

Controllable And Uncontrollable Variables In The Study of Entrepreneurship, In Small And Medium Businesses

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Abstract

The majority of worldwide business is conducted through small and medium businesses. The success rate for small and medium businesses is poor, with most failing within their first few years of operation. Statistical predictions for small and medium businesses which will prove successful are invalid. The means and variables used to predict the success of new entrepreneurs are under constant debate. This article explored some of the characteristics found in successful entrepreneurs, provides operational definitions for these attributes. Utilizing theories from development, education, social psychology, economics a model for understanding relational dynamics is provided. We suggested possible venues that may increase the success of small and medium businesses entrance into the global market place using this relational dynamics and discuss other applications in the social sciences and humanities.

Key Words: *Behavioral Economics, Successful Business Strategies, Altruistic Ability, Personal Resiliency, Game Theory, Paradigm Shifts.*

Introduction

Over half of the small and medium businesses fail within their first years. Countless small and medium businesses have failed when their business expands beyond the abilities of this individual and their employees. Many more small and medium businesses fail in subsequent years due to their inability to remain abreast of changes in the market, competition, demands for increased efficiency, cost containment for labor, services and/or production as well as other factors. Identifying potential business that will be successful has been an actuary exercise in futility not only because of economically related challenges but also due to other uncontrolled variables. Successful entrepreneurs have been noted to use the following decision making strategies: rationality; formalization; hierarchical decentralization and lateral communication.

The main personality characteristic previously identified have been a need for achievement, risk attitude, locus of control, and preference for innovation (Papadakis and Barwise 2002, Papadakis 2006). Other researchers researched the decision-maker characteristics in small and medium businesses and found that these characteristics were not related to rationality and formalization.

Lateral communication, hierarchical decentralization and political behavior were statistically significant. Locus of control and preference for innovation had no significance in relation to successful business strategies. The characteristics of risk attitude and hierarchical decentralization were also found to be significant. Men were found to be less likely to use lateral communication.

This paper explores the belief in lateral communication (that knowledge should be shared) in a larger context of education and teaching; determination; ability to see opportunity; resiliency and inspiration. The ability to see opportunities includes more than innovation alone and paired with additional factors may

provide a different personality characteristic. Resiliency also includes an internal locus of control but locus of control in itself does not constitute resiliency. With the ability to see opportunities and resiliency incorporating additional factors in their operational definitions, they may prove to be worthy of further study. Examples of uncontrolled variables include; the inherent intelligence, talents and skills of the entrepreneur; their health and personal history; their culture and values, the history of the area; the type of business; crises and lastly large or global paradigm shifts.

Helping to identify entrepreneurs who have these five characteristics for success in business, paired with an altruistic ability to function as a collective may assist in small and medium businesses changing the global marketplace. Altruistic foresight to see ways to partner and better the world, rather than shortsighted visions of profit at the expense of others, has the ability to create a global paradigm shift for the world's economy.

Additional assistance and expertise with consultant/educators may be required in the initial phases of this undertaking to ensure the complexities of growth do not overwhelm the limited resources of small and medium businesses and to find ways to collaborate with large businesses who operate with within these same values and principles.

Characteristics of Successful Entrepreneurs

Successful people in business or entrepreneurs follow many of the same traits seen in people who are leaders in other fields such as governance and law, education, and healthcare. The successful outliers in business and life are frauds whose anti-social personality characteristics allow them to use other people as objects, who are either being used, or are removed.

The true Anti-social Personality is unemotional and has a high need for control. The more emotionally labile personality who also has high deviant tendencies is called a Psychopath. Machiavellians are those who are hyper-controlled, unemotional but not necessarily socially deviant and the least pathological group are the Adapted, who have antisocial tendencies but retain a normal range of emotion, and have not committed socially deviant acts.

The Adapted group has a tendency for manipulative behavior, lack of scruples and superficial charm. (Biro, Smedervac and Novovic 2008). The successful non-pathological entrepreneur, shares knowledge, is open to learning and teaching others, has a drive of determination, sees opportunities and is able to make strategic decisions based upon data, is resilient to setbacks both personal and professional, and is an inspiration to others.

