

6-11-2016

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Recommended Citation

Preller, Rebecca; Dibbern, Rieke; and Patzelt, Holger (2016) "CAN ENTREPRENEURS EVER MAKE IT RIGHT? SOCIETAL EVALUATIONS OF SUCCESSFUL ENTREPRENEURS," *Frontiers of Entrepreneurship Research*: Vol. 36 : Iss. 3 , Article 2.

Available at: <https://digitalknowledge.babson.edu/fer/vol36/iss3/2>

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CAN ENTREPRENEURS EVER MAKE IT RIGHT? SOCIETAL EVALUATIONS OF SUCCESSFUL ENTREPRENEURS



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ABSTRACT

Drawing on 10,464 evaluations from 327 observers based on a metric conjoint experiment, this study explores how observers evaluate entrepreneurs in terms of competence and likability. Entrepreneurs with high personal income are evaluated more competent but less likable than entrepreneurs with low personal income. These relationships were moderated by the observers' material values: the relationship between entrepreneurs' income and observers' competence evaluations was more positive for observers high in material values than for observers low in material values. Interestingly, female entrepreneurs with high incomes were on average evaluated as less competent than their male counterparts. We discuss implications on research on the public image of entrepreneurs as well as on research on female entrepreneurship.

INTRODUCTION

Personal income generated from founding and growing a business is a central attribute observers use to evaluate the success of entrepreneurs. In contrast to salaried CEOs whose income substantially depends on the previous success of their firm before they step into office, entrepreneurs are fully responsible for their personal income since the firm's inception. Indeed, personal income is a common success measure on the individual level (Loscocco, Robinson, Hall, & Allen, 1991). Typically, observers attribute more prestige to successful than to less successful actors (Cheng, Tracy, Foulsham, Kingstone, & Henrich, 2013). For example, famous entrepreneurs like Marc Zuckerberg, Bill Gates, and Jeff Bezos are celebrated in the media based on the personal fortune they accumulated from their entrepreneurial activities (Forbes, 2016).

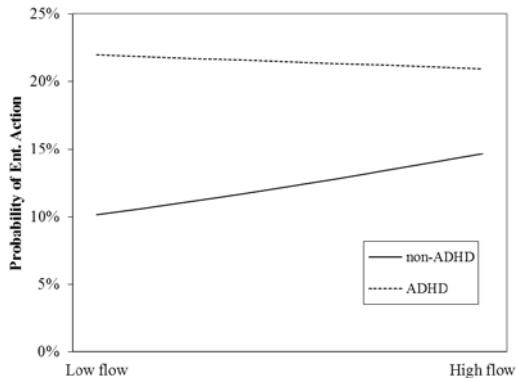
However, there are also less positive views on success. The literature on social comparison processes provides a theoretical foundation to explore potential downsides of success. For instance, envy is an affective reaction by some observers in response to other people's success in work-related contexts (Biniary 2012, Schaubroeck and Lam, 2004). Similarly, stereotype research proposes that people tend to categorize high-status competitive groups, such as 'the rich', as out-groups, which entails that their success stimulates envy and jealousy rather than admiration among observers (Fiske, Cuddy, Glick, & Xu, 2002). These findings challenge the implicit assumption that successful entrepreneurs (based on their personal income) – are generally evaluated positively by observers. For example, stereotype theory proposes that the observers' characteristics determine their perceived affiliation with certain groups (Fiske et al., 2002), suggesting that the characteristics of observers impact their evaluation of entrepreneurs and their income.

