

The Mediating Role of the Maximizer Decision Making Approach in Core Self-Evaluations and Entrepreneurial Personality Relationship: The Konya Sample

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Extensive Summary

1. Introduction

The never-ending hot topic of debate is how to distinguish people with entrepreneurial tendencies from the others. Our contribution to this discussion is a model focusing on particular aspects of behavioral psychology. One of the main theories upon which our model is based is Core Self Evaluations. First coined by Judge and his colleagues in 1997, it comprises four sections: Self-Esteem, General Self Efficacy, Emotional Stability, and Locus of Control.

The theory defines the self-assessment of individuals, a broad and integrative evaluation of personality characteristics, of their skills and capabilities concerning themselves, other individuals and the setting in which they live, as a psychological phenomenon. The core self-evaluations (CSE) of the individual influences his/her capacity to make use of entrepreneurial opportunities (Shane, 2007). In previous studies on this theory, it was demonstrated that there is a significant relationship between job satisfaction (Judge and Bono, 2007), performance (Erez and Judge, 2001), motivation (Chen, Gully and Eden, 2004) and self-esteem, self-efficacy and emotional stability, all of which are individual traits that may affect the decision-making process (Judge et al., 2002). Furthermore, in a study conducted by Hambrick (2007), a significant relationship was found between CSE and decision-making at a strategic level. Bernardo and Welch (2001) claim that because individuals with high CSE are aware of their capacity, they might indulge in entrepreneurial activities that ensure higher returns at acceptable levels of risk. Within this framework, it is maintained that CSE, devised as the independent variable of the model, might have an effect on entrepreneurship. Thus:

H1. CSE affects entrepreneurship in a positive and significant direction.

The Relationship between CSE and Maximizing Decision Process

Di Fabio and Palazzeschi (2012) suggest in their study that CSE reduces the indecisiveness factor. Low CSE can cause high decision-making difficulties, due to information need and conflicting information (Gati et al., 1996; Di Fabio and Palazzeschi, 2012). The difficulty of not being able to choose is a major aspect of the Maximizer Decision Making, and has been investigated in other studies as well (Simon, 2000; Schwartz et al., 2002). A positive and significant relationship is observed between the external locus of control, one of the four components of CSE, and decision-making difficulty and chronic indecisiveness (Germeijs et al., 2006; Salomone, 1982).

Considering that Maximizer Decision Making leads to disappointment and indecisiveness, it is believed that there will be a significant and negative relationship between Maximizer Decision Making and CSE. Thus:

H2. CSE affect maximizing decision making in a negative but significant direction.

While previous studies on entrepreneurship in the literature predominantly fall within organizational studies (Gartner, 1988), in recent years an emphasis has been observed in psychological-based personal traits that acknowledge the concept of the entrepreneurial personality (Arslan, 2014). For instance, Frese (2009), who studied entrepreneurship from a psychological approach, suggests decision actions (the behavioral component), perceptions and making use of opportunities (perception, cognition, emotion, motivation components) as elements constituting entrepreneurship, and maintains that due to such reasons, entrepreneurship should be investigated at a psychological dimension. The present study aims to investigate the mediator effect of Maximization-Satisficing theory in the decision-making processes of entrepreneurs. While maximizers believe that the best option is found by examining every option in detail, satisfiers believe that it is most appropriate to pick the first option that satisfies their expectations (Schwartz et al., 2002). Moreover, references to the social comparison theory of Festinger (1954) appear in studies on maximizer behavior (Weaver et al., 2009). According to this theory, in the decision making process, maximizing individuals tend to choose the best option, by using their knowledge of social comparison. Lyengar, et al., (2006) suggested that maximising individuals find jobs with higher incomes compared with other individuals, since they tend to gather more information on the options. In addition, it is claimed that such individuals become more disappointed, compared with satisficing individuals, when they elevate their expectations and see themselves as unsuccessful. Parker et al., (2007) and Bruine de Bruine et al., (2007) maintain that individuals with a maximising tendency make their decisions depending upon the factors and persons surrounding them, and that they end up with failure and are more disappointed compared with satisficing individuals. Within this context, it may be concluded that entrepreneurial individuals are satisficing individuals, rather than maximizers. Thus:

H3. Maximizing Decision Making affects entrepreneurship in a negative but significant way.

H4. Maximizing Decision Making mediates CSE and entrepreneurship personality relationship.

2. Method

The research sample consists of the SME owners active in the Konya organised industrial zone. The age group in which the establishment owners are most concentrated is between 34 - 41 (33.8%). Based on sectors, the vehicle repair group is the largest (47.2%). Examined with regard to the number of active years in business, the 0-5 (29.2%) year group and the 11-15 (29.2%) years group are dominant. With respect to gender, which is a demographical data group with low numbers, only four (2%) are women, of which three (1.5%) inherited their existing business.

