

Entrepreneurial Characteristics, Optimism, Pessimism, and Realism – Correlation or Collision?

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Abstract

The study of entrepreneurs and entrepreneurship has resulted in a great deal of information about who entrepreneurs are and how who they are impacts their behavior. This paper presents additional insight into who entrepreneurs are and how their characteristics relate, and how those relationships might impact their behavior. We have studied selected entrepreneurial characteristics and their relationship to optimism, realism, and pessimism. The study shows that some entrepreneurial characteristics are positively related to optimism and realism and negatively related to pessimism.

Key Words: Entrepreneurship, Psychology, Entrepreneurial Characteristics, Optimism, Realism, Pessimism

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Introduction

There is a common argument among researchers regarding if entrepreneurs are optimistic, and if optimism relates to other characteristics of entrepreneurs. The purpose of this paper is to explore and examine the relationship between entrepreneurial characteristics, optimism, realism, and pessimism. For many years, researchers have identified unique characteristics of entrepreneurs – confidence, independence, being in control, risk taking, creativity, just to name a few. Literature has also discussed optimism and its relationship to other entrepreneurial characteristics, how optimism impacts on venture performance (success and failure) and decision making, and different levels of unrealistic optimism leading to various consequences in venture development (Schneider, 2005; Liang & Dunn, 2008(1); Liang & Dunn, 2008(2)). Looking at economic issues today, most people do not have a strong and positive outlook for the future. However, individual decision in creating a new venture when everything seems to be downbeat, like many other entrepreneurs, could eventually become the uplifting force to stimulate our economy. Some research evidence shows that optimistic entrepreneurs seem to perform better and more competitively in certain environments and organizations (Manove, 2000). If results from previous literature are robust, it would be reasonable to assume a strong positive correlation between entrepreneurs' decisions, their unique characteristics, and optimism which form the foundation to stimulate savings and investment to boost economic activities (Manove, 2000). This assumed relationship between entrepreneurial characteristics and optimism is the underpinning theory for this paper.

Unrealistic optimism, identified as a common human trait, has appeared in psychology literature within the last twenty years. Psychologists' explanations of optimism and personal characteristics have often been gathered in case-specific experiments (Weinstein, 1980 & 1982; Taylor, 1989). Most of the arguments presented in entrepreneurship and economics literature remain in the conceptual status (Aidis, Mickiewica & Sauka, 2008). Even though optimism turns out to be common among entrepreneurs, this would not imply realism and pessimism do not exist among entrepreneurs. Therefore many questions remain unsolved in the literature due to lack of empirical evidence – how closely does optimism relate to other entrepreneurial

characteristics? If not all entrepreneurs are optimistic, are there relationships between entrepreneurial characteristics and their perceptions of realism or pessimism?

There are a number of reasons why this is an important area for research. First, realism and pessimism have not been studied thoroughly in entrepreneurship and economics. There is a lack of understanding what realism and pessimism mean and how they impact entrepreneurs (Liang & Dunn, 2008(1); Liang & Dunn, 2008(2)). A second reason to examine the relationship between entrepreneurial characteristics and optimism, realism and pessimism is the need to unfold some mysteries presented in previous literature regarding who entrepreneurs are and their behaviors in decision making (Liang & Dunn, 2008(1); Liang & Dunn, 2008(2)). Optimism is usually included in the set of entrepreneurial characteristics in many studies. However not all entrepreneurs are optimistic all the time, especially given the volatile economic and financial situations such as we are dealing with today. A third reason to examine realism and pessimism beyond optimism is due to some missing links between theoretical framework and empirical studies in entrepreneurship. A rich inventory of literature in psychology has provided numerous case studies in clinical experiments to test optimism influences on recovery or treatments for patients. Optimism might be positively correlated with attitudes and characteristics of many successful entrepreneurs. It would be equally important to explore if realism and pessimism might also be correlated with other entrepreneurial characteristics such as risk taking, being in control, seeking independence, and creativity. If unrealistic optimism could become a barrier for success, realism or pessimism might also contribute to unpredictable outcomes in new venture creation.

Literature Review, Research Hypotheses, and Analytical Framework

General profiles of entrepreneurs often include optimism and other entrepreneurial characteristics such as self confidence, independency in decision making, creativity, and willingness to accept risks. Each of these characteristics has been somehow explored in previous studies. Researchers in psychology have investigated optimism as an attribute of individuals that governs positive thinking and the outlook of the future, and perhaps relates to better outcomes, better performance, better personal well-being, and coping strategy. There has not been sufficient research directly relating entrepreneurial characteristics to realism or pessimism. We

shall examine these entrepreneurial characteristics to assess the way in which they relate to optimism, realism and pessimism.

Entrepreneurial Characteristics, Optimism and Realism in Entrepreneurship Literature

Much of the work on entrepreneurial characteristics has discussed high achievement driven, action oriented, internal locus of control, tolerance for ambiguity, moderate risk taking, commitment, opportunistic, initiative, independence, commitment/tenacity, creativity, and optimism (Liang & Dunn, 2003; Malach-Pines, Sadeh, Dvir, & Yafe-Yanai, 2002; Crane & Sohl, 2004; Liang & Dunn, 2008(1)). These researchers seem to agree that optimism links to other entrepreneurial characteristics when we identify who entrepreneurs are.