Multi-level Intelligence

Howard Gardner proposed a comprehensive explanation of intelligence that expanded the original concepts set forth by others researches. Gardner's model of intelligence includes: linguistic, music, logical-mathematical, spatial, body-kinesthetic, interpersonal, intrapersonal and naturalist. Table 1 provides a summary of Gardner's concepts and modifies his concepts of interpersonal, intrapersonal and naturalist intelligence into relational viewpoints or orientations.

The person's abilities within each relational orientation provide information regarding their strength and comfort level for interaction; Interpersonal (other focused or external), Intrapersonal (internally focused), or Naturalistic (globally focused). These orientations paired with a learning style, as proposed by Kohl are beneficial in creating a unique and individualized approach to learning. (Howard Gardner, Frames of Mind, New York: Basic Books, 1983).

Table 1: Principles of Multi-level Intelligence
Adapted from Gardner, Frames of Mind, New York: Basic Books, 1983.

Intelligence	Expression	Skills
Verbal-Linguistic	Language syntax, grammar, phonology & word/sentence formation	Public oriented and fluent in speaking, writing, reading comprehension, multiple languages
Logical Mathematical	Patterns, quantities, sequencing, deduction & rational thought	Accounting, research, analytical, decoding, system analysis and project management
Spatial	Symmetrical judgment, ratios, estimation	Graphic & creative arts, design
Bodily-Kinesthetic	Locomotion	Physical precision and accuracy, athletes, actors, mechanics, craftsman
Musical	Rhythm, Tone, Pitch in voice & music	Oration, musicians, singing, songwriters, poets
Orientation	Expression	Type
Interpersonal	Expression of emotion & social cues, common sense	People oriented, sensitive to social clues and others
Intrapersonal	Introspection & reflection	Internally oriented, sensitive to moods and the impact of others on the individual
Naturalist	Ecological sense and order	Global or outside oriented, sensitive to other species and nature

Controllable and Uncontrollable variables

Basic needs of successful entrepreneurs

When basic needs are unmet, such as food, shelter, safety and income, people are not concerned with higher self-development or enlightenment. When basic needs are met, or assured, the ability for a person to pursue entrepreneurial or philanthropic endeavors increases. It is only when basic needs are met that people are able to begin to realize their potential. A common business practice in many restaurants is to provide meals for their employees based on these same principles, and quiet spaces (e.g. break rooms) for staff to process internal stimuli.

Knowledge or Expertise

The knowledge of the business owner and their employees, is a reciprocal relationship when practiced successfully. Listening to lectures is a passive form of learning; the expert providing knowledge and influencing the student. Competition has been found to be detrimental to learning just as it has been in Game Theory. (Hooks 2003) Team learning requires cooperation by all members, or the ability to control who participates. When an individual does not contribute to the team as an active member, being able to exclude their participation allows the integrity of commitment to learn within the group. Learning in its highest form is one of collective cooperation with understanding, devotion, responsibility and the promise to work for the betterment of all involved. In business, when there is no conceptual understanding of practices there is often failure in production or services. Providing knowledge or expertise either in an academic setting or in an applied setting requires the ability to listen and accommodate practices based upon the population or audience.

Determination

Determination is an internal drive independent of aggravating & mitigating factors. Determination manifests itself in purpose, motivation, and relevance. Purpose is the rationale behind a behavior. If my

purpose is to make money and I can do so by working or by stealing, I will create a rationale for my behavior. Motivation can be described as the impetus or stimulus to behavior. If I am motivated, I have the will to take action. Relevance can be an internal or external value that is determined by either me, or others to be significant. All of these determinates – purpose, motivation and relevance are also affected by other factors and are not trait based attributes. Determination is an area that is open to influence in education and business.

Opportunity

Any event that provides the ability for change is an opportunity. In business there are define variables within the field of economics that affect the market equilibrium: from supply and demand, inflation and unemployment, growth, capital, aggregate demand and supply. Governmental fiscal policy effects market openness, competition and monopoly, cooperative and non-cooperative games, efficiency and regulation, productivity, wages, labor markets , government spending and taxation, international trade agreements, recession and market failure . Personal opportunities include: the ability to manipulate economics variables, implicit costs such as knowledge, time to complete tasks and personal crises. An opportunity can be either aggravating or mitigating factor dependent upon the combination of these variables and their aggregate influence. (Wessels 2006)

Resiliency

In psychology resiliency is defined,as a multidimensional process of adaptation (Almedon, 2008), or as an adaption de spite adversity (Luther, Cicchetti, & Becker, 2000). Here it is defined as the ability to bounce back from any setback. The aggregate factors associated with resiliency from these studies are: the ability to solve problems, critical thinking and abstraction; collectivism; flexibility; responsibility and high self-esteem.

