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INCOME AND SUBJECTIVE WELL-BEING IN MICROENTREPRENEURS: DOES PERSONALITY MATTER? (SUMMARY)

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~ SUMMARY ~

INCOME AND SUBJECTIVE WELL-BEING IN MICRO-ENTREPRENEURS: DOES PERSONALITY MATTER?

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Principal Topic

Gartner (1988) famously argued that “who is an entrepreneur? Is the wrong question”. His argument fuelled the debate to replace traits as a unit of analysis with behaviour, and to focus on organization creation. However, recent trait research has demonstrated a significant distinction between the entrepreneur and manager, while the rise of the micro-entrepreneur, someone who runs a business without employees, requires us to relax the assumption that the entrepreneur always forms an organisation. Micro-entrepreneurs are ubiquitous, comprising 75% of US businesses in 2013, for example, yet they are excluded from most theories of the entrepreneur. I examine how the micro- entrepreneur’s income and subjective well-being (SWB) varies with personality compared to the entrepreneur and the employee. Income has been shown to be positively related to SWB, however, traits are stronger predictors of SWB. I draw these elements together in a theory where: traits provide the ‘how’, income provides the ‘what’, SWB provides the ‘why’, and causality specifications of a mediating framework provides the ‘when’ (Whetten, 1989); leading to a hypothesis that income mediates the relationship between specific traits and SWB.

Method

Using panel data from the annual British Household Panel Survey for the years 2000 to 2009 (n=90,579 observations including 5,800 of micro-entrepreneurs), I test for mediation with DVs for SWB (Satisfaction, Happiness), IVs for the Big 5 traits (Openness, Conscientiousness, Extraversion, Agreeableness, Neuroticism) and Income as mediator (separately in both DV and IV), controlling for Age, Gender and Parental Status. The mediation test is conducted using a population averaged panel regression. Factor analyses and other reliability and construct validity tests are undertaken for robustness.

Results and Implications:

Mediation is found in all traits except for openness, meaning income partially explains personality driven rises in SWB in the micro-entrepreneur. Extraverted (better at sales/socialising) have higher income and SWB*. Agreeable, conscientious and neurotic are split creating paradoxical SWB/income tension. Disagreeable (better at negotiation) , unconscientious (poor planners, may correlate with effectuating) and neurotic (worriers may have useful paranoia) have higher income, while, conscientious, stable, agreeable have higher SWB*. (*Including controlling for income, indicating mediation). These findings are important for social/financial policy makers where low income micro-entrepreneurs (in UK) lack equitable welfare benefits. For entrepreneurship and psychology domains, cognitive trait based intervention/education research is warranted for micro- entrepreneurs.

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