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

Johan P. de Borst
Hunter Centre for Entrepreneurship, University of Strathclyde, Scotland, UK, johan.de-borst@strath.ac.uk

Recommended Citation
Available at: https://digitalknowledge.babson.edu/fer/vol36/iss3/4
SUMMARY

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

Johan P. de Borst, Hunter Centre for Entrepreneurship, University of Strathclyde, Scotland, UK

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.

CONTACT: Johan de Borst, johan.de-borst@strath.ac.uk; (T): +44-771-388-2778; Hunter Centre for Entrepreneurship, University of Strathclyde, 199 Cathedral Street, Glasgow, G4 0QU, UK.