Original Research Article

Effect of entrepreneurial characteristics on decision making process

ABSTRACT

The main objective of the paper is to examine the effect of entrepreneurial characteristics on decision making process. The research was conducted with 120 entrepreneurs from sago cluster in Tamil Nadu. As the result of analyses, Sago entrepreneur's risk propensity have positive effect of formalized decision making process controlling environment dynamism. Results show that entrepreneurs with locus of control favor more formalized process. Results show also show that optimistic entrepreneurs follow more rule formalization in dynamic environment. According to findings, it can be suggested that aggressive and proactive entrepreneurs also tend to follow more rule formalization in dynamic environment. Nevertheless, result show sago entrepreneurs with innovativeness tend to make rational decisions while following rule formalization. Furthermore, result of analyses it is seen that entrepreneurial characteristics matter more in decision making process.

Keywords: Entrepreneurs, Entrepreneurial Characteristics, Sago Industries, Decision Making Process

1. INTRODUCTION

Entrepreneurial decisions made by small and medium-sized businesses form the heart of entrepreneurship and are thus critical to the economy's dynamics. The decisions made are influenced by the decision-maker's personality traits. According to Gibcus, Vermeulen, and Radulova (2008), entrepreneurs tend to overestimate their chances of success and generalize too easily from their limited experience. Entrepreneurs who have an internal locus of control are more likely to be self-assured, creative, and alert, find opportunities, and closely examine their surroundings to gather

data for formulating the best strategy for developing those opportunities (Ivanova & Gibcus, 2003). Entrepreneurial behavior implies that they frequently base their decisions on subjective criteria and that they are likely to be optimistic. Due of their aggressive and proactive behavior, entrepreneurs claim to conduct in a competitive manner. Therefore, this study answers the question whether entrepreneurial characteristics influence decision making.

2. REVIEW OF LITERATURE

Papadakis, Lioukas, and Chambers (1998) described Risk propensity, or the psychological inclination of people to display varied degrees of risk-taking or risk-avoidance behavior, characterizes a person's attitude toward risk. It is seen as a crucial trait for anticipating organizational outcomes and processes. Additionally, it is an important factor in management decision-making. **Weisskopf (1962)** described Individuals with high need for achievement appeared to be ambitious, hardworking, and characteristic of people who made quick and innovative decisions; nonetheless, they looked to be driven by a desire to influence and control the context in which they function. According **McClelland (1961)** to In order to classify individuals along a continuum from very internal to very external, the term "locus of control" refers to the widespread view that a person can or cannot influence his or her own fate. Having this quality will help you uncover opportunities and carefully examine surroundings to gather the data you need to create the best strategy for taking advantage of those opportunities. **Palich and Ray Bagby (1995)** Defined optimism as “a general attitude of expecting the best in everything”. Entrepreneurs tend to be optimistic and typically base their decisions on subjective criteria. According to **Bazerman (1999)**, people who exhibit competitive conduct want to win while also believing that their actions will somehow lessen the wellbeing of others as a result. According to **Schumpeter (2006)**, the innovator who brings about change in markets is the entrepreneur. As a result, the entrepreneur disturbs the market's equilibrium by making entrepreneurial decisions. **Gibcus, Vermeulen, and de Jong (2004)** investigation of the SMEs' decision-making process. A typology of decision-makers in small organizations was established using data from a database of 646 companies across eight industries. There are five distinct categories of decision-makers: busy bees, lone rangers, uncertain minds, informers' pals, and daredevils. **Goll and Rasheed (2005)** explored the link between firm success, top management demographics, Rational decision-making, and environmental generosity. Results point to the function of environmental generosity as a moderator in the relationship between decision-making and organizational success, as well as the influence of top management demographic traits on decision-making. **Ürü, Çalıskan, Atan, and Aksu (2011)** investigated how women entrepreneurs' entrepreneurial traits affected the aspects of their strategic decision-making (SDM) process. Results indicate that in dynamic circumstances, female entrepreneurs with a high demand for success have a propensity to centralize power and make less reasonable decisions. The findings of investigations show that female entrepreneurs who have an internal locus of control are more prone to support codified procedures and centralization and to make less logical decisions. The

findings also indicate that upbeat female business owners make reasonable decisions more often than not, but in dynamic circumstances, they follow more formalized rules. Findings imply that women entrepreneurs make fewer logical decisions as a result of their assertive and proactive behavior. **Musso and Francioni (2012)** explored the connection between international SME decision makers' characteristics and decision-making processes. Foreign experience, nationality, and competence were factors in decision-making, as well as the choice of entry mode and international market were factors in decision making process. The findings showed a significant correlation between decision-maker characteristics and two crucial stages of the international strategic decision-making process, namely the selection of international markets and entry modes. **Deligianni, Dimitratos, Petrou, and Aharoni (2016)** investigates the relationship between entrepreneurial orientation (EO) and the firm's international performance (IP), while taking into account the limiting effects of decision-making rationality (DR). According to the findings, entrepreneurs can enhance International Performance by incorporating Entrepreneurial Orientation and rational (analytical) methods into their strategic choices.

