(H_8)\) were tested with ANOVA regarding the proactivity scores for the presidents and their managerial style relative to day-to-day and long-term decisions. As is indicated in Table 2, there were no significant differences in the proactivity dispositions among company presidents who have different types of involvement in the business. Since there is no relationship between their level of proactivity and their involvement in day-to-day or long-term decisions, hypotheses \(H_7\) and \(H_8\) are not supported.

**Discussion and Conclusions**

The results of this study indicate that a proactive personality disposition is related to entrepreneurship. There are a number of facets involved in this relationship. First, among company presidents, a more proactive approach in top management is reflected in the reported entrepreneurial posture of the firm. Since proactivity reflects the individual's orientation toward the environment, a more proactive president creates an organization that scans for opportunities and takes a bold and aggressive approach to the market. Reflecting the interactionist perspective (Bowers 1973; Schneider 1983), the proactive president uses his or her firm to actively shape the environment.

Second, the proactive disposition of the president exhibited a significant direct relationship with change in sales. This suggests that proactive leaders are aggressively growing the firm as a strategic approach to the marketplace. The fact that proactivity was not related to a change in profit, however, may indicate that a profitable organization needs more refined management. Concentrating solely on a bold, aggressive approach alone may not be sufficient to impact the bottom line. This is supported somewhat by the finding that change in profits is significantly and directly related to the entrepreneurial posture of the firm (see Table 1).

The linkage between a proactive personality and new business start-ups was very apparent. Not only are more proactive individuals more likely to have started their businesses, but they are also likely to start more new businesses. While these results are intuitive, it is interesting that the data so clearly demonstrate that entrepreneurial pursuits are a way proactive individuals act out their aggressive approach to their environment. Perhaps the proactive personality is a necessary but not sufficient condition for new venture creation.

The fact that proactivity was not associated with the centralized/decentralized decision-making style of the president in either day-to-day managerial and long-term strategic decision-making is interesting. This may suggest that a proactive personality disposition is exclusively a "big picture," externally-oriented phenomenon and not related to organizational structure and process. Thus, those who delegate day-to-day decisions may exhibit higher proactivity scores, while those who delegate long-term strategic decisions may exhibit lower proactivity scores.

Several directions emerge for future research. The process by which proactive personality disposition impacts the entrepreneurial posture of the firm is an important question. The leader may create an organizational structure or climate which reflects his or her personal style, and this posture may, in turn, impact the entrepreneurial posture of the firm. In addition to intervening variables, the possibility of the existence of moderator variables in the proactivity-performance relationship should be explored. For example, environmental hostility (Covin and Slevin 1989) may moderate the proactivity-firm performance relationship. If entrepreneurial behavior is approached from a field-theoretic perspective — that is, as a function of both personal and environmental characteristics — objective measures of the firm's inter-
nal and external environment must be utilized.

Additionally, the linkages between a proactive personality disposition and actions must be examined. More research is needed to determine what degree of proactivity is required and to discover those variables which interact with proactivity to cause entrepreneurial behavior. This would help in screening potential candidates for entrepreneurial projects, and training individuals for more efficient and effective new business start-ups.

Several caveats are in order. The cross-sectional research design does not permit the inference of cause-effect relationships. Longitudinal research designs are needed to establish the direction of causality. Because all the variables are self-report measures, common-method variance is also a possibility. Generalizing the findings must be done with caution. Other samples in other industries and geographical locations are needed, and differences in the intensity of competition and in general economic climate may be important control variables. Objective measures of firm performance should be incorporated into future studies, as well as an expanded view of performance to include such things as innovation and product or service quality.

While the proactive personality disposition is a personal orientation, it appears to go beyond the notion of a trait because of its “action” dimension. Future research may learn more about the situations in which the proactive individual is channeled into entrepreneurial action versus the myriad of other actions that could be initiated.

References