Several researchers claimed that optimism was associated with positive outcomes in entrepreneurs, their success, and their contributions to the economies in which they operate. Kuratko and Hodgetts suggested that optimism among entrepreneurs, even in bad times, is an important factor in their drive toward success (Kuratko & Hodgetts, 2004). Researchers had identified optimism as a stimulator for persistence and commitment to new venture creation (Litt, Tennen, Affleck & Klock, 1992; Seligman & Schulman, 1986; McColl-Kennedy & Anderson, 2005). It is often assumed that optimists have a positive outlook for their future. When entrepreneurs are categorized as optimists, the disposition enables entrepreneurs to downplay uncertainty or setback and focus on what is doable and good in a situation.

Optimism is also characterized as a negative factor in entrepreneurship, however. Being over confident and unrealistically optimistic drive entrepreneurs to over-estimate the odds they will succeed (Baron & Shane, 2005; Hey, 1984). Optimism has also been linked to the risk tolerance and high expectations (Petrakis, 2005). Optimists often deluded themselves into becoming entrepreneurs with high risks of failure (De Meza & Southey, 1996). An experiment conducted by Coelho and De Meza (2006) discovered that irrational expectations (also interpreted as unrealistic optimism) led entrepreneurs to behave in ways that are contrary to their interests and resulted in a loss of well being. Optimism and overconfidence in the behavioral finance literature seem to be interpreted as causes of the high failure rates of new ventures in the initiation stage (Brocas & Carrillo, 2004). Puri and Robinson (2004), in a large scale study, linked optimism to significant work/life choices and entrepreneurship. Puri and Robinson (2004)

also found that entrepreneurs were more optimistic than non-entrepreneurs and were more risk tolerant than non-entrepreneurs. Optimistic cognitive biases might lead entrepreneurs to overestimate demand, underestimate competitive reaction, and misjudge the need for complementary assets, and, finally to decide whether or not to pioneer (Simon & Houghton, 2002).

Many researchers have a mixed view and agreed that unrealistic optimism had both positive and negative impacts on entrepreneurs' well being. Unrealistic optimism (or overestimated optimism) can lead to a misallocation of resources and a reduction in welfare (Manove, 2000). But unrealistic optimism can also stimulate saving and investment and provide added incentives for hard work (Manove, 2000). Manove is among one of the first researchers to demonstrate the coexistence of optimists and realists. He explored the interaction between the optimists and realists regarding their self evaluated productivity and competitiveness. Fraser and Greene (2006) developed an occupational choice model in which entrepreneurs learn from experience. As a result of their study, both optimistic biases in talent beliefs and uncertainty diminish with experience – the more entrepreneurs learn, the more realistic they become. However, none of these researchers provided tool to measure either optimism or realism.

Entrepreneurial Characteristics, Optimism and Realism from the Psychological/Clinical Perspectives

A review of the psychology literature contains a great deal of information on optimism. Optimism was found in many positive psychology discussions... “An optimist is widely thought of as someone who sees the silver lining in every cloud and views the world through rose-tinted spectacles (or a glass that’s always half full).” (Centre for Confidence and Well-Being, 2006). The optimism discussed in the entrepreneurship literature is similar to “dispositional optimism” in psychology. Dispositional optimism is the bias to hold, across time and situations, positive expectations. Individuals who are dispositionally optimistic believe that, in general, their goals will be met in any situation (Sujan, 1999). “Thus, dispositional optimism is a very general tendency, a disposition that reflects expectations across a wide variety of life domains.” (Wrosch & Scheier, 2003) Chang (2001) suggested that dispositional optimism results in expectations that good things would happen and pessimism resulted in expectations that bad things would happen. Haugen, Ommundsen, and Lund (2004) suggested that the concept of general

expectancy was a fruitful concept in central personality dispositions, encompassing both positive and negative expectations associated with optimism and pessimism.

Psychology literature suggests that optimists feel in control of their activities and that those activities would give them more satisfaction, that they have a significant role in initiating projects, have adequate control and time to carry them out, have made more progress toward their goal, and have relatively heightened expectations that the outcomes of their projects will be successful (Jackson, Weiss, Lundquist & Soderlind, 2002). Optimists rated their personal projects as more congruent with and fulfilling of their values and identities, which also reflected positively on their sense of self and other goals (Jackson, Weiss, Lundquist & Soderlind, 2002).

Psychologists have also discovered that optimism is related to psychological well-being and coping behaviors. Optimism results in a sense of subjective well being as it "...fosters self-esteem, relationship harmony, and positive perceptions of financial conditions." (Leung, Moneta & McBrice-Chang, 2005) Psychologists have also suggested that optimists believe in good luck which was associated with better psychological well being (Day & Maltby, 2003). Wrosch and Scheier (2003) concluded that optimists, compared with pessimists, more frequently used active coping tactics when confronted with aversive situations and adaptive emotion-focused coping tactics when important life goals were blocked. People who are able to disengage from unattainable goals and re-engage elsewhere seem able to avoid accumulated failure experiences so as to achieve higher quality of life. Optimists also use a strategy of acceptance/ resignation, but they do so only in the very circumstance in which the strategy seems entirely adaptive (Scheier & Carver, 1987).

Other psychologists suggest, as have entrepreneurial researchers, that "Excessive optimism at the wrong time and in the wrong situation can blind us to the costly consequences of certain actions." (Schulman, 1999) Strong optimism is helpful in that it encourages people to expect success and focus on the activities needed to achieve that success, but there may be negative consequences when things do not go as expected (Niven, 2000).