3. METHODOLOGY

3.1 Main objective and scope of the research

The main objective of this research is to examine the effect of entrepreneurial characteristics on decision making process. This research comprises of entrepreneurs in sago cluster in Tamil Nadu.

3.2 Data Collection method

Research sample consisted of 120 sago cluster entrepreneurs. Post stratified sampling method was adopted for selection of sample from three district in Tamil Nadu. Data were collected through structured questionnaire.

3.3 Measures

The primary data for the study were collected from the sample respondents in the selected sago units. The background of the study was briefly explained to the entrepreneurs to help them understand better and ensure their co-operation. In this study the Entrepreneurial Characteristics were examined on each decision making process. The Entrepreneurial characteristics adopted for this were Risk propensity, Locus of Control, Optimism, and Competitiveness (Ivanova & Gibcus, 2003; Ürü et al., 2011). The decision making process were Formalization (Dean Jr & Sharfman, 1993; Hough & White, 2003; Ürü et al., 2011).

3.4 Analyses

In accordance with the study's objectives, the following statistical analyses were carried out using the SPSS 21.0 statistical software. First, reliability analyses using Cronbach's Alpha were carried out to identify the scales' internal consistency. Additionally, construct validity were carried out in next step. Exploratory Factor Analysis (EFA) was used to check the adaption of scales for valid factor structures in order to verify construct

validity. The factor structures of the scales were examined in this study using EFA utilizing the principal components method and varimax rotation to analyze the data obtained from the Sago cluster entrepreneurs.

4.1 RESULTS AND DISCUSSION

Reliability and Construct validity for Entrepreneurial Characteristics and Decision Making Process

The Reliability analysis and Construct validity were done for each entrepreneurial characteristics and Formalization Decision Making process.

Risk Propensity

The results of reliability analysis of Risk Propensity were furnishes in the Table 1

Table 1 Reliability Test for Risk Propensity

Cronbach's Alpha	Cronbach's Alpha based on standardization	No of items
0.715	.714	7

From Table 1 it could be inferred that internal consistency of risk propensity scale were performed using Cronbach alpha is 0.715. The value 0.715 indicate that the internal consistency of Risk propensity scale is >.6 which is acceptable (**George & Mallery, 2003**). Which shows acceptable measure internal consistency survey items within scale.

Table 2 KMO and Bartlett's Test of Risk Propensity

Kaiser – Meyer Measure of Sampling Adequacy		.623
Bartlett's Test of sphericity	Approx. Chi – square	243.021
	df	21
	Sig.	0.000

Form the Table 2 it could be observed that the sampling adequacy of Risk Propensity variable is 0.6 and significant Bartlett's test of sphericity further supported the sampling adequacy of risk propensity.

Locus of Control

The results of Reliability analysis of locus of Control were furnished in the table 3

Table 3 Reliability Test for Locus of Control

Cronbach's Alpha	Cronbach's Alpha based on	No of items

	standardization	
0.831	.714	10

From Table 3 it could be inferred that internal consistency of Locus of Control were performed using Cronbach alpha is 0.831. The value 0.831 indicate that the internal consistency of Locus of Control is >.6 which is good **(George & Mallery, 2003)**. Which shows good measure internal consistency survey items within scale.

Table 4 KMO and Bartlett's Test of Locus of Control

Kaiser – Meyer Measure of Sampling Adequacy		.705
Bartlett's Test of sphericity	Approx. Chi – square	554.064
	df	45
	Sig.	0.000

Form the Table 4 it could be observed that the sampling adequacy of Locus of Control variable is 0.7 and significant Bartlett's test of sphericity further supported the sampling adequacy of Locus of Control.

Optimism

The results of Reliability test of Optimism were furnished in the Table 5

Table 5 Reliability Test for Optimism

Cronbach's Alpha	Cronbach's Alpha based on standardization	No of items
0.789	.792	10

From Table 5 it could be inferred that internal consistency of Optimism were performed using Cronbach alpha is 0.789. The value 0.792 indicate that the internal consistency of Optimism is >.6 which is acceptable **(George & Mallery, 2003)**. Which shows acceptable measure internal consistency survey items within scale.

Table 6 KMO and Bartlett's Test of Optimism

Kaiser – Meyer Measure of Sampling Adequacy		.719
Bartlett's Test of sphericity	Approx. Chi – square	371.743
	df	45
	Sig.	0.000

Form the Table 6 it could be observed that the sampling adequacy of optimism variable is 0.7 and significant Bartlett's test of sphericity further supported the sampling adequacy of Locus of Control.