In business, personal resiliency of the entrepreneur is insufficient to maintain stability and success. It is imperative that an organization have bench strength. Bench strength is more than cross training employees to function in additional roles, it is the ability of multiple people to envision the mission and roles of the organization. When key personnel leave an organization, the lack of bench strength, has resulted in many businesses dissolutions and failures. When there is a lack of leadership, vision, bench strength or follow through, monetary and other resources can provide temporary or long term survival to businesses that would otherwise perish. These small or large businesses compensate their lack of true skills or quality products by either infusing their business with additional capital or by fraud. Although there may be additional factors or variables to uncover in resilient small businesses entrepreneurs, their innovation can compensate for errors and the lack of other resources. The small businesses that can take overstock or surplus items and create a new market interest, find uses for items that would otherwise be considered waste , devise other means of saving money, or inspire their employees to overcome impossible odds, can survive in an otherwise hostile environment (Wessels 2006).

Inspiration

If inspiration is deemed as the ability to ignite oneself , it is a factor within the study of entrepreneurship that has been identified but cannot be created or taught. Are found in all walks of life: communities, business, politics and education. Not all resilient people are inspiring. Not all inspirational personas are positive and not all inspirational characters are charismatic. All of these individuals inspired countless others in both positive and negative ways. Inspiration does not bring with it morality or ethics. It does not require an audience. It does not require thought about consequences. It does not always end or lead where it was intended. Robert Oppenheimer and his team began with a theory of atomic fusion, an endless source of energy, that has at times it has almost ended the world.(Kelly 2007 ,reprinted 2010).

Uncontrolled Variables

In the study of entrepreneurship, there are other uncontrollable variables. The first of these are: inherent intelligence, strengths, learning style, traits, talents and skills of the individuals. The second groups of variables are: the individual’s health and the impact of large-scale diseases that devastate regions. The personal history of the individual and the collective history play a role in influencing business decisions, the market, and many other factors. The influence of culture- the values, interests, and their interplay can be observed, but not controlled for study. The final groups of variables are the trauma variables of crises, chaos and knowledge/practice based paradigm shifts. This last group has been studied to determine physical and emotional impact and survival of people and the economy. Crises such as disasters are unable to be predicted let alone the impact of these events controlled. The chaos created by events such as wars, the clasp of a country’s or regions economic base are also unable to be controlled or put into true mathematical equations. When these areas are attempted to be reduced to formulas they are attributed weights, but these are unable to account for reality. Paradigm shifts are those worldwide occurrences that are so dramatic in knowledge that commonplace beliefs and practices of today become obsolete overnight.

Cultural dynamics and Group Relationships

Table 2 provides a comparison of business, education and governance and their respective concepts in the use of force, control, influence and conjoint wisdom. These concepts are parallel to cultural dynamics influences found in social settings- families, groups, work places, institutions and nations.

Table 2: Comparison of business, education and governance, Adapted from (Bathory, The Preservation of a Cultural Psyche: A Comparison of the Hawaiian Islands and the Balkan Peninsula 2012a)

Concept	Business	Education	Governance	Statements
Force	Take over- Eliminate	Mandatory-Repeat	Conquer	My way or die My views or no view
Control	Market Control	Compulsory- Regurgitate	Colonize	Do as I tell you...
	Market Dominance	Reward Systems	Annexation- Access to Goods & Services	You can have if...
Influence	Monopoly	Lecture-Listen	Authoritarian Dictator/Monarchy	You need my permission or I know better
	Monopolistic Competition	Competition Excel	Representation 1 Sided Respect	I will listen
	Partnerships, Cartels, Oligopoly	Teams-Learn	Social Democracy Mutual Respect	We will work together
Altruistic Wisdom	Collective- Non-cooperative Altruism- To provide for all with wisdom	Collective Community Cooperation- Understand & Help Others via Altruism	Altruistic Governance- To help others and better the world	We prioritize greater needs than ourselves and we care for one another

Bathory (2012a) originated a model to explain cultural dynamics and group relationships that was based from Applied Trauma Theory (Bathory 2011). These concepts can be modified to be applied any setting where there is an interaction of human beings.