Thus, in this study, we investigate when observers evaluate entrepreneurial success more or less positive – or perhaps even negative. To provide a nuanced understanding of observers' evaluations of entrepreneurs, we draw on a model by Casciaro and Lobo (2008) and differentiate between evaluations with regard to competence and likability to cover both cognitive and affective dimensions. Drawing on stereotype research arguments (Fiske et al., 2002), our model considers the entrepreneurs' gender and the observers' material values as important contingencies. We test our model with 10,464 evaluations made by 327 observers in a metric conjoint experiment (Louviere, 1988). Our study provides several new insights. First, while existing research on evaluations of entrepreneurs has typically not considered cognitive and affective evaluation dimensions, we show that observers' evaluations differ with respect to competence and likability (representing cognitive and affective evaluation dimensions) depending on the entrepreneurs' personal income. Second, while existing entrepreneurship literature (implicitly or explicitly) assumes that the more successful the entrepreneur the better for her or him, we highlight that in the eyes of some observers (those with low material values), success (in terms of personal income) actually decreases the entrepreneurs' likability. Third, we extend prior research on gender in entrepreneurship

by showing that female entrepreneurs are attributed lower levels of competence based on high personal income than male entrepreneurs.

HYPOTHESES DEVELOPMENT

Prior research showed that observers consider two central dimensions when evaluating other persons (Casciaro & Lobo, 2008): First, competence, which includes aspects like intelligence, ability and skills and efficacy (Casciaro & Lobo, 2008) and second, likability, which describes aspects like warmth and kindness (Cheng et al., 2013). Since founding a business is recognized as a highly complex task (Bruyat & Julien, 2001), generating high income from successful execution requires multiple skills and competencies. To the extent observers recognize the complexity of the entrepreneurial task, they will evaluate entrepreneurs with higher income as more competent. Indeed, personal income is often used as an indicator for individuals' ability or intelligence (Ceci & Williams, 1997). On the contrary, observers may evaluate high personal income entrepreneurs as little likable due to attributed egoism and ruthlessness. High income may imply that entrepreneurs choose to enrich themselves over using their venture's profits to encompass social and environmental goals (Elkington, 1998) and benefit employees or introduce more expensive, but environmental friendly business practices. Thus, we hypothesize:



Hypothesis 1a: Personal income is positively associated with observers' evaluation of entrepreneurs' competence.

Hypothesis 1b: Personal income is negatively associated with observers' evaluation of entrepreneurs' likability.

Sex-specific stereotypes lead to different evaluations of men and women in terms of personality and capabilities (McElroy & Morrow, 1983). Consistently, male and female entrepreneurs are perceived differently by observers even if de facto differences are small (Sexton & Bowman-Upton, 1990). Importantly, for women, typically success is less attributed to ability compared to men (Feldman-Summers & Kiesler, 1974). Moreover, sex–role socialization experiences affect which roles are seen as appropriate for women or not, e.g., with regard to their careers (Carter, Gartner, Shaver, & Gatewood, 2003). Entrepreneurship is traditionally a male dominated domain (Gupta, Turban, Wasti, & Sikdar, 2009) and ventures owned by women are known to have a smaller size (Robb & Watson, 2012). Thus, observers may tend to develop an antipathy towards female entrepreneurs with high incomes as such roles deviate from their sex-specific stereotypes and sex-role socialization experiences. In contrast, male entrepreneurs with high incomes are in line with the observers' stereotypes and role expectations. Thus, we hypothesize:

Hypothesis 2a: The positive relationship between entrepreneurs' personal income and observers' evaluation of the entrepreneurs' competence is weaker when the entrepreneurs are female than when they are male.

Hypothesis 2b: The negative relationship between entrepreneurs' personal income and observers' evaluation of the entrepreneurs' likability is stronger when the entrepreneurs are female than when they are male.

Finally, stereotype research suggests that observers' beliefs to which group they belong matter for the evaluation of others (Fiske et al., 2002). Observers high in material values, i.e., who evaluate possession and success indicators as important for e.g., their happiness (Richins, 2004) are likely to classify themselves in one group with entrepreneurs with high personal incomes. More specifically, the observers will assume that material aspects matter for these entrepreneurs as well, contrary to entrepreneurs who leave the profits within the company and thereby give the impression not to care that much about material values. Thus, we hypothesize:

Hypothesis 3a: The positive relationship between entrepreneurs' personal income and observers' evaluation of the entrepreneurs' competence is stronger for observers high in material values than for those low in material values.

Hypothesis 3b: The negative relationship between entrepreneurs' personal income and observers' evaluation of the entrepreneurs' likability is weaker for observers high in material values than for those low in material values.

