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## TITOLO Narcissism and Entrepreneurship

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# **Chapter 1**

## **ABSTRACT**

Many researches have been conducted in the Entrepreneurship field, most of them tried to explain the correlation between Entrepreneur's personality traits and the performance of their venture, but little has been discovered about the "Seriality" or more precisely on their Habituality in creating and managing new venture, this research aim at explain the correlation that exist among the entrepreneur's personality traits and his/her seriality, we will do so by conducting a meta-analysis on a sample of Italian, French, Chinese and Danish start-ups, we choose start-ups because is here that the entrepreneur has the major role, in fact most of the time the founder of a start-up is also the CEO of it, and I choose Danish start-ups because other research about this topic have been conducted in southern and central European countries.

## **INTRODUCTION**

In this research the focus is serial entrepreneur, that are those that may run several business simultaneously or they found a venture and then after a minimum of time leave it to professional managers and get into another venture, many research have proven that this particular kind of entrepreneurs are taking a big size of the overall economic pie of the country where they are from, for example in Scotland serial entrepreneur run the 19% of established business (Westhead,Ucbasaran,Wrights and Binks 2005), in the all Britain they account for the 25% of firms owners(Westhead and Binks 1998), while in Germany their percentage is near to the 18% (Wagner 2003).

Despite the abundance of Data about them, we know really little about them although their important role as the driver of dynamics of industries, and so many question arise, like; what makes a serial entrepreneur? What are the determinant of his/her seriality?

In order to give an answer to this question I conducted a research on a sample of 303 start-ups from EU Country(Italy,France,Danmark) and China, because as wrote above this kind of research have been already taken in central European country, we wrote a

questioner that ask them to answer to circumstances questions in order to understand their personality, and differently than other studies that were based on the Five Factor Model of Costa and McCrae, here we use another personality trait that is Narcissism, that's because many researcher have found out that narcissistic managers are the most successful and they are the most likely to become serial entrepreneur just because of their tendency to search all possible method to be celebrated.

## **SERIAL ENTREPRENEURSHIP:**

### **THEORY AND DEFINITIONS**

Serial entrepreneurship, also called habitual entrepreneurship, has emerged as an important aspect of the entrepreneurship literature as evidenced by a recent Special Issue of Entrepreneurship Theory and Practice devoted to this topic. One of the first calls for research to focus on serial entrepreneurship came from an anonymous, but reportedly extremely successful entrepreneur in the form of a challenge which appeared in a 1986 issue of the Journal of Business Venturing (MacMillan, 1986). This intriguing invitation was entitled, To Really Learn About Entrepreneurship, Let's Study Habitual Entrepreneurs. Much can be learned from the study of the serial entrepreneur, the one who is not content to simply initiate a new venture, but is driven to establish several ventures, either sequentially or concurrently. MacMillan (1986) posited that to really learn about entrepreneurs, research should be focused on entrepreneurs who have been involved in multiple ventures. According to MacMillan, the truly successful entrepreneurs were those who had initiated ventures, learned the "ropes," understood their mistakes and tried again. Moreover, MacMillan (1986) suggested three types of successful entrepreneurs. Type one was the group of single entrepreneurs who had survived the perils of start-up and had "graduated" to become the Chief Executive Officer of the firm. The second type of successful entrepreneur, he refers to as the "drop out" entrepreneur; again a single entrepreneurial experience, but one in which the entrepreneur creates a successful business and then sells out or is forced out of the venture. MacMillan labels the third type of entrepreneur a "business generator" who initiates and builds a business and then hands it over to professional management teams when he or she becomes bored with the existing business, only to start another venture. According to MacMillan (1986), the "business generators" are

the entrepreneurs who should be studied, because they are the ones who learn how to become successful, impact the economy, make a difference in the industry and are not reflecting a single, novel experience which might or might not be replicated. Ronstadt (1988) proposed the Corridor Principle to explain how, by formulating one venture, entrepreneurs see other opportunities and extend their entrepreneurial careers by creating multiple ventures, in effect supporting the MacMillan (1986) view that habitual entrepreneurs are the appropriate group to study.

