Case Study

AN ASSESSMENT OF ENTREPRENEURIAL CHARACTERISTICS OF ANDREW CARNEGIE

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Abstract

The research shows that entrepreneurs are made rather than born. On the other hand based on Five Big Personality theory which reviews that entrepreneurs are not genetic. However the authors believe through the history of Andrew Carnegie who was born from poor lineage, but he became an entrepreneur and one of the world richest individuals. It can be argued that people who are unable to motivate themselves must be content with poverty, despite how impressive their talents are. Carnegie learned much about management and cost control during his early age and following his life style will be the most elevating. Carnegie took a risk, to learn that his future lied on investing in people and ideas.

Key Terms:  Entrepreneurship,  Entrepreneurial Characteristics,  Andrew Carnegie,  Big Five Personality

1. Introduction

When talking about entrepreneur traits, it’s all about studying about an entrepreneurial behavior and characteristic, while entrepreneurship always involve a new startup, great risk and sacrifice, especially at the beginning stage of any business. According to Deen, (2003) majority of business always start-up and fail within the first five years. In this case, over the pass years, the study on entrepreneurial behavior has been a major topic in economic psychology to study ever. Hence this researcher has been focusing on how to understand who the real entrepreneurs are and what factors really characterized a successful entrepreneur. According to Okhomina, (2010), a successful entrepreneur into two categories, positivity and supportive environmental influence. Schumpeter (1934), based a successful entrepreneur into three characteristic, a person who carries out a new beginning without discontinuity “discovering a new product’ and opening a new market’ from existing one. While Bygrave and
Hofer (1991) define successful entrepreneur as a person who organize, manage, sense an opportunity, assumes the risks of a business and create a business environment to achieve it. But it was argued Herron & Robinson (1993) that to be a successful entrepreneurial is based on a person inner begin, in form of a person who has the power to initiates and manage any little economic resource to create something big out of it. From this point, one can argue that Herron & Robinson (1993) best describe what the real entrepreneurship is. Hence, Andrew Carnegie is going to be use to critically analyze the entrepreneur traits that makes him different from other famous entrepreneurial, using different theories to assess their traits.

**About Andrew Carnegie**

Andrew Carnegie life was a true 'shared to riches" story. He was an entrepreneur of great influence and remembered as an industrialist, wealthy man, and philanthropist (Forbes, 2014). Carnegie was born into a poor family in Scotland on 25 November 1835 and died on 11 August 1919, his father; Williams as roof weaver with his mother Margaret Carnegie. Eventually poverty forced the family, to migrate to United States and settled in Pennsylvania around 1848. However his father found the job in a cotton factory; while Andrew first job was as a bobbin boy where he helped change reels for 12hrs each day Dunlop (2011). But he felt that he has a great ambition of him, he went on to become a telegraph messenger where he earns $2.50 per week. At 18 he progressed to $4.00 earning per week due to his hard working. Eventually he became an investor, investing the money he had acquired over the years into Adams Express Company as a messenger service source.

Ambitiously working-hard, Andrew succeeded his boss as railroad division superintendent in 1859. Upon this position, Andrew made other profitable investments into coal, iron, oil and manufacturer of railroad sleeping cars (Carnegie's Legacy 2014) after leaving his post in railroad cooperation as at 1865, Andrew stretched his railroad-related investments into iron bridge building company and a telegraph firm, at 30’s he had already became a wealthy man.

In 1901, a banker John Pierpont Morgan (1837-1913) Buy off Carnegie Steel mills for $480 million, making Andrew one of the world’s richest men. After Andrew sold his steel mill, he retired and became philanthropy full-time. In 1889, he wrote an essay, and title it “The Gospel of Wealth," stating that wealthy people have "a moral obligation to distribute part of their wealth to the poor as a ways of promoting the welfare of the common man." Quote from Carnegie "The man who dies rich, dies disgraced. Among his philanthropic activities, he established a public libraries globe; donate to churches, dedicated to research in science, education, world peace, construction of Carnegie Hall and the legendary New York City concert venue in 1891; however in all, he has given away 90% of his fortune (The History Channel Website, 2009).