Optimism may go much deeper than we have believed and link many different concepts between entrepreneurship and psychological theories. Barbera (2004) indicated that over the long haul, "one needs to recognize that persistent optimism, the signature characteristic of

American entrepreneurs, provides the dynamism that delivers growth for the U. S. economy.” While many entrepreneurship researchers have discussed optimism and have indicated that optimism generates both positive and negative impacts that influence personal and business development, there is a need to quantify the impacts and relationship between optimism, realism, pessimism and common entrepreneurial characteristics such as independence, creativity, being in control and willingness to take risks.

Hypotheses

The assumed relationship between optimism and entrepreneurial characteristics become the foundation of this study. Following the literature review, several hypotheses have been developed to determine if entrepreneurs are optimistic, realistic, or pessimistic when they self examine their characteristics. To do that, we followed Baron’s suggestion that “...from both a scientific and a practical perspective, applying the principles and findings of psychology to the study of entrepreneurs seems to hold great promise.” (Baron, 2000)

H1: Independence is strongly positively correlated with optimism among entrepreneurs.

H2: Being in control is strongly positively correlated with optimism among entrepreneurs.

H3: Creativity is strongly positively correlated with optimism among entrepreneurs.

H4: Willingness to take risks is strongly positively correlated with optimism among entrepreneurs.

H5: Realistic entrepreneurs have weaker positive tendency to be independent, in control, creative, and risk taking.

H6: Entrepreneurs who are independent, in control, creative and risk taking do not have a strong tendency to be pessimists.

Conceptual Frameworks of Analysis

A conceptual framework has been designed based on the literature reviews and the hypotheses of this research. This conceptual framework interprets the relationship between

optimism, realism, pessimism and entrepreneurial characteristics in a two-dimensional diagram (Graph 1). The vertical axis represents the tendency of the entrepreneurial characteristics between -1 and +1, in which -1 represents extremely negative self assessed value in entrepreneurial characteristics (not independent, not being in control, not creative and not willing to take risks) and +1 represents extremely positive self assessed value in entrepreneurial characteristics. Given the theories presented in many entrepreneurship and psychology literatures, we can assume a strong positive relationship between entrepreneurial characteristics and optimism. This implies the values of correlation coefficients between entrepreneurial characteristics and optimism measurements would situate in the larger values of the (+, +) quadrant. Following the assumptions of realism and its relationship with entrepreneurial characteristics, realistic entrepreneurs would be more conservative in assessing their characteristics and their situations. This leads to weaker positive values of the correlation coefficients between entrepreneurial characteristics and realism measurements, as represented by the lower values of the (+, +) quadrant. The relationship between pessimism and entrepreneurial characteristics is assumed to be negatively correlated in the theory. Pessimistic entrepreneurs are assumed to be contrary to entrepreneurial characteristics, which imply they are not independent, not want to be in control, not creative, and not willing to take risks. Thus the correlation coefficients between self assessed pessimism and entrepreneurial characteristics should situate in the (-, +) quadrant in the two-dimensional conceptual framework¹.

¹ Theoretically the negative tendency of entrepreneurial characteristics and pessimism should have (-, -) values in the two-dimensional framework. In our study, the statements of the optimism, realism, and pessimism are listed on the X-axis. The realism statements are designed to be compatible to the optimism statements. The pessimism statements are opposite statements from the optimistic statements based on psychology literature. Therefore we do not have to design negative statements to go against negative entrepreneurial characteristics. In other words, realism statements and pessimistic statements are corresponding/relative to optimistic statements on the same side of the X-axis.

Research Methodology

Questionnaire Design

The first step of conducting this research was to design a questionnaire. This is a study of entrepreneurs who are already in business. There were five sections in the survey: 1. Demographics and characteristics, 2. Optimism assessment, 3. Realism assessment, 4. Expectations from the venture, and 5. Outcomes of the new venture creation. This questionnaire has been designed to conduct multiple studies for various purposes. To serve the specific purpose of this paper, we only used the first 3 sections of the information for our analysis, which include demographics and characteristics, optimism assessment and realism assessment.

Demographics reported gender (male, female), age (younger than 30, between 30 and 50, and older than 50), ethnicity, family composition, education, type of business, and location of the business (rural, urban). **Characteristics** included whether entrepreneurs wanted to be independent, wanted control, believed they were creative and risk acceptance. The answers were on a Likert scale as Strongly Agree (1), Agree (2), Disagree (3), and Strongly Disagree (4). We avoided the “Neither Agree Nor Disagree” level and hoped to impose more specific choices from entrepreneurs.

Statements for **optimism assessment** were adopted from the Life Orientation Test Revisited (LOT-R). The original LOT-R has three positive statements (optimism measurements), three negative statements (opposite to optimism measurement, pessimism measurements), and four non-scored items as filler statements. We used the three optimism statements and three pessimism statements for our questionnaire. Three positive statements were: “In uncertain times, I usually expect the best”, “I am always optimistic about my future”, “Overall I always expect more good things happen to me than bad”. Three negative statements were: “If something can go wrong for me, it will”, “I hardly ever expect things to go my way”, and “I rarely count on good things happening to me”. Carver (2008) indicates that... “The LOT-R has good internal consistency (Cronbach’s alpha runs in the high .70s to low .80s) and is quite stable over time.” The LOT-R procedure has been recognized and used by many psychologists as a sufficient and robust tool to measure optimism. Psychologists have conducted research using the LOT-R to explore personal control in sports, to investigate the relationship between optimism and depression/coping/anger, to analyze effects of optimism on career choice and well-being, and to examine the impact of optimism on changes of environment and