Who are serial entrepreneurs, as opposed to novice entrepreneurs who start a single enterprise and never initiate another? Habitual entrepreneurs have existed since the dawn of industrialization (Scranton, 1993); however, there is no generally accepted definition of the term (Starr & Bygrave, 1991). A variety of definitions and terms have been posited and tested, making comparative research in this arena difficult and the results noncumulative (Donckels, Dupont & Michel, 1987; Kolvereid & Bullvåg, 1993; Birley & Westhead, 1993; Scott & Rosa, 1996; Carter, 1997; Westhead & Wright, 1998; Alsos & Kolvereid, 1998). Terms used to identify these people include businessgenerators, experienced business founders, habitual entrepreneurs, serial entrepreneurs and portfolio entrepreneurs, to name a few. Yet, each term has often been defined differently in an effort to facilitate the research of multiple venturists. Donckels et al. (1987) defined serial entrepreneurs as those multiple business starters who, after initiating a first company, set up or participated in the creation of another firm. Kolvereid and Bullvåg (1993) defined multiple business founders as those who had established more than one business, but required that they still own the most recent business prior to the startup of the current, new, independent venture. Birley and Westhead (1993) indicated that habitual founders had established at least one other business prior to the start-up of the current, new, independent venture. Hall (1995) differentiated between serial and portfolio entrepreneurs by designating serial entrepreneurs as those who own one business after another but effectively only own one business at a time, while portfolio entrepreneurs simultaneously own more than one business. Westhead and Wright (1998) expanded this definition to take into consideration those businesses which were purchased and/or inherited. Regardless of terminology, this is a noteworthy group of entrepreneurs. In fact, serial entrepreneurs, more so than novice entrepreneurs, may be the appropriate sample about which to

hypothesize because they seem to epitomize the entrepreneurial drive and the attributes which are the essence of entrepreneurship.

## **PERSONALITY AND ENTREPRENEURSHIP**

The correlation between entrepreneur's personality and its performance is being a topic for studies of many fields, psychology, economics, business management and sociology. The entrepreneur's personality trait can be used in studies in order to define a correlation between his personality and his behaviour toward serial entrepreneurship, this is so because personality is what defines the behaviour of a person. In this research, thus, we try to explain this correlation focussing on one particular trait, which is Narcissism, because it seems the trait that mostly explains the seriality of entrepreneurs, differently from the Five Factor Model of Costa & McCrae of 1985, that is the theoretical basis for researches in this field, but it focuses on five factor that are:

### **FIVE FACTOR MODEL**

- Neuroticism
- Openness to new experience
- Agreeableness
- Extraversion
- Conscientiousness

Neuroticism, represent a kind of person that tend to experience negative emotion such as anxiety, hostility, depression, self-consciousness, vulnerability and impulsivity (Costa & McCrae 1992), usually entrepreneur have been always described as self-confident people with a strong ability in self-control, a deep belief in them self, high capacity in controlling the outcome of their action and a strong resilience, and this are traits that define a low level of Neuroticism, and so the conclusion is that entrepreneur scores low on it.

Openness to experience, describes that kind of personality that is open minded, intellectually curious that tends to seek new experience and explore novel ideas, this personality trait is associated with creativity, innovation, imagination, reflective and untraditional thoughts, more over this personality trait is positively correlated with (McCrae 1987), intelligence especially in creative process and adaptability (McCrae 1987).

By definition entrepreneur must have this trait, because he/she is the one who tends to transform ideas in to material things, has Schumpeter argued (1942/1979), entrepreneurs tend to create things that are greater than them and in order to do so they give high emphasis on innovation. In fact founding new venture requires a certain level of propensity to innovation, because every new venture is born to satisfy some certain need that is still not perceived or solving a problem in a better way than others do, and that requires a high level of creativity, that's why entrepreneurs tend to score an high level on Openness to new experience.

Agreeableness, is a trait that describes individual's interpersonal orientation, agreeable individual are always associated with trustiness, forgiveness, compassionateness, altruism, regardless all this positive characteristic, altruism has a down side, because the agreeable individual has high difficulties in driving bargaining powers for his own interest.

The entrepreneur being the head of the start-up cannot permit to him/herself a suffer of low bargaining power, because he/she must take difficult decision and operating in a small organization this loss on bargaining power may lead to the failure of the venture, but the fact that they work in small organization help them, because this creates the condition to suffer less the constraint of interlocking relation among the various members of the start-up, so entrepreneur tend to score low level of Agreeableness.

Extraversion, is the trait that describe the extent to which people are, assertive, talkative and enthusiastic; extraverted people are cheerful, they like to be in group and to talk with people and they are perennially in search of excitement and stimulation.

The entrepreneur, having to deal with several people such as supplier, venture capitalist, employees, and partners must have a certain level of extroversion, because he/she have to convince people that his/her idea is the successful one and have to attract

customer to buy his/her product or to enjoy the services that he/she propose, that's why entrepreneurs tends to score high level of extroversion.

Conscientiousness, describes the individual's degree on hardworking, persistence, organization and goal accomplishment.