Carnegie becomes famous due to his investments in oil, writings and his entrepreneurial streak. Out of all the cash he has acquired from his businesses he pass on as a wealthy man with net worth of $350,695,653, and in nowadays conversion is nearly $300 billion.

**Rationale for the Choice of Andrew Carnegie**

Andrew Carnegie was chosen for the analysis as a hero and philanthropy of all time, which was poor but later became wealthy men. Despite his struggle in life, he was the first to stand up publicly and said, despite how we build our wealth, it's also our responsibility to spend it intelligently for the benefit of the community. Andrew foresaw the great value in self-education and provides 2,509 public libraries when only few exist. One of my favorite quotes of his was "the man who dies rich, dies disgraced'.

**Objective of the Paper**
The aim of this paper was to assess and critically analyze the entrepreneurial traits and personalities of Andrew on his success as an entrepreneurial.

2. **Literature Review**

For the past decades, the word entrepreneur has been confusing as it has been described in many ways by different researchers and had not been solidified a distinctive personality traits. According to Timmons and Spinelli (2009) entrepreneur is titled as a manager who can devote his intelligence, commitment, passion, persistence, integrity, teamwork and vision into their companies, as they are never satisfied with their continuous drive for value creation, and society benefits. Hence it was argued by Martz *et al.* (2005) that entrepreneurs and managers are different in terms of basic personality traits, such as business competence and risk taking. The author further stress that managers decision making style can be pointed as conceptual, behavioural, directive and analytical, while entrepreneurial style stress to be the combination of conceptual and directive. Based on Kor, Mahoney and Michael (2007), entrepreneurs are arrogant who believes that he/she is right while others are wrong. The principle of this view is that entrepreneurship feels that they different because they view opportunity different ways. Nevertheless Kor *et al.*, (2007) cited that the phenomenon of organizational learning gives opportunities and also allows exchange of ideas and knowledge among individuals thereby given viable productive. This implies that students may pursue entrepreneurship through new venture creation or as creative managers through organizational learning. Finally Nybakk & Hansen, (2008) noted that entrepreneurship decreases societal problems by increasing employment and task involvement.

**Theoretical Models**

To determine who the real entrepreneur is, it's no longer a direct statement, as a lot of research has been done, and this has shaped the overview of who an entrepreneur is today. However entrepreneur traits evaluation is now shifting from the old theoretical models called ‘competency theory’ to the new theoretical models call ‘DNA models,’ which argues if entrepreneurs are made or born and Five Big Personality theory by Goldberg L. R. (1993), which argues, that there is a direct relationship between entrepreneurs abilities and persons DNA. However DNA models divide entrepreneur behavior into two category ‘intrinsic’ and ‘extrinsic’. Intrinsic is refers to entrepreneur mindset or while extrinsic refers to their abilities, while the five big personality traits developed by Goldberg L. R. (1993) concluded that extraversion, friendly to experience, sociability, conscientiousness and emotional stability are the elements that made up entrepreneur abilities, which can be found in minds of today's most successful entrepreneurial leaders that makes then successful. However, many researchers felt that competency theory was too complicated, while the big five factor theory and DNA analysis emerges to describe the essential traits of personality completely. In this sense DNA and FBP theories are suitable for case study.

**Big Five Personality Traits**

*Extraversion:* Extroversion is a personality characterized as been sociability, talkativeness, assertiveness and ambition (Barrick and Mount, 1991). People who are high in extroversion are valuable and tend to gain advantage in social situations, in a time of interacting with investors, employees, and customers in regards when business are involve (Shane, 2003). However based on empirical research, extraversion individual are more likely to become entrepreneurs than others (Shane, 2003). In fact, it was noted by the National Longitudinal Survey of Youth in the United States that kids with extraversion personality are predicted to take position of working for themselves when they grow to become adult (Van Praag and Ophem, 1995).

