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THE INFLUENCE OF INTERNAL CHARACTERISTICS AND ENVIRONMENTAL FACTORS ON THE SUCCESS OF YOUNG ENTREPRENEURS

1 Introduction

Nowadays there is a trend in youngster that, instead working for firms or corporations, they tend to open their own businesses. By doing that, they could open avenues to increase their incomes, autonomy and flexibility, however, they also face a myriad of issues like bankrupt, or competitive pressure (Perri & Chu, 2012). With the booming of the Internet and support from the legal system, opening a new business is seems to be easier than ever. On the other hand, the bankruptcy rate in 2014 West Eastern countries are also the highest in the history. Take Vietnam for example, 60,767 bankruptcy business cases in 2013 compared to just 52,739 filings in 2011 (Bankruptcyaction, 2014).

As the first five years is the hardest time for new firms to survive, and they often become bankruptcy in this period (Surviving the First Five Years, 2003). For this reason, there is a need for researchers to study about all problems the entrepreneurs may face when running a new business, as well as the necessary individual characteristics of firm owners needed to ensure that their firms could, at least, survive in competitive environments. Not less importantly, the

environmental factors, such as owner's education and family support, have also a huge influence to the success of business (Sapienza & Grimm, 1998).

Despite the fact that there are numerous stories about the success of firms, the opinions about the importance of entrepreneur's individual characteristics and environmental factors in firm success seem to be still contrastive, thus, there is a need to re-organize all the necessary skills and factors that entrepreneurs should possess to guarantee the success of their firms. The purpose of this article is to review 10 literature related to the individual characteristics and environmental factors of entrepreneurs in varied business environments and sizes, from American to Chinese and Vietnamese firms, in order to understand the most important factors generally to make recommendations and build support mechanisms for young entrepreneurs in Vietnam. As Vietnam is a developing country with about 70,000 new firm established every year, and low GDP from \$1,910 in 2014, the recommendations and support mechanisms should be careful studied and specifically designed for Vietnam market (Worldbank, 2015). The key research question guiding the review of the literature was: How do individual characteristics and environmental factors influence the success of young entrepreneurs and how might we apply the existing research to build appropriate support mechanisms for young entrepreneurs in Vietnam?

2 The Literature Review

A systematic search of empirical articles was conducted in one online database - Business Source Complete. Searches were made using the following key terms: entrepreneur* plus characteristics* or entrepreneurship* plus success factors*. The Search limiters used were *data range (1983-2014)*, *full text documents only*, and *peer-reviewed journals*. However, there are only 10 articles, which were collected and analyzed. In addition to the aforementioned based articles, a

number of digital sources were used in order to complement to this study but will not be investigated in this literature review. Due to the constraint of sources, it may not possible to identify all the necessary characteristics and environmental factors of the start-up owners.

3 Findings from the Literature Review

All the needed characteristics and factors of entrepreneurs are categorized and divided into two major groups:

- Environmental factors: the age of firm owners, and their experience & education
- Individual characteristics: the firm owner's motivation and their type of leadership

3.1 Age of the firm owners

The studies reveals that the age of the owner can have both positive and negative impacts on firm's performance. In their study, Miettinen & Littunen (2012) found that "middle-aged entrepreneurs likely have most experience, credibility and energy" (p. 454), and increasing the age of the owner is claimed to have a negative relationship with firm's growth. The middle-aged entrepreneurs seem to have enough skills and experience to run a business productively, while increasing the age of the owner tends to make them less flexible to adapt with the changing of the business environment. With the similar result, Honj (2004), in his research about Japanese entrepreneurs, agrees that too young or too old entrepreneurs received a negative result, only middle-aged owners from 30-49 years old tend to keep their start-up surviving and growing strongly.

3.2 Experience & Education

Miettinen & Littunen (2012) assess that “education can symbolize the entrepreneurs’ capacity to adapt and develop knowledge of the environment” and thereby affect the owner’s drive, energy, and motivation. The firms running by high educated owner tend to show a better business performance. Similarly, Honj (2004) concludes that high education also plays an important role in business survival. Compared to other former studies, Colombo et al. (2004) categorize owner’s experience into two types: the generic and the specific human capital. In which, the specific human capital stands for specific “education and professional experience” in the field that the entrepreneurs open their firms, while the generic experience is “work experience gained by founders in other sectors than the one of the start-up before firm’s foundation”. In deem, the specific human capital is far more important than the generic experience in order to run the firms effectively.