Table 3 provides an illustration of application to entrepreneurship and economics. This model of relational dynamics is not a stage theory, but represents a constant reworking of new schemata and shifts as new information and grow there assimilated and accommodated into a reciprocal amalgamation. Within each concept, there are dynamic opposites that run along a continuum of expression. The provided examples of issues are illustrations of the perspective found in the individual, and in groups. Individual entrepreneurs, businesses and governments struggle to resolve their fears as they enter and exit each of these concepts. To successfully interact requires parallel process, in other words, both parties must be functioning at the same level to create equality, and stimulate movement. It is not a regression to return to Trust, when one faction may have betrayed the other. The two must re-negotiate their relationship, in order to make change occur, or they become fixated at this conceptual level.

Table 3: Relational Dynamics, their extremes and examples Adapted from (Bathory, Applied Trauma Theory: Sustainable Engery and Rural Toursim in publication 2012)

Concept	Polar Extremes	Examples of Issues
Trust	Trust versus Rejection	Will I (you) give us want we need to be successful? Will I (you) be here when you (we/I) really need me (you)?
Will	Autonomy versus Isolation	Do I (we) really need your help? I (We) will show you that you are not needed.
Purpose	Identity versus Confusion	What is it that I (we) do? Why are we here? What business are we in?
Competence	Skills versus Omission	Do I (we) have the skills to do my (our) job(s) well, or am I (are we) missing something?
Proof	Evidence versus Commission	I (we) have evidence of my skills and performance. If I (we) do not have these: Can I (we) get by without you noticing? Can I (we) hide what I (we) cannot do or should have done?
Passion	Commitment versus Indifference	I (we) will argue and fight with you to get you to see my (our) point, or I (we) will just find someone else to work with other than you.
Share	Transparency versus Deception	I am (We are) open to you exploring and questioning my (our) work and knowledge because I (we) wish for you to learn and share with me (us).
Altruistic Wisdom	“We versus Me”	I am (We are) more concerned about the good of all and the world than I am (we are) about my (our) own power, fame and fortune.

Trust

Trust is core to the formation of relationships. Many businesses, nations and cultures have their ability to trust others repeatedly challenged by being ignored, denied, or unnecessarily forced into compliance with a dominant firm. Unlike an individual’s (who can become fixed in a state and may not continue to develop) businesses, cultures and nations become more scrupulous in their choices and decisions to work with others if trust is not established. Depending upon the severity of this break in trust, and the psychological damage ensued; there can be neurobiological changes within the brain and body that temporarily or permanently alter decision-making and cognition (Bathory 2012a, Bathory in publication 2012).

Will

An individual’s resolve to separate from others demonstrate their autonomy can be observed by their fortitude for independent actions. Entrepreneurs who are drawn into small and medium businesses are often vehement to retain their autonomy from economic and governmental forceful control via policy and

tariffs. Within individuals, cultures, businesses and forms of governance this can be expressed as: We can do this ourselves - we do not need any outside input. The more truly autonomous a party is, the more they are able to welcome, reach out to others for appropriate resources, and not form dependencies.

Purpose

Defining purpose, allows an individual to make decisions that are congruent and beneficial towards their aim. For entrepreneurs and business, similar questions are: What is it that I (we) do? Why are we here? What business are we in? Faced with choices, many businesses lose sight of their reason or purpose, or never fully define their focus. When mergers or new opportunities occur there is often a period of confusion due to a need to redefine the mission or purpose of the business. Small and medium businesses often do not recognize the importance of having a defined purpose, and will seek any avenue to make a profit. Lack of definition places businesses in jeopardy as they become too diverse, over extended, or become lost in short sighted profit. Economic crises often place regions or governments in similar states of confusion and re-aligning with foundational principles becomes essential for stability and growth. Systems Theory highlights the need for groups, who wish to be functional, to have a defined purpose or aim, and has exposed dysfunctional patterns that emerge without this common interest.