*Openness to experience:* This trait features characteristics refers to persons who is exposed to innovative experiences and ideas and who has broad range creativity, innovative, courageous and insightful (McCrae, 1987; Costa and McCrae, 1992). However these qualities are needed in entrepreneurs to take over a new idea and innovative approaches to advance a product and
their businesses (Zhao and Seibert, 2006). An empirical study has revealed that there is a direct contact that links openness to experience and the likelihoods of being an entrepreneur (Zhao and Seibert, 2006). So therefore, it can be argue that development of personality trait is pretentious by a person’s genetic endowment.

**Conscientiousness:** Standard features of this characteristic are linked with trustworthiness, hard work, high levels perseverance and goal-directed behaviors (Cherry, 2016). Thus it is suggested that entrepreneurs is expected to be high on carefulness because they will need to be systematic and considerable to achieve their goals. However persistent is inevitable since they will need to put in their hard working that is necessary to bypassed any obstacles, in terms of failure to obtain financing and taking any venturing process (Locke and Baum, 2007; MacMillan et al., 1985; Timmons, 1989). Research endorses that there is a direct flow between conscientiousness and trend of one becoming an entrepreneur.

**Emotional stability:** Neuroticism trait is commonly refers to an individual who are recording low on this constituent such as nervous, sadness, insecure, uncomfortable and emotional (Barrick and Mount, 1991). According to Rauch and Freese, (2007) Individual with stabilized emotion are more probable to start their own businesses compare to those individual who are neurotic because tolerance is highly needed when it to come to entrepreneurs in other to control stress. The notion was supported by Zhao and Siebert, (2006) that entrepreneurs cannot worry excessively and yet be strong when facing setbacks, while building-up a company.

Moving beyond the Five Big Personality theory, this paper also explore DNA model, which is similar to FBP entrepreneur traits, but in different dimension.

**DNA models entrepreneur**

Based on Okhomina, 2010, there is no specific definition of entrepreneurship, as entrepreneurial leaders are designate as risk-takers, innovators, bold opportunists and means of change. Hence DNA model claimed that entrepreneurs are born with DNA gene that makes them outstanding. Based on Joe (2011) the author divided entrepreneur ‘DNA’ into four categories using BOSI biometric which are; builder, opportunist, specialist, and innovator.

| Builder: | This people are entrepreneurs who are always constructing a business from the ground up. These people are ultimate in game playing, always looking to be two or three moves ahead of the competition. ‘Donald Trump’ |
| Opportunist: | This people are those entrepreneurs that maneuvers to be in the right place at the right time to make big money. These entrepreneurs dream big, go big and too often crash big. ‘gamblers’ ‘Buffet’ |
Specialist: This entrepreneurs always focus on one industry and stick with it for a lifetime. Picture the graphic designer, ‘Zara’ and IT expert Zuckerberg. These types of people start good family businesses, but can’t scale.

Innovator: This entrepreneur likes to work in the lab on their invention, concept or product that can be built into one or many businesses. The challenge with an Innovator is to focus as hard on the business realities as the product possibilities.

‘Job’

There is a behavior and experiences an individual can possess and follow to become an entrepreneur and succeed over the long term. The author further explain that there is a common behaviors based on management, that characterize many entrepreneurs, such as willingness to take risks and seize opportunities, and an openness to change. Mostly successful entrepreneurial leaders always falls at one of these factors, but will usually gain other variety of life experiences to possess the real entrepreneur.

From this point, entrepreneurial leaders are made rather than born, and most of this successful entrepreneurs started their very first ventures at young age, before 30 (Ernst & Young, 2008). Based on the summary of the model, according to Ernst & Young (2008), the nucleus of the model are different, but matching characteristics of an opportunistic mindset which result to the unique attitude to take risk/failure.

Conceptual Framework

Based on the aforementioned theories, this theoretical framework was intellectualized about Andrew Carnegie using Ernst & Young (2008) and Goldberg L. R. (1993), theory as shown below:
3. **Analysis and Discussion**

**Agreeableness**

*Philanthropy*: To become Andrew Carnegie the ‘steel tycoon’, a great motivation is needed, Andrew was motivated by pulling factor, meaning, that he was motivated by internal driven factor which enables him to become a successful entrepreneur (Driessen, 2005). Being born into a poor family and the father roof weaver; did not set Andrew back from becoming a wealthiest man in 19th century, to a point he single handedly donated for the expansion of the New York Public Library.