Competitiveness

The results of Reliability test of Competitiveness were furnished in the table 7

Table 7 Reliability Test of Competitiveness

Cronbach's Alpha	Cronbach's Alpha based on standardization	No of items
0.766	.803	6

From Table 7 it could be inferred that internal consistency of Competitiveness were performed using Cronbach alpha is 0.766. The value 0.766 indicate that the internal consistency of Competitiveness is >.6 which is good **(George & Mallery, 2003)**. Which shows acceptable measure internal consistency survey items within scale.

Table 8 KMO and Bartlett's Test of Competitiveness

Kaiser – Meyer Measure of Sampling Adequacy		.729
Bartlett's Test of sphericity	Approx. Chi – square	371.743
	df	45
	Sig.	0.000

Form the Table 8 it could be observed that the sampling adequacy of Competitiveness variable is 0.7 and significant Bartlett's test of sphericity further supported the sampling adequacy of competitiveness.

Innovativeness

The results of locus of Innovativeness Scale were furnished in the table 9

Table 9 Reliability test of Innovativeness

Cronbach's Alpha	Cronbach's Alpha based on standardization	No of items
0.852	.851	11

From Table 9 it could be inferred that internal consistency of Innovativeness were performed using Cronbach alpha is 0.852. The value 0.852 indicate that the internal consistency of Innovativeness is >.6 which is good **(George & Mallery, 2003)**. Which shows good measure internal consistency survey items within scale.

Table 10 KMO and Bartlett's Test of Innovativeness

Kaiser – Meyer Measure of Sampling Adequacy		.666
Bartlett's Test of sphericity	Approx. Chi – square	653.745
	df	55
	Sig.	0.000

Form the Table 10 it could be observed that the sampling adequacy of Innovativeness variable is 0.7 and significant Bartlett's test of sphericity further supported the sampling adequacy of competitiveness.

Formalization Decision Making Process

The results of Reliability test of Formalization were furnished in the table 11

Table 11 Reliability test of Formalization

Cronbach's Alpha	Cronbach's Alpha based on standardization	No of items
0.860	.860	5

From Table 11 it could be inferred that internal consistency of Formalization were performed using Cronbach alpha is 0.860. The value 0.860 indicate that the internal consistency of Formalization is >.6 which is good (George & Mallery, 2003). Which shows good measure internal consistency survey items within scale.

Table 12 KMO and Bartlett's test of Formalization.

Kaiser – Meyer Measure of Sampling Adequacy		.777
Bartlett's Test of sphericity	Approx. Chi – square	313.221
	df	10
	Sig.	0.000

Form the Table 12 it could be observed that the sampling adequacy of Formalization is 0.7 and significant Bartlett's test of sphericity further supported the sampling adequacy of formalization.

Correlation between the Entrepreneurial Characteristics and Decision making process

Mean, standard deviation and correlation were examined among entrepreneurial characteristics and Decision making process. The results of Correlation, Mean, and Standard Deviation were furnished in Table 13

Table 13 Mean, Standard deviation, and correlation between Entrepreneurial Characteristics and Decision Making process

	Mean	Standard Deviation	1	2	3	4	5	6	7	8	9
Risk Propensity	3.4	.82	1								
Locus of Control	3.2	.83	.660***	1							
Optimism	3.3	.78	.714***	.788***	1						
Competitiveness	3.5	.88	.461***	.595**	.637***	1					
Innovativeness	3.1	.89	.547***	.802***	.735***	.730***	1				
Formalization	3.4	1.05	.223***	.214***	.285***	.318***	.412***	1			
Environmental	3.5	.93	.488***	.417***	.580***	.354***	.286***	.433***	1		

Dynamism											
Entrepreneurs Age	2.9	.92	.018	-.066	.037	-.018	.016	-.069	-.040	1	
Entrepreneurs Experience	2.9	.95	.004	-.007	.018	-.000	.005	-.073	-.048	-.026	1

N=120, **p<0.05, **p<0.01 at significance level.

From the table 13 it could be observed that all variables except Entrepreneurs Age and Entrepreneurs Experience have negative correlation between the other variables. It could be also observed that all variables of Entrepreneurial Characteristics and Formalization Decision Making process were positively correlated. Since Entrepreneurs age and experience were not correlated with other variable. Therefore only environmental dynamism was taken as a control variable in the analysis.

Summary of Multiple regression between Entrepreneurial Characteristics and Decision making process.

