
ARE ENTREPRENEURS OPTIMISTIC, REALISTIC, BOTH OR FUZZY? RELATIONSHIP BETWEEN ENTREPRENEURIAL TRAITS AND ENTREPRENEURIAL LEARNING

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ABSTRACT

This article presents a novel approach to measure entrepreneurial optimism and realism and their relationship to individual demographics, entrepreneurial characteristics, and learning reflections on new venture formation. Measures of optimism from psychology and a measure of realism developed by the authors were used to determine if entrepreneurs are optimistic and/or realistic, a majority are. Many entrepreneurs were both optimistic and realistic. Interesting tendencies were also identified between those characteristics and other entrepreneurial characteristics and behaviors. Most of the entrepreneurs would start again. Changes that entrepreneurs would make if they were going to start again tended to be in finance, marketing, seeking more counseling and training.

INTRODUCTION

Optimistic thinking, reactions and feelings are frequently studied in psychology. Optimism is a common attribute cited in entrepreneurship research when describing entrepreneurial individuals. Most researchers agree that optimism implies “*a general disposition to expect the best in all things*”. Unfortunately entrepreneurship research has not provided empirical evidence that demonstrates whether or not entrepreneurs are optimistic, levels of optimism among different entrepreneurs, and how optimism relates to decisions and learning experiences in new venture formation. Many questions remain unanswered such as: Are entrepreneurs really optimistic? Have we mixed the concept of optimism with “positive illusion” (Ottesen & Gronhug, 2005, p. 405) which is a misperception of oneself and the environment that can lead to faulty investment and failure? Have we overstated the effects of optimism on new venture creation without exploring other possible characteristics such as realism?

More (1998) discussed the possibility for people to be both optimistic and realistic – those of us who think of ourselves as rational, clear headed, may say “I am neither an optimist nor a pessimist, I am a realist.” He felt that individuals intend to express a commitment to truth, sound

judgment and rationality in making such a statement and that the nature of the world meant that to be realistic we normally had to be optimistic.

Since we could find no definition for realism in the entrepreneurship literature, we use dictionary definitions. Dictionary.com Unabridged (v 1.1) (2008) defines realism as ...“Interest in or concern for the actual or real, as distinguished from the abstract, speculative and the tendency to view or represent things as they really are.” The American Heritage (2000) definition includes: “An inclination toward literal truth and pragmatism. The representation in art or literature of objects, actions, or social conditions as they actually are, without idealization or presentation in abstract form.” YourDictionary.com (2008) defines realism as “a tendency to face facts and be practical rather than imaginative or visionary.” These definitions provide a working base for this research. For purposes of this research, we think that realistic entrepreneurs are more likely to give more serious, careful consideration of their actions and seek information that will allow them to make decisions with reasonable judgment.

It is important for researchers to recognize that entrepreneurs, the center of new venture creation, who capitalize intellectual and physical assets in the process of wealth creation by discovering and transforming unique opportunities into new ventures. While entrepreneurship researchers often attribute optimism to entrepreneurs and discuss the consequences for new venture creation, there has been very little empirical data to prove that entrepreneurs are optimistic and how that optimism influences personal decisions and learning experiences in new venture creation. In addition, no tool has been developed in either psychology or entrepreneurship to measure “realism.” We know that it is reasonable to assume that unrealistic optimism can lead to problems in new ventures. The question is – how do we measure optimism and realism before so that can explore ideas such as “realistic optimism” or “unrealistic optimism”?

This article presents some of the first empirical evidence to determine (1) if entrepreneurs are optimistic or realistic, (2) different levels of optimism and realism among entrepreneurs, and (3) how optimism and realism relate to entrepreneurs’ demographics, characteristics and learning in new venture creation. Four categories of entrepreneurial traits were defined for this study: optimistic, realistic, both or mixed optimistic/realistic, and fuzzy (neither optimistic nor realistic). This study is among the first to (1) adopt the Life Orientation Test – Revised (a tool commonly used in psychological research) to study entrepreneurial optimism; (2) create a new tool to measure realism, (3) create a bridge between a conceptualized framework in entrepreneurship and psychology to examine human nature; and (4) analyze the relationship, if one exists, between optimism/realism and other variables associated with entrepreneurial individuals.