circumstantial situations (Burke, et. al. 2006; Burke, Joyner, Czech & Wilson, 2000; Puskar, Sereika, Lamb, Tusaie-Mumford & McGuinness, 1999; Creed, Patton & Bartrum, 2002; Perczek, Carver, Price & Pozo-Kaderman, 2000; Sydney, et. al. 2005). Clinical researchers have also utilized the LOT-R to explore how optimism affects patients in dealing with various health problems and treatments (Walker, Nail, Larsen, Magill & Schwartz, 1996). A few entrepreneurship studies had adapted the LOT-R to verify the relationship between optimism, realism and pessimism (Liang & Dunn, 2008(1); Liang & Dunn, 2008(2)). The LOT-R is available on-line and it is free for researchers to use (Centre for Confidence and Well-being, 2006). The responses to the optimism statements have 5 levels of choices as indicated in the original LOT-R test, which are I Agree a Lot (1), I Agree a Little (2), I Neither Agree Nor Disagree (3), I Disagree a Little (4), and I Disagree a Lot (5).

A measure for *realism* could not be found in the literature. After conducting a thorough literature review in psychological research, and extensive discussions and consultations with entrepreneurs and entrepreneurship educators, we created a series of statements designed to capture the essence of realism. There are seven statements for realism: “I usually set achievable goals”, “I usually look before I leap”, “When planning, I usually consider both negative and positive outcomes”, “I usually try to find as much information as I can before I make decisions”, “I am always realistic about my future”, “I try to be reasonably certain about the situation I face when starting an important activity”, and “I usually weigh the risks and rewards when making decisions”. Entrepreneurs responded based on a five-point Likert scale ranging from “I agree a lot (1)” to “I disagree a lot (5)”, which was the same scale used in testing optimism statements.

Using the reliability test on the responses received from our sample entrepreneurs, Cronbach’s Alpha statistic showed a confidence level for the Realism statements, 0.812, Negative Optimism statements, 0.731, Positive Optimism statements, 0.602 and 0.718 for the Entrepreneurial Characteristics (Table 1). These test results seem to support the reliability of various statements included in the survey.

Table 1 Reliability Tests			
Realism Variables		Negative Optimism Variables	
Cronbach's Alpha	N of Items	Cronbach's Alpha	N of Items
0.812	7	0.731	3
Positive Optimism Variables		Entrepreneurial Characteristics	
Cronbach's Alpha	N of Items	Cronbach's Alpha	N of Items
0.620	3	0.718	4

Administration of the Survey

After the questionnaire was designed and pre-tested, *in business entrepreneurs* were contacted by a research contact person and asked to complete the questionnaire. After permission was granted, the entrepreneur was given the questionnaire and allowed to complete it in private. After completion, the questionnaire was returned to the research contact person. The collection was during business hours; however it was sometimes necessary to administer the questionnaire while the business was closed or at a convenient time that met the business owners' schedules. The questionnaire was administered to a convenience sample of business owners in the Mississippi River Delta region between the fall of 2007 and the spring of 2009. There was no direct personal relationship (family members) between the interviewers and the respondents. However, it is possible that the interviewers were acquainted with the respondents through other connections. Totally 354 entrepreneurs responded to the survey.

Method of Analysis

We chose to use the Pearson Correlation Coefficients to analyze the degree of association between entrepreneurial characteristics, optimism, realism, and pessimism. The correlation between the graphs of two data sets is the degree to which they resemble each other. However, correlation is not the same as causation, and even a very close correlation may be no more than a coincidence. Mathematically, a correlation is expressed by a correlation coefficient that ranges from -1 (never occur together), through 0 (absolutely independent), to 1 (always occur together).

The formula for the Pearson correlation is given below. In our case, we have two variables X (represents each of the entrepreneurial characteristics, Likert scale 1 to 5) and Y (represents each statement of optimism, realism or pessimism, Likert scale 1 to 5), with means \bar{X} and \bar{Y} respectively and standard deviations S_X and S_Y respectively. The correlation is computed as

$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{(n-1)S_X S_Y}$$

Findings of the Study

Using the original LOT-R tests and the newly designed realism statements, we are able to gather information from over 300 entrepreneurs who are already in business to reveal if they are optimists, realists, or pessimists. Table 2 and Table 3 summarized the numbers of entrepreneurs who have responded to our survey. Table 4 summarized the number of entrepreneurs who have responded to individual questions regarding self assessment of entrepreneurial characteristics.

Table 2. Optimism/ Pessimism Variables Case Summary						
	Expect the Best	Things Go Wrong	Always Optimistic	Don't Expect Things to Go My Way	Rarely Count on Good Things	Expect More Good Than Bad
n	349	351	347	349	350	346

Table 3. Realism Variables Case Summary							
	Set Achievable Goals	Look before Leap	Consider both Neg/Pos Outcomes	Find Information	Realistic About the Future	Weigh the risks and rewards	Certain About the Situation
n	352	351	351	350	351	344	349

Table 4. Entrepreneurial Characteristics Case Summary				
	Independence	Control	Creative	Risk Acceptance
n	354	352	352	352

The summary of respondents' personal profile and business profile is included in Table 5. Approximately two-thirds of the respondents were male (63.6%). Majority respondents were

White (79.6%). Some of the respondents were Asian (15.9%). Almost sixty-four percent of the respondents were married with children. Forty-eight percent of the respondents were between 30 and 50 years of age. Another thirty-four percent of the respondents were over 50 years old. Many respondents had at least high school education, with almost 62 percent of the respondents having college education. Two-thirds of the respondents had their businesses in urban area. A large group of respondents had fewer than 5 full time employees (68.1%). Some of them had no full time employees (4.2%). Not very many respondents had part time employees, either. Almost 64 percent of the respondents had fewer than 5 part time employees, and 20 percent of the respondents had no part time employees. Many spouses worked full time (20.6 %) or part time (21.6%) in the businesses. Most of the children of the respondents did not work in the business.

