

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, Çalışkan, 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.

Table 1. Reliability test for Entrepreneurial characteristics and Formalization decision making process

Entrepreneurial Characteristics	Cronbach's Alpha	Cronbach's Alpha based on standardization	No of items
Risk Propensity	0.715	.714	7
Locus of control	0.831	.714	10
Optimism	0.789	.792	10
Competitiveness	0.766	.803	6
Innovativeness	0.852	.851	11
Decision Making Process			
Formalization	0.860	0.860	5

From the Table 1 it could be observed that internal consistency of Entrepreneurial characteristics and decision making process were performed using Cronbach alpha were above 0.7. since, all the value indicated were above 0.7 which is acceptable, which shows acceptable measure internal consistency items within scale.

Table 2. Construct validity test for Entrepreneurial characteristics and Formalization decision making process

Entrepreneurial Characteristics	Kaiser – Meyer measure of sampling adequacy	Bartlett's Test of sphericity		
		Approx. chi – square	df	Significance
Risk Propensity	.623	243.021	21	0.000
Locus of control	.705	554.064	45	0.000
Optimism	.719	371.743	45	0.000
Competitiveness	.729	389.816	45	0.000
Innovativeness	.666	653.745	55	0.000
Decision Making Process				
Formalization	.777	313.221	10	0.000

Form the table it could be observed that it could be observed that the sampling adequacy of entrepreneurial characteristics and decision making process, Kaiser – Meyer measure of sampling adequacy is more than 0.6 and

significant Bartlett's test of sphericity for all entrepreneurial characteristics and formalization further supported the sampling adequacy.

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 3

Table 3 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 Dynamism	3.5	.93	.488***	.417***	.580***	.354***	.286***	.433***	1		
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 4

Table 4 Result of multiple regression between Risk propensity and Formalization

Model	Independent Variable	Adjusted R ²	F	F sig	B	P
1 st Model	Risk Propensity	.231	36.80	.000	.623	.000

2 nd Model	Environmental Dynamism, Risk Propensity.	.302	12.932	.000	.317	.000
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Dependent Variable: Formalization

Form the Table 4 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 5

Table 5 Result of multiple regression between Locus of Control and Formalization

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

Dependent Variable: Formalization

Form the Table 5 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 6

Table 6 Result of multiple regression between Optimism and formalization

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

Dependent Variable: Formalization

Form the Table 6 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 7

Table 7 Result of multiple regression between Optimism and Formalization

Model	Independent Variable	Adjusted R ²	F	F sig	B	P
1 st Model	Environmental Dynamism	.142	19.58	.000	.424	.000

2 nd Model	Competitiveness, Environmental Dynamism	.203	8.92	.003	.311	.003
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Dependent Variable: Formalization

Form the Table 7 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 8

Table 8 Result of multiple regression between Innovativeness and Formalization

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

Dependent Variable: Formalization

Form the Table 8 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.

Consent

As per international standard or university standard, respondents' written consent has been collected and preserved by the author(s).

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COMPETING INTERESTS

Author have declared that no competing interest exist.

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