This study is an exploratory study and it is not the authors’ intention to generalize the results of this study at this point. We think that there has been a major gap in entrepreneurship theory to establish a systematic approach that could explain who entrepreneurs are and how their traits relate to new venture decisions. We also acknowledge that new venture creation is a dynamic process that may change significantly from time to time as a result of changing social, political or economic

changes in the environment. The long term goal of this study is to gather enough data to formulate a conceptual theoretical framework including testable hypotheses and using multivariate equilibrium approach to study entrepreneurial individuals.

LITERATURE REVIEW

General profiles of entrepreneurs often include optimism and other entrepreneurial characteristics such as self confidence, high expectations, willingness to accept risks, etc. Some empirical studies have examined how entrepreneurial characteristics impact on certain entrepreneurial decisions in investment, new venture creation, work/life choices, or success/failure of entrepreneurial actions. Researchers in psychology have investigated optimism (often contrasted to pessimism) as an attribute of individuals who link positive thinking, better outcomes, personal control, personal well-being, coping strategy, self-esteem, or interactions between individuals in different cultures and environments. Interestingly the authors could find no research or experimental findings directly related to realism. Realism is often linked to optimism given the terms of realistic optimism or unrealistic optimism. There has been no discussion about how to synthesize optimism and realism in either psychology or entrepreneurship.

Optimism is often listed among the other characteristics of entrepreneurs such as high achievement drive, action oriented, internal locus of control, tolerance for ambiguity, moderate risk taking, commitment, opportunistic, initiative, independence and commitment/tenacity (Liang and Dunn, 2003; Malach-Pines, Ayala, Arik Sadeh, Dov Dvir, and Orenya Yafe-Yanai, 2002; Crane, 2004). Most researchers who have studied entrepreneurs' characteristics or traits seem to agree that optimism is a distinct characteristic of entrepreneurs.

Optimism is sometimes interpreted as a positive force and sometimes as a negative force in entrepreneurship. Entrepreneurs tend to over-estimate the odds they will succeed (Baron and Shane, 2005). Optimists often deluded themselves into becoming entrepreneurs with high risks of failure (De Meza and Southey, 1996). An experiment conducted by Coelho and De Meza (2006) discovered that irrational expectations (also interpreted as unrealistic optimism) led entrepreneurs to act against their best interest and resulted in a loss of well being. The behavioral finance literature suggests that failure rates of new ventures could be explained only by entrepreneurial bounded rationality in the form of overconfidence and/or optimism at the project initiation stage (Brocas, 2004). Puri and Robinson (2004) presented results in a large scale study that linked optimism to significant work/life choices and entrepreneurship, using a measurement of optimism based on life expectancy biases recorded in the Survey of Consumer Finance. Although Puri and Robinson (2004) relied on indirect questions about life expectancy to measure optimism, they discovered that entrepreneurs were more optimistic than non-entrepreneurs, optimism correlated to work and life choices, and entrepreneurs were more risk loving than non-entrepreneurs.