METHOD

We used metric conjoint analysis to investigate how observers evaluate profiles of hypothetical entrepreneurs (following Shepherd and Patzelt, 2015). In the conjoint experiment, the observers evaluated hypothetical entrepreneurs characterized by five attributes in terms of competence and likability, representing our dependent variables that were measured on different 7-point Likert scales. Five attributes each varying on two levels characterized the entrepreneurs: personal income (lower or higher compared to the German average) and gender (male or female name) served as our independent variables, while social influence, venture profit, and jobs created were used as additional control variables. To assure that our profiles of hypothetical entrepreneurs make sense, we asked five persons to review the materials. A fractional factorial design (Hahn & Shapiro, 1966) resulted in 16 profiles, which were fully replicated for subsequent test-retest reliability checks. We randomly provided the observers with different versions of the experiment that differed in the order of the dependent variables, the profiles, and the attributes within the profiles. Our data did not reveal any significant interactions ($p > 0.1$) between dummy variables for different orders and the attributes, indicating that order effects are unlikely to bias our study. Data on the observers (including their material values and other individual-level control variables) were collected in a post-experimental questionnaire. We drew on a sample of observers from a major German metropolitan area. We approached participants at different times in different public areas that were carefully chosen to match the income and age distribution of the overall local population. We eventually collected data from 381 observers (response rate: 19.7%) resembling the local population in terms of age and income.

RESULTS

Of the 381 observers participating in our study, 327 provided complete and reliable responses with a test retest correlation larger than 0.3 and thus, were included in the analysis (consistent with Shepherd, Patzelt, & Baron, 2013).¹ These 327 respondents made 32 evaluations each, resulting in a total of 10,464 evaluations and a nested data structure that required hierarchical linear modeling (HLM) for data analysis. This method accounts for autocorrelation and allows for splitting the outcome measures' variance between the evaluation (Level 1) and observer (Level 2) Level (Raudenbush & Bryk, 2002). Tables 1 and 2 show the results of our analyses for the two dependent variables, competence and likability, respectively.

Entrepreneurs' competence evaluations. We hypothesized that entrepreneurs' personal income is positively associated with observers' evaluations of entrepreneurs' competence (Hypothesis 1a). The positive and statistically significant coefficient (coefficient=0.55, $p < .001$) for personal income supports this hypothesis. We further hypothesized that the positive relationship between entrepreneurs' personal income and observers' evaluations of competence is weaker for female entrepreneurs than for male entrepreneurs (Hypothesis 2a). As illustrated in Models 3-5, we found that the Level 1 interaction between personal income and gender is negative and significant (coefficient= -0.10, $p < .05$), consistent with Hypothesis 2a. We stated that the positive relationship between entrepreneurs' personal income and observers' evaluation of entrepreneurs' competence is stronger for observers high in material values than for observers low in material values (Hypothesis 3a). Model 5 shows a positive and significant cross-level interaction between personal income and material values (coefficient=0.17, $p < .001$), supporting this hypothesis.

Entrepreneurs' likability evaluations. We hypothesized in Hypothesis 1b that entrepreneurs' personal income is negatively associated with observers' evaluations of entrepreneurs' likability. We found a negative, statistically significant effect (coefficient=-0.49, $p < .001$) of personal income on observers' evaluations of entrepreneurs' likability, supporting our hypothesis. Moreover, we hypothesized that the negative relationship between entrepreneurs' personal income and observers' evaluation of the entrepreneurs' likability is stronger for female than for male entrepreneurs (Hypothesis 2b). Table 2 (Models 3-5) shows that the respective coefficient does not reach statistical significance (coefficient= -0.01; $p > 0.1$). Thus, we find no support for Hypothesis 2b. Finally, we argued that the negative relationship between entrepreneurs' personal income and observers' evaluation of the entrepreneurs' likability is weaker for observers high in material

values than for those low in material values (Hypothesis 3b). Consistent with this hypothesis, we find a positive and significant cross-level interaction between the entrepreneurs' private income and the observers' material values (Model 5, coefficient=0.25, $p<.001$).