Table 6 reports the correlation coefficients of each entrepreneurial characteristic corresponding to optimism and pessimism statements. In most of the cases, entrepreneurial characteristics seemed to relate to strong, positive assessments of optimism based on our sample. However, independence did not appear to have a strong positive correlation with the optimistic statement “always expect the best”, neither did being in control. Interestingly not all entrepreneurial characteristics were negatively related to pessimism statements. Most of the entrepreneurial characteristics were weakly negatively related to pessimism statements. The only statistically significant negative relationship existed in 3 cases: creativity related to “I would expect things to go wrong”, creativity related to “don’t expect things to go my way”, and risk acceptance corresponded to “don’t expect things to go my way”. Contrary to what we expected, independence and being in control actually had very weak positive correlation with one pessimism statement “I would expect things to go wrong”.

It is also interesting to see how entrepreneurs responded to realism statements since there is not much discussion of this concept in the literature. There seemed to be a mixed relationship between entrepreneurial characteristics and realism assessment based on our sample (Table 7). Most of the entrepreneurial characteristics related to realism statements positively, except one case. Independence, being in control, creativity, and risk acceptance seemed to be strongly positively related to “setting achievable goals”. But these four entrepreneurial characteristics did not show strong positive tendency relationship to “I always look before I leap.” Being in control

seemed to even have negative relationship to the statement “I always look before I leap.” Independence seemed to be strongly positively related to “being realistic about my future” and “I am certain about the situation”. Being in control did not seem to have any statistically significant positive relationship with most of the realism assessments. Creativity and risk acceptance, however, revealed most of the statistically significant positive relationship with the realism assessments based on our sample.

Table 5. Business and Personal Profile					
Gender	Frequency	Percent	Location	Frequency	Percent
-Female	129	36.4	Rural	133	37.7
Male	225	63.6	urban	220	62.3
Total	354	100.0	Total	353	100.0
Ethnicity			Full Time Employees		
White	281	79.6	0-5	209	68.1
African American	56	15.9	6-10	41	13.4
Asian	9	2.5	11 and over	44	14.3
Hispanic	5	1.4	None	13	4.2
American Indian	1	.3	Total	307	100.0
Other	1	.3	Part Time Employees		
Total	353	100.0	0-5	159	63.6
Marital Status			6-10	18	7.2
Single	59	16.7	11 and over	23	9.2
Single/children	49	13.9	None	50	20.0
Married/children	225	63.7	Total	250	100.0
Married wo children	20	5.7	Spouse Work in Business		
Total	353	100.0	Full-time	60	20.6
Age			Part-time	63	21.6
under 30 years old	62	17.8	No	128	44.0
30-50 years old	169	48.4	Not married	8	2.7
Over 50	118	33.8	Not Applicable	32	11.0
Total	349	100.0	Total	291	100.0
Education			Children Work in Business		
Less than high school	11	3.6	Full-time	34	11.1
High School	84	27.4	Part-time	64	20.9
Some College	96	31.3	No	183	59.8
College Degree	93	30.3	No children	4	1.3
Graduate Degree	23	7.5	Not Applicable	21	6.9
Total	307	100.0	Total	306	100.0

Table 6. Correlations Between Entrepreneurial Characteristics and Optimism Variables

		Expect the Best	Go Wrong	Always Optimistic	Don't Expect Things to Go My Way	Rarely Count on Good Things	Expect More Good Than Bad
Independence	Pearson Correlation	.017	.020	.133*	-.055	-.070	.172**
	Sig. (2-tailed)	.757	.704	.013	.304	.193	.001
	N	349	351	347	349	350	346
Control	Pearson Correlation	.018	.074	.162**	-.034	-.035	.189**
	Sig. (2-tailed)	.745	.170	.003	.527	.509	.000
	N	347	349	345	347	348	344
Creative	Pearson Correlation	.227**	-.118*	.330**	-.164**	-.090	.355**
	Sig. (2-tailed)	.000	.028	.000	.002	.093	.000
	N	347	349	345	347	348	344
Risk Acceptance	Pearson Correlation	.204**	-.084	.224**	-.157**	-.076	.222**
	Sig. (2-tailed)	.000	.117	.000	.003	.157	.000
	N	347	349	345	347	348	344

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 7. Correlations Between Entrepreneurial Characteristics and Realism Variables

		Set Achievable goals	Leap	NegPos Outcomes	Find Information	Realistic About the Future	Weigh the risks and rewards	Certain About the Situation
Independence	Pearson Correlation	.157**	.032	.103	.098	.124*	.087	.168**
	Sig. (2-tailed)	.003	.546	.053	.066	.020	.107	.002
	N	352	351	351	350	351	344	349
Control	Pearson Correlation	.134*	-.005	.008	.078	.093	.011	.087
	Sig. (2-tailed)	.012	.928	.885	.144	.083	.845	.104
	N	350	349	349	348	349	342	347
Creative	Pearson Correlation	.257**	.041	.172**	.195**	.228**	.168**	.194**
	Sig. (2-tailed)	.000	.440	.001	.000	.000	.002	.000
	N	350	349	349	348	349	342	347
Risk Acceptance	Pearson Correlation	.197**	.067	.189**	.251**	.162**	.264**	.191**
	Sig. (2-tailed)	.000	.211	.000	.000	.002	.000	.000
	N	350	349	349	348	349	342	347