Other writers have emphasized the positive aspect of optimism in entrepreneurs, their success, and their contributions to the economies in which they operate. Kuratko and Hodgetts indicated that... “The ceaseless optimism that emanates from entrepreneurs (even in the bleak times) is a key factor in the drive toward success.” (Kuratko and Hodgetts, 2004, p. 111) Others such as Hey (1984) had mixed feelings about the impact of optimism... “We exploit the primitive notion that an optimist is someone who over-estimates (underestimates) the likelihood of favourable (unfavourable) outcomes.”(Hey, 1984) Cognitive biases lead to “overestimating demand, underestimating competitor response, and misjudging the need for complementary assets, and, ultimately, deciding whether to pioneer.” (Simon and Houghton, 2002) Optimism also has been linked to the risk acceptance by entrepreneurs. “Entrepreneurs with high levels of optimism usually form high expectation about their actions and they are connected with high risk perception.” (Petrakis, 2005, p.237)

Several researchers have found that unrealistic optimism in business presented 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 in the business environment. His experiment explored the interaction between the optimists and realists with respect to self evaluated productivity and competition. He discovered that in some technological environments (such as those characterized by small firms with rapidly decreasing returns to scale) optimistic entrepreneurs may coexist with realists in competitive equilibria or even drive the realists out of business. Moreover, the resulting equilibria would evidence significant distortions in the marketplace. Fraser and Greene (2006) developed an occupational choice model in which entrepreneurs, who were initially uncertain about their true talent, learn from experience. These authors followed a series of literature in dynamic industrial organization to develop a learning model of occupational choice under uncertainty given a set of personality traits. 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 described how they distinguish optimism and realism.

A review of the psychology literature contains a great deal of information on optimism and its relationship of optimism to expectations. 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 mentioned in entrepreneurship literature is similar to “dispositional optimism” in psychology. Dispositional optimism is the bias to, across time and situations, hold positive expectations. Individuals who are dispositionally optimistic believe that, in general, their life goals will be met (Sujan, 1999). “Thus, dispositional optimism is a very general tendency, a disposition that reflects expectations across a wide variety

of life domains.” (Wrosch and Scheier, 2003, p.64) Chang (2001) indicated that dispositional optimism “...reflects an expectation that good things will happen, whereas pessimism reflects an expectation that bad things will happen.” Haugen (2004) suggested that the concept of general expectancy was a fruitful concept in central personality dispositions, encompassing both positive and negative expectancy including optimism and pessimism.

According to the psychology literature, 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, Todd, Weiss, Lundquist, and 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, Todd, Weiss, Lundquist, and Soderlind, 2002).

Psychologists have also discovered that optimism is related to psychological well-being and coping behaviors. “Optimism is a key contributor to subjective well being because it fosters self-esteem, relationship harmony, and positive perceptions of financial conditions.” (Leung, Moneta and McBrice, 2005) Psychologists have also pointed out that optimists believe in good luck which was associated with better psychological well being (Day and Maltby, 2003). Wrosch and Scheier (2003) concluded that optimists, as compared with pessimists, more frequently used active coping tactics when confronted with aversive situations and adaptive emotion-focused coping tactics when important life goals are 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 and 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 links many different concepts that cross or overlap 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, the authors could find no literature in which an attempt was made to measure entrepreneurial optimism or realism.

The assumed relationship between optimism, realism and business decisions have become the foundation of this study - to determine if entrepreneurs are optimistic or realistic, and if and how optimism and/or realism are related to learning experiences? To do that, we followed Baron's admonition 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, p.60)

Several research questions were generated for this study based on literature review: (1) Are entrepreneurs optimistic or realistic, and is it possible to verify entrepreneurial optimism and realism using a psychological approach? (2) Does entrepreneurial optimism or realism relate to learning experiences in new venture decisions?

RESEARCH METHODOLOGY

The first step of conducting this research was to design a questionnaire. The target of this research is "entrepreneurs who have already started their ventures and might be considering starting another new venture in the future". There were five sections in the survey to cover demographics and characteristics, optimism assessment, realism assessment, decisions to start another new venture, and learning experiences. *Demographic* information included gender, age, ethnicity, family composition, type of businesses, location of businesses, how businesses were acquired, number of full time and part time employees, and previous business experience. *Characteristics* information revealed if entrepreneurs wanted to be independent, wanted to be their own bosses, believed they were creative and innovative, and were willing to take risks. The answers were on a Likert scale as Strongly Agree, Agree, Disagree, and Strongly Disagree.