DISCUSSION & IMPLICATIONS

First, we extend research on the public image of entrepreneurs by highlighting that based on his or her personal income an entrepreneur is evaluated differently in terms of likability and competence. Specifically, on average an entrepreneur with high personal income is evaluated more competent yet less likable than a low income entrepreneur. This implies that one-dimensional evaluations of success do not necessarily capture the complexity of observers' evaluations of entrepreneurs adequately. The discrepancy between observers' competence and likability evaluations of entrepreneurs is especially interesting for research on failed entrepreneurs (e.g., Shepherd & Patzelt, 2015) as it challenges the traditional assumption of failed entrepreneurs being stigmatized. We find that low performance in terms of low personal income leads to higher likability evaluations. Future research on failure could follow our approach relying on a more nuanced perspective of failure to investigate if the stigma associated with failure is as broad as previously assumed.

Second, we emphasize that observers' evaluations of entrepreneurs do not mainly depend on the entrepreneurs' characteristics as suggested by attribution theory (Weiner, 1985), but also on the characteristics of the observers. Drawing on stereotype research (Fiske et al., 2002), we explain how belonging to a group of individuals high in material values (Richins, 2004) affects evaluations of high income entrepreneurs positively. Our study highlights that there are no neutral evaluations of entrepreneurs, but that observers' characteristic need to be taken into account.

Third, we extend the literature on gender in entrepreneurship (De Bruin, Brush, & Welter, 2006) by showing that entrepreneurs' gender impacts observers' competence evaluations. Consistent with previous research that has highlighted the importance of male and female entrepreneurial role models (Gupta, Turban, & Bhawe, 2008; Ucbasaran, Alsos, Westhead, & Wright, 2008), our results indicate that male and female entrepreneurs are evaluated in a different way. Female entrepreneurs earning high levels of personal income are seen as less competent compared to their male counterparts. Interestingly, female entrepreneurs were perceived to be more likeable than male entrepreneurs. Thus, our study indicates that male and female entrepreneurs might trigger different reactions in observers and might hence fulfil different functions as role models.

While allowing us to study real time decision (Lohrke, Holloway, & Woolley, 2010), conjoint experiments face some limitations. First the entrepreneurs evaluated were not real persons, but conjoint profiles. Therefore, the decision environment differs from the real world. However, decisions on hypothetical profiles are similar to real ones (Riquelme & Rickards, 1992). Moreover, conjoint experiments do not allow for understanding the reasons for the evaluations. Further studies could build on our work and combine conjoint analysis with observers' think-aloud verbalizations when evaluating entrepreneurs (Grégoire, Barr, & Shepherd, 2010).

To conclude, our study offers new insights into how entrepreneurial success is evaluated by observers with regard to competence and likability. By showing that entrepreneurs' gender as well as the observers' characteristics influence these evaluations, we provide more nuances to the overall positive picture of entrepreneurial success in both the public press and the entrepreneurship literature.