This particular trait is the first of the big five that was studied, because was seen as the most influent in the job performances of managers and employees independently the kind of job that they were doing. Many researchers define this trait as a composed personality, because they think that there are two main factor that characterize it, Achievement motivation and Dependability (Mount & Barrick 1995); the first, as the name suggest, is the component that is related to the scope that an individual has, and it is widely studied in the entrepreneurship field, simply because the need for achievement is more prevalent in entrepreneurs than in managers, only because the entrepreneurs prefers situation in which their effort influence directly their performances, avoiding every external influence.

The other component Dependability, isn't so known, but researches demonstrated that it reflect the ability on being organized, methodical, deliberate and its own capacity in fulfilling duties; differently from well-established managers, entrepreneurs working in a self-directed environment, are obliged to fulfil the duties that they imposed to them self, and it is proven that investment bankers, venture capitalist and other investor prefer to invest in those people who are more dependable than in those who are not, that's why entrepreneurs will score an high level of conscientiousness.

## **NARCISSISM**

In this research there will be another trait taken into consideration, and that is Narcissism.

It is proven that Narcissism has a strong correlation with the performances of managers in their firm and the firm's performances as well, so here, with this research, we aim at find out a correlation between narcissistic entrepreneurs and their seriality.



Narcissistic people are more adapt to be leader, as Freud argued, they are especially suited to take role of leaders, to be a supporter for other people and they give a stimulus to the development of culture or they damage the status quo of business.

Here will be taken into consideration just productive narcissist; they are those people that are creative strategist and that are capable to find every detail in a big picture and are not scared about the risk of changing the world with their action, this make them attractive to researchers, because in time of big changes they have the audacity to push through the massive transformation that society periodically undertakes.

The Narcissistic individual are independent and not easily impressed, this people are innovators, they are driven by the desire to get glory and power, and this attitude can be easily seen in their business activity, in fact when a narcissist come into business, he/she knows very well the industry in which they compete, and they go beyond it, they want to learn all possible factors that may affect their company or product, due to their tendency of searching admiration, and they are ready to take the maximum risk in order to get it, but there are positive and negative side in narcissistic personality.

The positive side of a narcissistic individuals is that they have great visions and they are gifted with rhetoric, in fact they attract easily followers.

In common thought an entrepreneur is a person that has a vision, narcissist suite pretty well this idea because they have the ability to see the big picture and make it possible, they are not analysers, who break up big vision into more manageable thinks and they do not extrapolate information in order to predict the future, they act taking all the risk to fail, that is a characteristic that somehow make an entrepreneur.

Another common belief about entrepreneur is that a he is the person who other people will follow and in this definition narcissist suite perfectly too, because narcissist think that words can move mountains and an inspiring speech can change people, narcissistic people are skilful orators, and this make them so charming, that makes a narcissistic entrepreneur more valuable at the eyes of investors, that as is written before, they prefer to invest in charismatic people rather than who is not.

This attractiveness reveals a weakness of the narcissistic individual, in fact they need the affirmation or preferably the adulation from their followers, if no one follows them the narcissist becomes insecure, overly shrill and insistent, but even if they get followers there are some danger, this because charisma is a double-edged sword. As

the narcissist entrepreneur becomes more valued, he/she tends to listen less to the advice of partners or investors, because he/she was right in previous rounds and still thinks so, this make them listening less or even ignoring this advice.

Another weakness of narcissistic entrepreneurs is their sensitiveness to critics, because they are extremely emotional, they avoid emotion as a whole, they feel uncomfortable with people and tend to take distance from them, especially when they show up critics on them, they want to be surrounded by groups of yes man, who just follow orders and do no doubt about them. This avoidance of emotion makes narcissist a perfect serial entrepreneur, for them is easy to buy or sell companies, because having this lack of emotion helps them in the way of having no regrets on their action, this is why this research consider also this trait.

## **Chapter 2**

### **METHODOLOGY**

On the theoretical bases of the study we focussed on the relation between entrepreneur's personality trait and start-up's performance and survival, while also considering the influence of the number of firms owned/Sold by the entrepreneur, indeed seriality, in this relation.

In order to collect data useful to describe the correlation, we selected 302 start-ups from four countries (Italy, France, Denmark and China), that were founded during the four year period 2012-2016, checking then by employee range, funds, location, industries, number of founders, by means of Angellist.com and Crunchbase.com. We have contacted those founders through linkedin, and we presented them our survey. The survey is composed by 23 questions, 16 Likert Questions and the other 7 are general questions.