Multiple regression were used to examine the entrepreneurial characteristics with each decision making process. The independent variables were Risk propensity, Locus of control, Competitiveness, Optimism and Innovativeness. Control variable is environmental dynamism. Dependent variable were Formalization (Decision Making Process)

Relationship between Entrepreneur's Risk propensity and Formalization

The results of multiple regression analysis predicting relationship between Entrepreneurs Risk propensity and Formalization were furnished in Table 14

Table 14 Result of multiple regression between Risk propensity and Formalization

Model	Independent Variable	Adjusted R^2	F	F sig	B	P
1st Model	Risk Propensity	.231	36.80	.000	.623	.000
2nd Model	Environmental Dynamism, Risk Propensity.	.302	12.932	.000	.317	.000

Dependent Variable: Formalization

Form the Table 14 it could be inferred that Entrepreneur's risk propensity was positively related to Formalization when environmental dynamism was controlled. Explanatory rate of the model that has 2 variables (Environmental Dynamism and Risk Propensity) is **.30**.

Relationship between Entrepreneur's Locus of Control and Formalization

The results of multiple regression analysis predicting relationship between Entrepreneurs Locus of Control and Formalization were furnished in Table 15

Table 15 Result of multiple regression between Locus of Control and Formalization

Model	Independent Variable	Adjusted R^2	F	F sig	B	P
1st Model	Locus of Control	.179	24.89	.000	.528	.000
2nd Model	Environmental Dynamism, Locus of Control.	.261	13.75	.000	.339	.000

Dependent Variable: Formalization

Form the Table 15 it could be inferred that Entrepreneur's Locus of Control was positively related to Formalization when environmental dynamism was controlled. Explanatory rate of the model that has 2 variables (Environmental Dynamism and Locus of Control) is **.26**.

Relationship between Entrepreneur's Optimism and Formalization

The results of multiple regression analysis predicting relationship between Entrepreneurs Optimism and Formalization were furnished in Table 16

Table 16 Result of multiple regression between Optimism and formalization

Model	Independent Variable	Adjusted R^2	F	F sig	B	P
1st Model	Optimism	.331	59.92	.000	.788	.000
2nd Model	Optimism, Environmental Dynamism.	.376	9.48	.003	.261	.003

Dependent Variable: Formalization

Form the Table 16 it could be inferred that Entrepreneur's Optimism was positively related to Formalization when environmental dynamism was controlled. Explanatory rate of the model that has 2 variables (Environmental Dynamism and Locus of Control) is **.37**.

Relationship between Entrepreneurs Competitiveness and Formalization

The results of multiple regression analysis predicting relationship between Entrepreneurs Optimism and Formalization were furnished in Table 17

Table 17 Result of multiple regression between Optimism and Formalization

Model	Independent Variable	Adjusted R^2	F	F sig	B	P
1st Model	Environmental Dynamism	.142	19.58	.000	.424	.000
2nd Model	Competitiveness, Environmental Dynamism	.203	8.92	.003	.311	.003

Dependent Variable: Formalization

Form the Table 17 it could be inferred that Entrepreneur's Competitiveness was positively related to Formalization when environmental dynamism was controlled. Explanatory rate of the model that has 2 variables (Environmental Dynamism and Competitiveness) is **.20**.

Relationship between Entrepreneurs Innovativeness and Formalization

The results of multiple regression analysis predicting relationship between Entrepreneurs Innovativeness and Formalization were furnished in Table 18

Table 18 Result of multiple regression between Innovativeness and Formalization

Model	Independent Variable	Adjusted R^2	F	F sig	B	P
1st Model	Innovativeness	.169	24.05	.000	.486	.000
2nd Model	Innovativeness, Environmental Dynamism	.243	11.43	.000	.318	.001

Dependent Variable: Formalization

Form the Table 18 it could be inferred that Entrepreneur's Innovativeness was positively related to Formalization when environmental dynamism was controlled. Explanatory rate of the model that has 2 variables (Environmental Dynamism and Innovativeness) is **.24**.

5. CONCLUSION

According to the results, the effect of entrepreneurial characteristics on decision making process was examined thorough model focusing on Sago Cluster Entrepreneurs. As a result of the investigation Entrepreneurs' propensity for risk has a favorable impact on their formalized decision-making process for controlling environmental dynamism. By that of Risk taking Sago entrepreneurs make formalized decision. These results were consistent with earlier research (Brouthers, Andriessen, & Nicolaes, 1998; Ürü et al., 2011)

Results indicated that Sago entrepreneurs with Locus of control have positive effect on Decision making process. Therefore it can be inferred that Sago entrepreneurs favor more Formalized decisions.

The findings also demonstrate that optimistic Sago entrepreneurs make decisions based on rational criteria and adhere to more formalized rules in dynamic environment. Results demonstrate a strong relationship between Sago entrepreneurs' competitiveness and their formalized processes. This finding suggests that Sago business owners make deliberate and formal decisions as a result of their proactive conduct.

However, the findings also demonstrate that Sago entrepreneurs that are inventive have a tendency to handle unique and challenging issues while implementing innovations. However, they adhere to make formalized conclusions. So far, surprisingly, Sago entrepreneurs follow rules and procedures in the Decision Making process.

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