Competence

To feel competent an entrepreneur or small and medium businesses must have mastered skills and knowledge. In more hostile or non-functional business settings, external assessment instruments and/or interviews are more accurate only with anonymity and can still be ineffectual when there are high levels of psychological insecurity present in the management. Competition can increase levels of competence or lower it. When confronted to show competence by comparison to others, anxiety can rise to a level where the person becomes less able or incompetent. To minimize this performance anxiety, teams are often more effective than challenging people as individuals.

Proof

Proof must be evidence based, verifiable, corroborated, reliable and valid. When no proof is available, there are two possibilities. The first possibility is that no effort has been made to assess the skills, knowledge or abilities in question. The second alternative when there is no proof is that there is fraudulent intent by commission.

Passion

Passion holds power in its intensity. Passion can blind or cloud judgment, or it can bring clarity and zeal. When passion is extinguished, there is indifference, apathy, or disinterest. To care and to invest emotion creates personal risk. Expressing something feverishly creates vulnerability and the risk of rejection.

Share

The sharing of information requires a reciprocal relationship between two parties. For one party to share knowledge, but be unwilling to entertain the input of another does not constitute sharing. In business today, there is a movement to provide transparency of practices. True transparency, in respect to a reciprocal relationship, means that both sides must be willing to provide open access to their knowledge, their policies, procedures and practices. When one entity withholds, chooses to not disclose, or hides information, this is deception. Deception is the polar opposite of true transparency. Just as deception has the intent to mislead or misguide the other; transparency, in mutual sharing relationship, has the intent for openness and honesty. When mistakes occur, within a sharing relationship, they are openly acknowledged to the others and examined to discover solutions.. People and businesses who are able to function at this

level are not only working as a team, but as a collaborative unit are able to create more than they would be independently because they see errors as failed trials in experiments that need to be reorganized. These groups share their knowledge, values, skills, and beliefs but to do so with integrity and respect of others.

Con-joint Wisdom

This type of relationship focus on the betterment of the universe and any steps made toward its' accomplishment are the reward. In business, this is expressed as ways to provide for all with the wisdom of knowing there are ways to find solutions to meet needs, but they may not result in the largest gain (in wealth, fame or power). The base of Economics becomes, to provide for all within this global wisdom. In service industries, the concept of Collective Community Cooperation is to understand and help others without concern of wealth, power or fame. The goal being achieved becomes the reward. Altruistic governance is to help others, better the world without need for personal gain, and prioritize greater needs than our own as we care for one another. In the practice of this con-joint wisdom, it does not suggest, the participants do not have the right to be compensated for their work. True altruistic acts cannot be achieved with individuals or subpopulations without considering the impact and consequence to the greater population.

Conclusion

The focus of this paper has been on identifying controllable and uncontrollable variables in the study of entrepreneurship, in small and medium businesses. In a global economy, exploring new business paradigms that help eliminate archaic divisions (e.g. borders, race) and obstacles (e.g. language, education) is paramount for success and survival. National borders are meaningless in a world where they frequently change or contain people of diverse backgrounds. Large, medium or small businesses acting in a competitive manner will eventually result in losing more than what is gained. By studying the interface of the dynamics between the variables of force, control, influence and altruism on the relational variables of trust, will, purpose, competence, proof, passion, share and altruistic wisdom it is possible to determine their weighted influence in game theory, decision making. Chaos equations can then be utilized to predict the probable influence of each variable on the outcome. The countless research projects completed on decisions and payoff reinforce this Intrapersonal gain and can lead to the development of anti-social traits or behavior in those studied. The short sightedness of most businesses in looking for immediate and thoughtless profit - regarding the impact of their business practices on the market, results in their eventual failure. If small and medium businesses can join together, not in just cooperative cartels, or oligopolies but work with the intent of all benefiting, this altruistic act ends in an overall larger payoff for everyone. The survival of humankind becomes more at stake each year as we act in competition and out of greed and lust. The concept of winning by accumulating the most ends in alienation for all. Altruism does not have to be an ideal; it can be the best chance for the survival of the human race.

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