** . Correlation is significant at the 0.01 level (2-tailed).

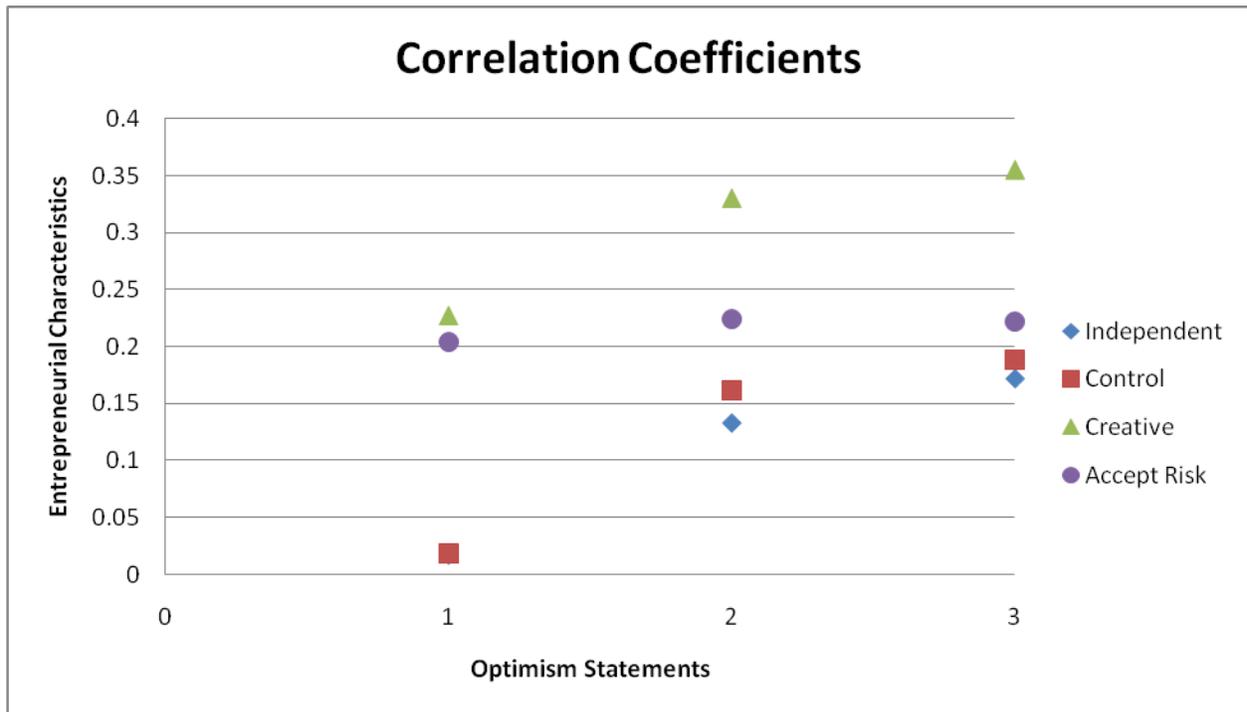
* . Correlation is significant at the 0.05 level (2-tailed).

To verify our findings with the proposed analytical framework of this research, we plotted the values of the correlation coefficients in a 2-dimensional diagram. Using the 2-dimensional diagram we could also see the tendency of the one-dimensional interpretation of the correlation coefficients for each pair of variables.

Figure 1 represents the relationship between each entrepreneurial characteristic with each optimism statement. All of the values of the correlation coefficients between each pair of the variables located in the (+, +) quadrant. This finding agreed with the literature that entrepreneurial characteristics indeed positively correlated with optimism assessments. What has never been described in the literature are the strength and the differentiated levels of correlations between entrepreneurial characteristics and optimism. In our sample, creativity seemed to have much stronger positive correlation with optimism compared to other characteristics. Independence seemed to have weaker positive correlation with optimism. Being in control also had one of the lowest positive correlation coefficients with one of the optimism statement, "In uncertain time, I usually expect the best."