Statements for *optimism assessment* were adapted from the Life Orientation Test-Revised (LOT-R) (Scheier, Carver and Bridges, 1994). There were ten statements in the original LOT-R – three positive statements, three negative statements, and four non-scored items as filler statements. 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". Entrepreneurs responded based on a four-point Likert scale ranging from "strongly agree" to "strongly disagree". Carver, in an article he wrote for a specific website, indicates that the LOT-R has good internal consistency (Cronbach's alpha runs in the high .70s to low .80s) and is stable over time. The LOT-R procedure has been recognized by many psychologists as a sufficient and robust tool to measure optimism. For example, many psychologists have conducted research using the LOT-R to explore personal control in sports, to investigate relationship between optimism and depression/coping/anger, to analyze effects of optimism on career and well-being, and to examine impact of optimism on changes of environment and circumstantial situations (Burke, et. al. 2006;

Burke, Joyner, Czech and Wilson, 2000; Puskar, Sereika, Lamb, Tusaie and McGuinness, 1999; Creed, Patton and Bartrum, 2002; Perczek, Carver, Price and Pozo-Kaderman, 2000; Sydney, et. al. 2005). Clinical researchers have also utilized the LOT-R to understand how optimism affected patients in dealing with various health issues or treatments (Walker, Nail, Larsen, Magill and Schwartz, 1996). The LOT-R is available on-line and it is free for researchers to use (Centre for Confidence and Well-being, 2006).

A measure for *realism assessment*, however, did not exist. We created our own statements to capture the essence of realism after conducting a thorough literature review in psychological research, and extensive discussions and consultations with entrepreneurs and entrepreneurship educators. 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 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 four-point Likert scale ranging from “strongly agree” to “strongly disagree”. Using the reliability test, Cronbach’s Alpha statistic showed a much higher confidence level for the realism statements, .82, compared with the optimism statements, .43, (Table 1).

Optimistic entrepreneurs represent those who respond to optimism questions “agree” and “strongly agree”. Realistic entrepreneurs represent those who respond to realism questions “agree” or “strongly agree”. Both or mixed optimistic/realistic entrepreneurs respond to both optimism questions and realism questions “agree” and “strongly agree”. Finally fuzzy entrepreneurs provided negative responses “disagree” and “strongly disagree” to both optimism questions and realism questions.

Table 1: Reliability of Tests Used			
Realism Variables		Optimism Variables	
Reliability Statistics	Number	Reliability Statistics	Number
Cronbach's Alpha	Variables	Cronbach's Alpha	Variables
0.824	7	0.432	6

Entrepreneurs were asked *if they would start another new venture again given what they knew* (Strongly Agree, Agree, Disagree and Strongly Disagree). Finally we asked the entrepreneurs to share about their *learning experiences* – if they would start another new venture again, what they would do differently. The choices included (could be multiple choices): not to change at all, get help from business counselors, start on a more modest scale, use different sources of funds than personal sources, get a different location, prepare a better marketing plan, spend more time and money on advertising, define target customers better, prepare a better financial plan, get more cash before

going into the business, put together a better management team, do more research about the business, prepare a more detailed business plan, have more classes training related to business concepts, and not have my family members involved in the decision-making process.

After the questionnaire was designed and pre-tested, 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. 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. The interviews were conducted between January 2006 and May 2007. One hundred and forty-two questionnaires were completed and usable.

Descriptive statistics were used to summarize frequencies and percentage of responses demographics. Cross tabulation analysis was performed, chi square and gamma statistics were calculated and P-values of significant relationship were also included.