The Likert questions are situations in which the founders have to express their agreement or not, with that situation from 1 to 5, this permit us to scan the personality of the entrepreneur. The other seven question are used to assess the seriality, those are simple questions like the age, level of education, sex, how many firms they own or owned, how many of them survived

## Analysis

The first step of our analysis is the collection of all the answers that we got, and we have divided them into 3 groups (tab.1) that act as dummy , they are divided by the media of the total score, and the group are this:

- 1 (low Narcissism) all those entrepreneurs that scored a media lower than 2.5 ( $\mu < 2.5$ )
- 2 (medium Narcissism) all those entrepreneurs that scored a media between 2.5 and 3.5 ( $2.5 \leq \mu < 3.5$ )
- 3 (high Narcissism) all those entrepreneurs that scored a media greater than 3.5 ( $\mu \geq 3.5$ )

$\mu$		group 1	group 2	group 3		
2,1875		1	0	0		
3,375		0	1	0		
3,5625		0	0	1		
3,125		0	1	0		
3,125		0	1	0		
2,5625		0	1	0		
3,5625		0	0	1		
3,5625		0	0	1		
4,1875		0	0	1		
3,375		0	1	0		
2,8125		0	1	0		
2,1875		1	0	0		
3,875		0	0	1		
1,125		1	0	0		
2,6875		0	1	0		
3,625		0	0	1		
4,5625		0	0	1		
3,25		0	1	0		
3,125		0	1	0		
2,375		1	0	0		
3,6875		0	0	1		
3,4375		0	1	0		
3,25		0	1	0		

tab.1

The second step was the division in classes of all this result, differently from the split in groups, we gather them in to 3 (tab.2) classes corresponding to each range of values,

and we saw that 78 of the answers come from low narcissism range, 176 from the medium narcissism group and the last 48 from the high narcissism group, then we calculated their media per group and the square difference between the per group media and the average media of the whole sample, this is needed to conduct a Kruskal-Wallis H test.

This test is useful to understand whether the results come from one group or not, so we had  $H_0$  that is the null hypothesis for determinate the origin of results from one group in general, while  $H_1$  that determinates that the results comes from different groups, and we have got an H of 165.65 with a Chi q distribution of  $5.3364E^{-37}$  from the left side and  $1.067E^{-36}$  (tab.3)

Categorie	Frequenza	Rf	Rf-Ravg^2
1	78	2,010417	0,732196
2	176	2,997159	0,017176
3	48	3,776042	0,827992

tab.2

H	165,6559	
Chi q d sx	5,34E-37	
Chi q d dx	1,07E-36	
		tab.3

Our aim in this research is to prove that exist a correlation between the level of narcissism and the seriality of the entrepreneurs, first we have conducted several t statistic, confronting the level of narcissism with the seriality code, that is a dummy variable that is 1 if the entrepreneur have managed or founded/owned or owns some more firms than the one who's running at the moment, in order to know the probability that being in one of the three groups they are also serial entrepreneur, and in order to know if there is a real correlation between them we checked with the p-value, and we got this results(tab.4)

P-value1	P-value2	P-value3	P-tot Tot	
0,061599	-0,0745179	0,026759	0,01384	
T statist1	T statistic2	T statistic 3		
8,11E-20	0,42424698	1,07E-31		tab.4

We checked through the Conover-Iman procedure if there is a correlation between the three categories, and as we hypothesized there is a negative correlation between them (tab.5), this means that as one person moves from one group to another their size varies and we have also checked for errors so we conduct a bilateral test among the difference in media per group (tab.6)

p-values	1	2	3	
1	1	-0,69742	-0,25652	
2	-0,69742	1	-0,51378	
3	-0,25652	-0,51378	1	

tab.5

diff in couples				
	1	2	3	
1	0	-0,98674	-1,76563	
2	0,986742	0	-0,77888	
3	1,765625	0,778883	0	

tab.6

## Conclusion

In conclusion we can say, that these study sheds a light on how entrepreneur's personality traits influence entrepreneur's business behaviour. A primary theoretical contribution of this work consist in a revision of narcissist entrepreneurs capabilities compared to the other personality capabilities, as we saw above there are some traits that personalities share in common.

But the real meaning of this work is the analysis of data about narcissism and seriality, and through a series of analysis we can state that, there exist a correlation between narcissism traits and seriality, as other have suggested so, not only with narcissism but with other traits, and moreover, having noted that the p-value of the three groups are all below the parameter  $\alpha=10\%$  we can easily reject the null hypothesis, and we now know that the despite level of narcissism that a person or in our case an entrepreneur has, it has an impact on his/her seriality, but this does not mean that all narcissist entrepreneurs are serial entrepreneur, it just says that, being a narcissist there is an higher probability of becoming a serial entrepreneur.

More work is needed to test these proposition, so that this correlation can be truly discovered, and as a result, future study will involve the test and replication of our study to see if the influence of external factors, that do not depend on personality, such as time, life styles, educations and so on may affect the personality traits of the entrepreneurs and of course his seriality.

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