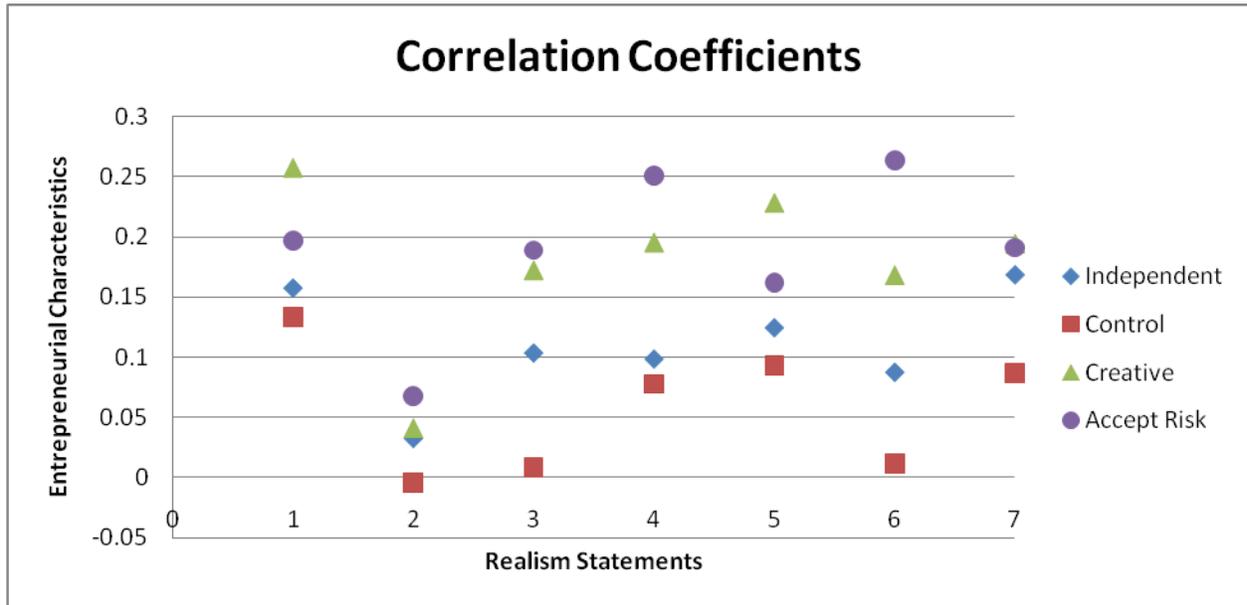
Realism, as a concept, is relatively new in entrepreneurship literature. We created our own statements to assess the tendency of realism among entrepreneurs. We also hoped to explore how entrepreneurial characteristics corresponded to realism. Figure 2 shows the relationship between each pair of the entrepreneurial characteristics and realism statements, using a two-dimensional diagram. By looking at the orders of the characteristic symbols in the graph, we have identified new information that has not been explored thoroughly in existing literature. Most of the values of the correlation coefficients were in the (+, +) quadrant, except one case. Being in control seemed to have the lowest correlation coefficients with all of the realism statements. Furthermore, being in control had a slightly negative correlation with the statement "I usually look before I leap." Risk acceptance seemed to have the strongest positive correlation with most of the realism statements. The correlation coefficients between entrepreneurial characteristics and realism statements were not as strong (high) as the relationship between entrepreneurial characteristics and optimism.

Figure 1. Correlation Coefficients between Entrepreneurial Characteristics and Optimism



Note : On X-axis, statement 1 is “In uncertain times, I usually expect the best”, statement 2 is “I am always optimistic about my future”, and statement 3 is “Overall I always expect more good things happen to me than bad”.

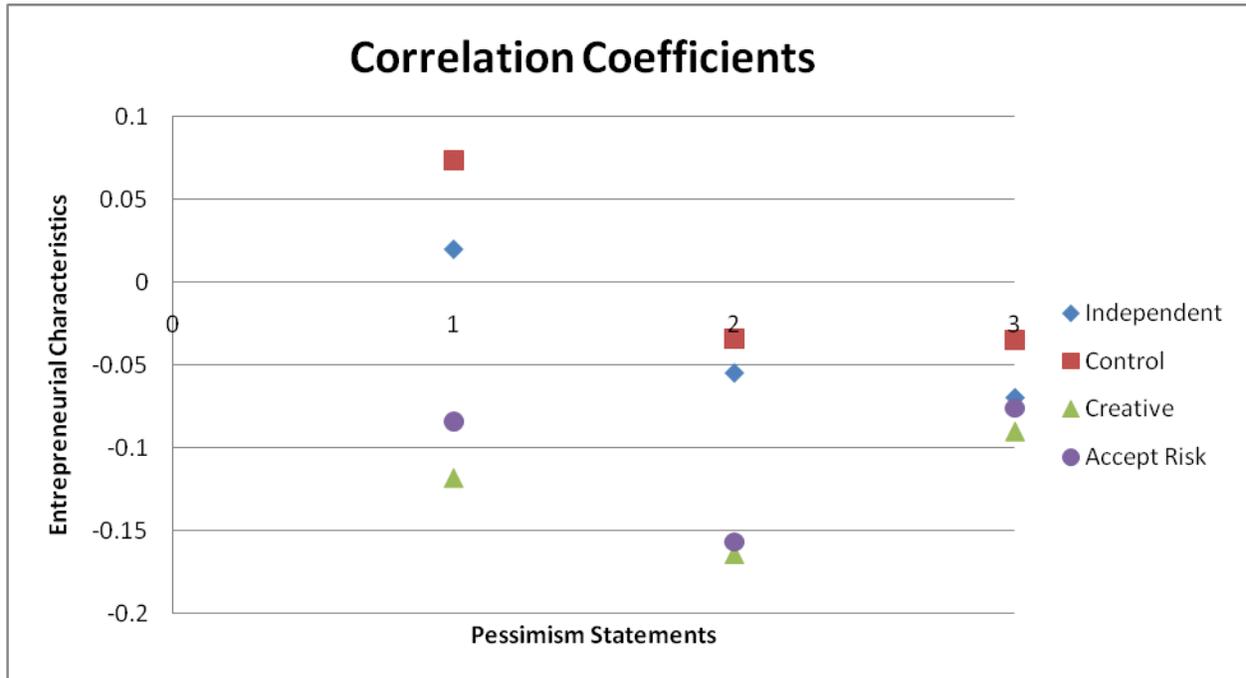
Figure 2. Correlation Coefficients between Entrepreneurial Characteristics and Realism



Note: On X-axis, statement 1 is “I usually set achievable goals”, statement 2 is “I usually look before I leap”, statement 3 is “When planning, I usually consider both negative and positive outcomes”, statement 4 is “I usually try to find as much information as I can before I make decisions”, statement 5 is “I am always realistic about my future”, statement 6 is “I try to be reasonably certain about the situation I face when starting an important activity”, and statement 7 is “I usually weigh the risks and rewards when making decisions”.