FINDINGS OF THE STUDY

Respondents included 32.4 percent female and 67.6 percent male, 82.1 percent majority and 17.9 percent minority, 73.2 percent married with and without children and 26.8 percent single with and without children. A majority of the respondents were 50 years old or less (63.4 percent) and 36.6 percent were over 50. Most were from an urban area (59.0 percent) and 41.0 percent were rural. Sixty percent of the respondents had experience in the line of business and almost 40 percent had no experience in the line of business. Over 30 percent had no operations experience, 27.4 percent had between 1 and 5 years and 38 percent had 6 or more years. Over 20 percent had no managerial experience, 38.4 had less than 6 years and 41 percent had 6 or more years when interviewed. Over one fourth of the respondents had no managerial experience before starting, 47 percent had 1 to 5 years and 32 percent had 6 or more years of managerial experience before starting their business (Table 2).

Since the purpose of the study was to study realism and optimism among entrepreneurs, a frequency of the distribution of these traits is presented (Table 3). About 29 percent of the respondents were only realistic, 14.1 percent were only optimistic, 33.1 percent indicated that they were both optimistic and realistic and 23.9 percent were neither optimistic nor realistic. "Realistic" entrepreneur is defined as those who answered realism measures "Agree" or "Strongly Agree." "Optimists" entrepreneurs answered all optimism questions "Agree" or "Strongly Agree." The "both" category includes those who responded to optimism and realism measures positively and

“fuzzy” includes those who responded to one or more of the realism and optimism measures negatively.

Table 2: Sample Demographics

Gender	Frequency	Percent	Experience in the Line of Business		
Female	46	32.4		Frequency	Percent
Male	96	67.6	Yes	84	60.4
Total	142	100	No	55	39.6
Ethnicity			Total	139	100
Majority	115	82.1	Operations Experience		
Minority	25	17.9	None	39	34.5
Total	140	100	5 or less	31	27.4
Marital situation			6 +	43	38.1
Not Married	38	26.8	Total	113	100
Married	104	73.2	Managerial Experience		
Total	142	100	None	15	20.5
Age			1 – 5	28	38.4
50 or less	92	63.4	6 +	30	41.1
Over 50	53	36.6	Total	73	100
Total	145	100	Management Experience Before Start		
Rural or Urban			None	30	26.8
rural	57	41	5 or less	46	41.1
urban	82	59	6 +	36	32.1
Total	139	100	Total	112	100

Table 3: Frequencies of Realistic, Optimistic, Both and Fuzzy Entrepreneurs

	Frequency	Percent
Realistic	41	28.9
Optimistic	20	14.1
Both	47	33.1
Fuzzy	34	23.9
Total	142	100.0

Table 4 indicates that female entrepreneurs tended to be more realistic (41.5 percent). Male entrepreneurs tended to be more optimistic (75.0 percent) and evenly split on realistic/optimistic (70.2 percent) and fuzzy (70.6 percent). Majority entrepreneurs tended to be more realistic/optimistic (91.5 percent) and optimistic (90.0 percent), but minority entrepreneurs tended to be more fuzzy (26.5 percent) and realistic (25.6 percent). Younger entrepreneurs tended to be more realistic/optimistic (73.9 percent) and fuzzy (61.8 percent), and older entrepreneurs were realistic (46.3 percent). Single entrepreneurs tended to be more realistic (34.1percent) and realistic/optimistic (26.5 percent), and married entrepreneurs tended to be more optimistic (85.0 percent).

More rural entrepreneurs were optimistic (60.0 percent). More urban entrepreneurs were realistic (64.1 percent), realistic/optimistic (66.0 percent) and fuzzy (54.5 percent). It seems that realistic and realistic/optimistic are the prevalent characteristics for these entrepreneurs. There were, however, no statistically significant differences among entrepreneurs across demographics.