However, in the research about short line railroad performance, Sapienza et al. (1998) pointed out that if the owner’s education is too high, it has a reverse effect on firm’s performance as “entrepreneurs with master's degrees outperformed those with Ph.D degrees” and “beyond a certain point additional business courses harm rather than help”. Furthermore, in the study about entrepreneurship in Asian countries like China and Vietnamese, Perri and Chu’s (2012) show an opposite idea that educational background is not a critical necessity to run a business successfully. Only nearly 20% of entrepreneurs from successful companies completed colleges or graduate schools, the others finished only high schools or even has no formal education (11.3%).

3.3 Motivation

All studies agree that owner’s motivation has a big influence to the way they run their firms. In their study, Perri and Chu’s (2012) classify the motivation of entrepreneurs in Vietnam and

China into eleven groups, such as “desire for independence/autonomy, family security, self-fulfillment and growth, financial gain, and recognition”. In deed, entrepreneurs in both China and Vietnam rated mostly for the two reasons why they run their own business, and they are “to increase my annual income” and “to be my own boss”. Additionally, Miettinen & Littunen (2012) argue that the entrepreneurs, who have “pull reasons” like “to be my own boss” tend to be more successful than the owners, who start firms because of “push reasons” such as escape from unemployment. Similarly, Mocnik (2010) also concluded that the entrepreneurs who possess “psychological motivation factors” such as “need for achievement” or “need for autonomy”, often run their firms more effectively than ones who do not.

3.4 Owner’s characteristics

With the assumption that the entrepreneurs play “the dominant position” in smaller firms, Kisfalvi (2002) is successful provide evidence to proof that the owner’s characteristics, such as risk-taking behavior, personal needs and desires, their strategic priorities play “a major role in the way they form strategy” (p. 492). Furthermore, the case study about Ben also reveals that the owner’s characteristics, like “penny pincher”, are formed from the life issues or bad experience in the past. For example, Ben becomes from a poor family that’s why he control all the money very tightly as described by himself as “I am able to control 100% from A to Z”.

In order to study further about entrepreneur’s characteristics, Mccarthy (2003) conducted 33 interviews with successful entrepreneurs and categorized the entrepreneurs into 2 groups: the charismatic and the pragmatic entrepreneur. The charismatic entrepreneurs are described as “visionaries, risk-takers, highly persuasive, passionate, with ambitious and idealistic goals”, while the pragmatic tend to be “more cautious, rational and believe more in calculating and analyzing” (p. 158). The entrepreneur types show clearly the differences in three aspects: decision-making

style, goals and attitude to risk. In the long term, the firm running by charismatic entrepreneur tends to growth more rapidly but less sustainable than one running by pragmatic owner.

4 Synthesis: Limitations and Suggestions for Future Research

The review above has identified four different factors that have been reported fairly consistently in the ten sources. However, there are limitations in this review. Consequently, there are some available suggestions for future research. Firstly, almost all articles are not be able to show the differences between male and female entrepreneurs; only one source about Japanese entrepreneurs mentions about gender as “it is not enough data to determine the effect of entrepreneur’s gender on firm growth”.

Secondly, the ten sources are chosen from different geography and diverse cultures, from America to Japan, so the differences between entrepreneur’s characteristics might come from different cultures.

Thirdly, there are only two sources studying about internal entrepreneurs’ characteristics and the results also varied significantly. For this reasons, more research about internal owners’ characteristics, such as leadership or risk-taking behavior, is desired.

Lastly, there is merely one source mentioned about the funding of firms as “the people, who are wealthy, have less stress and constrain, and as a result, their firm size is bigger and increase likelihood of survival and growth better”. This point is a crucial point and should be study further about the effect of funding source to the owner’s pressure.

5 Conclusion

The purpose of this article was to review literature related to the influence of owner's characteristics and environmental factors to the success of firms. As a result, four convergent findings were clearly identified in an effort to answer the guiding question. These findings can be used as a guide to design business courses in business schools in order to prepare for the new entrepreneurs better to ensure their success in the future. For example, when opening a new firm, an entrepreneur should understand that how much experience and education are enough, and which age and motivation are suitable to open a new business. And for the current entrepreneurs, who might face issues with their companies, hopefully, with this guide, it could help them to recognize the necessary factors they may lack.

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