Pessimism is something that has never been studied in entrepreneurship literature. Is it true that entrepreneurs are most likely to be optimistic? Is it possible for entrepreneurs to be pessimistic? In our sample, some entrepreneurs with certain characteristics seem pessimistic. Being in control was one of the characteristics that showed a positive correlation with the statement “If something can go wrong for me, it will.” Being independent also had a slightly positive correlation with the statement “If something can go wrong for me, it will.” Creativity seemed to have the strongest negative correlation with pessimism assessments.

Figure 3. Correlation Coefficients between Entrepreneurial Characteristics and Pessimism



Note: On X-axis, statement 1 is “If something can go wrong for me, it will”, statement 2 is “I hardly ever expect things to go my way”, and statement 3 is “I rarely count on good things happening to me”.

Conclusions and Implications

In general researchers have believed optimism is one of the entrepreneurial characteristics, and have described optimism in a group with seeking independence, being in control, being creative and willing to take risks. We have seldom looked into the details about the level of optimism and how it actually influences entrepreneurial decisions when considering other entrepreneurial characteristics. Besides optimism, realism and pessimism also deserve further research since they reflect various propositions of optimism. This paper examines the relationship between entrepreneurial characteristics, optimism, realism, and pessimism. The most important contribution of this article is to report differentiated levels of optimism, realism and pessimism and how they relate to entrepreneurial characteristics.

Based on the results of this study, we can conclude findings associate with our hypotheses -

H1: Independence is strongly positively correlated with optimism among entrepreneurs.

This hypothesis is supported in two cases, when independence relates to two out of the three optimism statements, always optimistic and expect more good than bad. The desire for independence is often given as a reason for starting a new venture.

H2: Being in control is strongly positively correlated with optimism among entrepreneurs.

This hypothesis is supported in two cases, when being in control relates to two out of the three optimism statements, always optimistic and expect more good than bad. The desire for control is a force among entrepreneurs.

H3: Creativity is strongly positively correlated with optimism among entrepreneurs.

This hypothesis is supported in three cases, when creative relates to expect the best, always optimistic and expect more good than bad.

H4: Willingness to take risks is strongly positively correlated with optimism among entrepreneurs.

This hypothesis is supported in three cases, when risk acceptance relates to expect the best, always optimistic, and expect more good than bad.

H5: Realistic entrepreneurs have weaker positive tendency to be independent, in control, creative, and risk taking.

This hypothesis got mixed results based on our sample. Independence was positively related to set achievable goals, realistic about the future, and certain about the future. Control was positively related to set achievable goals only. Creative was positively related to set achievable goals, weigh negative and positive outcomes, find information, realistic about the future, weigh risks and rewards, and certain about the future. Risk acceptance, like creative, was positively related to set achievable goals, weigh negative and positive outcomes, find information, realistic about the future,

weight risks and rewards, and certain about the future. Realists tended to be more inclined to view themselves as creative and willing to accept risks.

H6: Entrepreneurs who are independent, in control, creative and risk taking do not have a strong tendency to be pessimists.

This hypothesis is supported by our sample. Two characteristics, independence and being in control, actually show slightly positive correlations, though not significant, with the “expect things to go wrong” statement. In other cases, most of the entrepreneurial characteristics relate to the pessimism (negative optimism) statements negatively.

There is much speculation and many assumptions about entrepreneurial characteristics but not much measurement of those characteristics and their relationships to entrepreneurial behavior. This article represents one of the first attempts to measure and analyze the relationships between entrepreneurial characteristics, optimism, realism and pessimism. Optimism, realism and pessimism have not been studied thoroughly in entrepreneurship and economics, and these variables are definitely contributors to decision making. There is a need to understand what optimism, realism and pessimism mean, how they impact entrepreneurs, and how that impacts entrepreneurs’ decision making in changing the economy. Whether the decision is on the size of the new firm or scale of operation, entrepreneurial characteristics corresponding to optimism/realism/pessimism become critical factors that influence performance of the firms and the entrepreneurial team (Barkham, 1994; Herron & Robinson, 2002).

Gartner (1989) argued that the attempt to answer the question “Who is an entrepreneur?” which focused on the traits and personality characteristics of entrepreneurs, would neither lead researchers to a definition of the entrepreneur nor help us to understand the phenomenon of entrepreneurship. The fundamental question in entrepreneurship research is a combination of actors and actions. It is important to examine the relationship between entrepreneurial characteristics and optimism, realism and pessimism as one way to understand some or the issues presented in the literature regarding who entrepreneurs are and their behaviors in decision making. Optimism alone will not stimulate new venture creation. There is a combination of certain characteristics and environmental factors that motivate entrepreneurs, especially given

the volatile economic and financial situations we are dealing with today. Being realistic or pessimistic might be a better attitude to avoid unnecessary financial loss when economic factors are not in favor of new venture creation.

There are still missing links between theoretical framework and empirical studies in entrepreneurship, when it comes to trait and behavioral theories. This article presented a new way to examine differentiated levels of optimism, realism and pessimism related to other entrepreneurial characteristics. The next step is to explore and analyze entrepreneurial actions, expectations and outcomes given certain these differentiated levels in characteristics.

As many researchers have agreed, entrepreneurship is a multiple dimensional study in personality, traits, skills and training, decision making, organization creation, team building, management science, and resource allocation. Characteristics affect behavior, behavior leads to decisions, decisions lead to consequences, and consequences lead to changes in the economy and well being and in the behavior of entrepreneurs. Understanding the dimensions requires the study of the dimensions and their relationships empirically.

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