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TABLES

TABLE 1: Observers' evaluations of entrepreneurs' competence

	Model 1 L1+ L2 controls		Model 2 + L1 main effect		Model 3 + L1 interaction		Model 4 + L2 main effect		Model 5 + cross-L interaction	
	B	SE	B	SE	B	SE	B	SE	B	SE
Intercept	4.09***	0.06	4.09***	0.06	4.09***	0.06	4.09***	0.06	4.09***	0.06
L1										
Personal income (PI)			0.55***	0.05	0.55***	0.05	0.55***	0.05	0.55***	0.05
Gender (G)	0.00	0.02	0.00	0.02	0.00	0.02	0.00	0.02	0.00	0.02
Social influence	0.65***	0.03	0.65***	0.03	0.65***	0.03	0.65***	0.03	0.65***	0.03
Venture profit	2.10***	0.05	2.10***	0.05	2.10***	0.05	2.10***	0.05	2.10***	0.05
Jobs created	0.67***	0.04	0.67***	0.04	0.67***	0.04	0.67***	0.04	0.67***	0.04
L2										
Age	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gender [†]	0.16*	0.06	0.16*	0.06	0.16*	0.06	0.16*	0.06	0.16*	0.06
Tertiary education	0.07	0.06	0.07	0.06	0.07	0.06	0.08	0.06	0.08	0.06
Entrepreneurial experience	-0.04	0.09	-0.04	0.09	-0.04	0.09	-0.04	0.09	-0.04	0.09
Net household income ^{**}	0.05	0.07	0.05	0.07	0.05	0.07	0.05	0.07	0.05	0.07
Material values (MV)							0.01	0.03	0.01	0.03
L1 interaction										
PI x G					-0.10*	0.04	-0.10*	0.04	-0.10*	0.04
Cross-L interaction										
PI x MV									0.17***	0.04
Variance components										
R2 L1 [§]	0.43		0.46 (Δ=5.67%)		0.46 (Δ=0.02%)		0.46 (Δ=0.02%)		0.46 (Δ=0.70%)	
R2 L2 [§]	0.04		0.04		0.04		0.04 (Δ=2.49%)		0.04 (Δ=0.00%)	

[‡]L: Level *** $p < .001$; ** $p < .01$; * $p < .05$; † $p < .10$ †1 = Female, 0 = Male ** 1 = Net household income > median, 0 = Net household income ≤ median [§]We calculated the pseudo R² as described by Snijders and Bosker (1999)

TABLE 2: Observers' evaluations of entrepreneurs' likability

	Model 1 L ¹ + L2 controls		Model 2 + L1 main effect		Model 3 + L1 interaction		Model 4 + L2 main effect		Model 5 + cross-L interaction	
	B	SE	B	SE	B	SE	B	SE	B	SE
Intercept	4.19***	0.06	4.19***	0.06	4.19***	0.06	4.19***	0.06	4.19***	0.06
L1										
Personal income (PI)			-0.49***	0.06	-0.49***	0.06	-0.49***	0.06	-0.49***	0.06
Gender (G)	0.11***	0.02	0.11***	0.02	0.11***	0.02	0.11***	0.02	0.11***	0.02
Social influence	0.50***	0.04	0.50***	0.04	0.50***	0.04	0.50***	0.04	0.50***	0.04
Venture profit	1.31***	0.05	1.31***	0.05	1.31***	0.05	1.31***	0.05	1.31***	0.05
Jobs created	1.13***	0.05	1.13***	0.05	1.13***	0.05	1.13***	0.05	1.13***	0.05
L2										
Age	0.00 [†]	0.00	0.00 [†]	0.00	0.00 [†]	0.00	0.00 [†]	0.00	0.00 [†]	0.00
Gender	0.09	0.06	0.09	0.06	0.09	0.06	0.08	0.06	0.08	0.06
Tertiary education	0.08	0.06	0.08	0.06	0.08	0.06	0.08	0.06	0.08	0.06
Entrepreneurial experience	-0.01	0.09	-0.01	0.09	-0.01	0.09	-0.01	0.09	-0.01	0.09
Net household income	0.06	0.07	0.06	0.07	0.06	0.07	0.05	0.07	0.05	0.07
Material values (MV)							0.02	0.03	0.02	0.03
L1 interaction										
PI x G					-0.01	0.04	-0.01	0.04	-0.01	0.04
Cross-L interaction										
PI x MV									0.25***	0.05
Variance components										
R2 L1 [§]	0.31		0.33 (Δ=7.26%)		0.33 (Δ=0.00%)		0.33 (Δ=0.03%)		0.34 (Δ=2.43%)	
R2 L2 [§]	0.03		0.03		0.03		0.03 (Δ=5.00%)		0.03 (Δ=0.00%)	

[†]L: Level *** $p < .001$; ** $p < .01$; * $p < .05$; $† p < .10$ [‡]1 = Female, 0 = Male [§] 1 = Net household income > median, 0 = Net household income ≤ median [§]We calculated the pseudo R² as described by Snijders and Bosker (1999)