

The Dark Side of Entrepreneurship
Robert Hogan
Hogan Assessment Systems

The future of the US (and world) economy depends on the activity of entrepreneurs, who create businesses, jobs, and wealth. Although, as Adam Smith noted, they do this for perfectly self-centered reasons and the fact that others profit from their activities is of no interest to them. Adam Smith was speaking from personal experience, and if he were alive today, he would still need to speak from experience, because applied psychology knows little about the psychology of entrepreneurship in an empirical way—although interest in the subject has begun to emerge. This paper concerns what happens when they are in charge. The bottom line is that they make disastrous managers.

Writers from Drucker (1985) to Christensen (1997) note that the essence of entrepreneurship is “creative disruption” – tearing up the old to make way for the new. In addition, these writers suggest that the characteristics of entrepreneurs closely resemble the characteristics of creative people in general; these involve: making statistically unusual associations; challenging conventional wisdom; observing standard practices closely; networking; and constant experimentation. This suggests that the literature on creativity will hold some insights regarding the characteristics of entrepreneurs.

Barron (1965) provides an old but hard-to-improve-upon summary of the empirical literature on the personality characteristics of highly creative people (writers, mathematicians, architects, etc.). Making an early version of the distinction between the bright side and the dark side of personality, Barron notes that highly creative people score high on measures of normal personality. In terms of the FFM, creative people are above average on Adjustment, Sociability, and Openness, and somewhat below average on Conscientiousness and Agreeableness – so they make a strong first impression. But, as Barron (1965, p. 61) stated: “The evidence is convergent from a number of sources: creative individuals are very much concerned about their personal adequacy, and one of their strongest motivations is to prove themselves.” And this statement is the key to the dark side of these people who,

as a group, receive high scores on the MMPI and on the Hogan Development Survey. They are driven, edgy, impatient, volatile, and unconcerned with their impact on subordinates.

This profile has several implications for thinking about entrepreneurial managers. I will mention three. First, because they make a strong first impression, they will do well in front of various audiences, including search committees, but also customers. As leaders, they make a good visible face of the organization, and this is often quite important. Second, the essence of leadership involves building a team. Because these people tend to bully and intimidate their subordinates, they are, by definition, poor leaders. Third, as managers rise in organizations, their duties change. Entry level managers need good team building skills, while middle managers need good bridge building and implementation skills. But CEOs and top level leaders need good judgment, because their decisions set the direction for their business. Entrepreneurs are most needed, and probably function best, at the top of organizations. We refer to this as “the Apple Paradox”: Steve Jobs is a very difficult person with minimal leadership skills, but he is a marvelously successful CEO—because of his astute decision making.

The bottom line of this discussion is that entrepreneurs are hard to live with but successful businesses can’t live without them. The quandary is somewhat resolved by the fact that entrepreneurs dislike working for other people and, although they tend to make poor organizational citizens, they tend to avoid becoming organizational citizens.

References

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