The twelve-item, five-component Likert CSE scale of Judge et al., the 34-item, five-component Likert Maximization Inventory Scale of Turner et al., (2012) and the 36-item, 5-component Likert Entrepreneurial Personality Characteristics Scale of Koh (1996; Translated by Bozkurt and Erdurur, 2013) were used as measurement tools.

3. Findings and Conclusions

In the calculations, the sample size of 195 was re-established to 5000 with the bootstrap method, within a 95% confidence interval. The Bootstrap method makes re-sampling possible to create data series larger than the existing data set (Sacchi, 1998). Thus, more sound results can be obtained with larger data sets through re-sampling, instead of analyses that may turn out to be insignificant due to small data sets. This does not require prerequisite conditions, such as normal distribution, etc. (Hayes, 2013b). For testing the hypotheses, a macro code (PROCESS 2.13) was used; written by Hayes (2013a), it was downloaded free of charge from the Internet. With this model, which is extremely easy to use and may be used in testing models with mediator and regulator variables, it is possible to test more than 70 models (Hayes, 2013b). This code, based on Baron and Kenny's (1986) method, used extensively in testing models with mediator and regulator variables, gives the output of a 4-stage regression analysis. The outputs obtained by testing our model are given in Table 3. At the first step of the regression (path c or total effect) to see if CSE (the independent variable) predicts entrepreneurship, (the dependent variable), a favourable significant result was observed ($c, \beta= 1,369, p < ,001$). According to this result, when CSE is increased for one unit, the entrepreneurial personality increases by about 1.37 units. At the second step, it was tested whether the independent variable (X-CSE) predicts the mediator variable (M-Maximizer) (path a) and a negative but statistically significant result was obtained ($\beta= - 1,464, p < ,001$). According to this result, when CSE is increased for one unit, Maximizing Decision-Making rate decreases about 1.46 units. At the third step (path b), it was tested to see if the mediator variable predicts the dependent variable (Y-entrepreneurship) and again a negative but statistically significant result was obtained ($\beta=-0,396, p < ,001$). Therefore, it was concluded that when the Maximizing Decision-Making tendency of the SME owners is increased by one unit, their entrepreneurship tendency reduces by approximately 0.40 units. Finally (path c' or direct effect), was investigated to see if there is a direct effect between the dependent and independent variables and it was observed that there exists a favourable significant effect ($\beta=0,789, p < ,001$). An increase of one unit in the CSE of these individuals increases their entrepreneurial personality about 0.79 units in a favourable way. In the first regression model given in Table 2 (path a) $R^2 = ,718; F_{1, 193} = 490,187, p < ,001$. In the second model (paths b and c') $R^2 = ,646; F_{2, 192} = 175,492, p < ,001$. Within this context, in the first model, 72% of the changes in the mediator variable can be explained by the

independent variable CSE. According to the second model, 65% of the changes in entrepreneurship characteristics can be explained by the independent variables CSE and the Maximizing Decision-Making.

In the related literature, it is emphasized that the properties of the mediator variables must also be statistically tested (Sobel, 1982). According to the analysis results of the Sobel Test, conducted to this end, it can statistically be observed that the Maximization-Satisficing Decision-Making ($z = 4.69, p < .001$) may be the mediator variable in the relationship between Core Self Evaluations and Entrepreneurial Personality. However, at this point, there is only a partial mediator effect.

The important results of this study can be summarized as follows:

The main purpose of the present study was to investigate the effects of cognitive processes on the characteristics that may distinguish entrepreneurs from others. Within this context, it was suggested that with CSE theory, cognition by the entrepreneur of his/her capabilities and his/her perception of his/her skills to make use of opportunities, may affect his/her entrepreneurial personality. In addition, it was also investigated to see whether Maximizing Decision-Making behavior has a mediator effect on this interaction with respect to cognitive psychology. For the individuals in the sample universe, while CSE explained 72% of their entrepreneurial personality, when Maximizing Decision-Making behavior is added to the model, this rate decreases to 65%.

The negative but statistically significant effect of the Maximizing Decision-Making behavior on entrepreneurship may be considered important when demonstrating that entrepreneurial characteristics and Maximizing Decision-Making psychology may not coexist, because the entrepreneur is an individual who is good at observing his/her setting and who can see the new opportunities and who can act accordingly. According to this, to hope and wait that the existing status evolves toward the best conditions may cause the entrepreneur to lose the current opportunity. Thus, when deciding to make use of an entrepreneurial opportunity, it is necessary to act quickly, satisficing with those at hand.