Table 4: Percentage of Demographics by Type of Entrepreneurs				
Variables	Realistic	Optimistic	Both	Fuzzy
Gender				
Female	41.5	25.0	29.8	29.4
Male	58.5	75.0	70.2	70.6
Total	100.0	100.0	100.0	100.0
N	41	20	47	34
Chi-Square	0.508	Gamma	0.304	
Ethnicity				
Majority	74.4	90.0	91.5	73.5
Minority	25.6	10.0	8.5	26.5
Total	100.0	100.0	100.0	100.0
N	39	20	47	34
Chi-Square	0.073	Gamma	0.922	
Age				
50 or less	53.7	60.0	73.9	61.8
Over 50	46.3	40.0	26.1	38.2
Total	100.0	100.0	100.0	100.0
N	41.0	20.0	46.0	34.0
Chi-Square	0.263	Gamma	0.281	

Table 4: Percentage of Demographics by Type of Entrepreneurs				
Variables	Realistic	Optimistic	Both	Fuzzy
Marital situation				
Single	34.1	15.0	25.5	26.5
Married	65.9	85.0	74.5	73.5
Total	100.0	100.0	100.0	100.0
N	41	20	47	34
Chi-Square	0.459	Gamma	0.580	
Rural or Urban				
Rural	35.9	60.0	34.0	45.5
Urban	64.1	40.0	66.0	54.5
Total	100.0	100.0	100.0	100.0
N	39	20	47	33
Chi-Square	0.202	Gamma	0.799	

For comparison purposes, we analyzed some commonly used entrepreneurial characteristics with realistic, optimistic, both, and fuzzy. Most of the entrepreneurs agreed that they were independent, wanted control, and accepted risks regardless their perceptions on optimism or realism. There was a statically significant difference among the entrepreneurs regarding being creative. Those who were optimistic, 80.0 percent, and fuzzy, 76.5 percent, were less likely to consider themselves creative than those who were realistic, 97.6 percent, 80.0 percent, and both, 97.8 percent (Table 5).

Table 5: Percentage of Entrepreneurial Characteristics by Type of Entrepreneurs					
Variables	Realistic	Optimistic	Both	Fuzzy	Test
Independence					
Agree	97.6	85.0	93.5	91.2	Chi-Square
disagree	2.4	15.0	6.5	8.8	0.331
Total	100.0	100.0	100.0	100.0	Gamma
N	41	20	46	34	0.399
Control					
Agree	95.1	90.0	97.8	94.1	Chi-Square
disagree	4.9	10.0	2.2	5.9	0.594

Table 5: Percentage of Entrepreneurial Characteristics by Type of Entrepreneurs					
Variables	Realistic	Optimistic	Both	Fuzzy	Test
Total	100.0	100.0	100.0	100.0	Gamma
N	41	20	46	34	0.860
Creative					
Agree	97.6	80.0	97.8	76.5	Chi-Square
disagree	2.4	20.0	2.2	23.5	0.002
Total	100.0	100.0	100.0	100.0	Gamma
	41	20	46	34	0.039
Risk Acceptance					
Agree	97.6	90.0	100.0	91.2	Chi-Square
disagree	2.4	10.0	0.0	8.8	0.121
Total	100.0	100.0	100.0	100.0	Gamma
N	41	20	47	34	0.505

The authors could find no empirical studies that examined the relationship between work experiences and optimism or realism traits for entrepreneurs. One might expect that previous work experience would impact entrepreneurs. Entrepreneurs who had had business experience would be expected to perceive optimism or realism differently from those who had not had experience. Those with experience in the line of business tended to be more realistic (65.9 percent) or more optimistic (65.0 percent). Those with no experience in the line of business were more fuzzy (46.9 percent) or mixed optimistic/realistic (41.3 percent).

Entrepreneurs with no operations experience tended to be more realistic (42.9 percent). Those with less operations experience, 1 to 5 years, were more mixed optimistic/realistic (40.0 percent). Interestingly, those with more experience, six or more years, tended to be more optimistic (52.9 percent) than those who had less or no operation experience.

Are entrepreneurs more optimistic or realistic if they have had any managerial experience? Entrepreneurs with no managerial experience at all were fuzzy (50.0 percent). Those with 1 to 5 year's managerial experience tended to be more mixed optimistic/realistic (47.6 percent). Entrepreneurs with six plus years of managerial experience tended to be more realistic (52.2 percent) or optimistic (53.8 percent).