*Considerate*: Carnegie was consider to be cooperative, courteous, trusting, forgiving, tolerant, and soft-hearted as he possess the characteristics of agreeable entrepreneur who believes in equality (Barrick and Mount, 1991). Proposing to buy some part of Philippines Island from Spanish colonies to offer the inhabitants there a freedom state, confirm the real agreeable entrepreneur and philanthropy Carnegie was.

**Conscientiousness**

*Perseverance*: Andrew was creative and intelligent entrepreneur who does not have a solid educational background, nor full knowledge about an industry before investing, his strategy has been to diversification and expansion approach.

*Hard work*: Andrew was ambitious which made him to quit his job as a bobbin boy, when he felt that, that was not a good career for him, through his hard working eventually elevate him to succeed his boss as railroad division superintendent in 1859 and became an investor into the company he is managing. Based on Locke and Baum, (2007); MacMillan *et al.*, 1985; Timmons, (1989) conscientious minded entrepreneur are individual with ambitious and persistence to put to overcame any obstacles that may come there ways.

**Extraversion**

*Ambition*: Andrew extraversion life was what made him to be more ambitions as he was sociability and confidence enough to believe in him to invest all his earns into Adams Express Company as a messenger service source (The History Channel Website, 2009). Extraversion is one of the valuable entrepreneur's traits, for interaction (Shane, 2003).
Entrepreneurial Leader

Transitional: According to the theory of young, vibrant entrepreneurial leader who started up at very going age out of the college are the one always persists. Although it was argued that many entrepreneurial leaders who really started at a very reasonably young age, well able to succeed due to the experience they acquire during their time of study and the time they spent while working is their lather for success. According to Ernst & Young approach (2008), entrepreneurial leaders are those who started fresh out of the college and stay persists.

Based on the 'BOSI' test conducted using Andrew's biography, Carnegie possess 'IO' DNA. Hence Carnegie fall into the rage of 20-29, meaning that entrepreneurial leaders are made rather than born as Carnegie started working as early as 12 years old (Dunlop, 2011).

4. Conclusion

The research shows that entrepreneurs are made rather than born Ernst & Young, (2008). On the other hand based on Five Big Personality theory which reviews that entrepreneurs are not genetic Goldberg L. R. (1993), may be true to believe, as it can be argue that there was no record of down-syndrome person, born with an abnormal gene, that became a famous entrepreneur in the history. However the author believe Ernst & Young, (2008), through the history of Andrew Carnegie who was born from poverty linage, but he became an entrepreneur and the world richest man (Forbes, 2012). It can be argued that people who are unable to motivate themselves must be content with poverty, despite how impressive their talents are. Carnegie learned much about management and cost control during his early age and following his life style will be the most elevating. Carnegie took a risk, to learn that his future lied on investing in people and ideas.

Carnegie proactive attitude was what pushes him to work-harder which served as a strong basis for his entrepreneurial success. At 12years when his peers have not developed their mind on how to make money, Andrew has already started working Dunlop (2011). When majority of his mate were still looking for jobs, Andrew has already established, which led him to become the 'steal man' (Carnegie's Legacy 2014).
Andrew has special traits which are ambitious and hard-working. His self-belief made him to realize his talent and at very young age. Also, his risk taking tendency personality made him invest all his earning into Adams Express Company as a messenger service source (The History Channel Website, 2009). Finally, Andrew perseverance/ hard-working behavior can benefit any young entrepreneur who is looking to start-up at a difficult economy.

The entrepreneur analysis of Andrew Carnegie is recommendable to any individual that was aspiring to become a great entrepreneurs'. Possess perseverance behavior, ambition mindset, and hardworking behavior is the best ways develop a good entrepreneur skill. Apart from that, motivation, considerate/ cooperative, risk taking propensity are traits necessary to seize opportunities, before taken a risk that would lead to high profitability.

References