How about any managerial experience before they start the new venture? Entrepreneurs with no management experience before starting their business tended to be fuzzy (40.7 percent). Those with less than six years experience before starting the new venture tended to be more optimistic (50.0 percent). Those with six plus years managerial experience before starting the new venture

distributed evenly between mixed realistic/optimistic (38.5 percent), realistic (36.7 percent), and optimistic (31.3 percent). Managerial experiences in any part of their personal life seemed to be statistically significant between realistic, optimist, realistic/optimistic, and fuzzy entrepreneurs.

Table 6: Percentage of Experience by Type of Entrepreneurs Experience in the Line of Business				
	Realistic	Optimistic	Both	Fuzzy
Yes	65.9	65.0	58.7	53.1
No	34.1	35.0	41.3	46.9
Total	100.0	100.0	100.0	100.0
N	41	20	46	32
Chi-Square	0.694		Gamma	0.235
Any Operation Experience				
None	42.9	35.3	28.6	30.8
1-5	20.0	11.8	40.0	30.8
6 +	37.1	52.9	31.4	38.5
Total	100.0	100.0	100.0	100.0
N	35	17	35	26
Chi-Square	0.328		Gamma	0.658
Any Managerial Experience				
None	13.0	7.7	14.3	50.0
1-5	34.8	38.5	47.6	31.3
6 +	52.2	53.8	38.1	18.8
Total	100.0	100.0	100.0	100.0
N	23	13	21	16
Chi-Square	0.047		Gamma	0.007
Management Experience Before Starting				
None	33.3	18.8	15.4	40.7
1-5	30.0	50.0	46.2	40.7
6 +	36.7	31.3	38.5	18.5
Total	100.0	100.0	100.0	100.0
N	30	16	39	27
Chi-Square	0.209		Gamma	0.339

Table 7 shows that a majority of entrepreneurs studied would start again. But realistic entrepreneurs (92.5 percent) and mixed realistic/optimistic entrepreneurs (93.6 percent) were more likely to restart than optimistic entrepreneurs (85.0 percent) and fuzzy entrepreneurs (88.2 percent).

Table 7: Percentage of Respondents Who Would Start Up a Business Again					
	Realistic	Optimistic	Both	Fuzzy	
Agree	92.5	85.0	93.6	88.2	Chi-Square
disagree	7.5	15.0	6.4	11.8	0.647
Total	100.0	100.0	100.0	100.0	Gamma
N	40	20	47	34	0.771

Given that a majority of entrepreneurs would start their business again, what changes would they make, if any? Table 8 shows the changes that realistic, optimistic, both, and fuzzy entrepreneurs would make if they were going to start again. Realistic entrepreneurs (26.8 percent) were more likely to seek business counseling. Optimistic entrepreneurs (10.0 percent) were inclined to start on a more modest scale. Fuzzy entrepreneurs (17.7 percent) were more inclined to get more experience and optimistic entrepreneurs were less inclined to get more experience. Optimistic entrepreneurs (45.0 percent) and realistic entrepreneurs (22.0 percent) were more inclined to use different sources of funds. Realistic entrepreneurs (22.0 percent) and fuzzy entrepreneurs (20.6 percent) were two times more likely to choose a different location for their business than either optimistic or mixed optimistic/realistic entrepreneurs. Over 20 percent of all categories of entrepreneurs were inclined to have a better marketing plan. More time and money on advertising was more important to realistic entrepreneurs (19.5 percent) and mixed optimistic/realistic entrepreneurs (19.2 percent).

Defining target markets was more important to mixed optimistic/realistic entrepreneurs (21.3 percent). Having a better financial plan was more important to optimistic entrepreneurs (35.5 percent) and realistic entrepreneurs (31.7 percent). More cash was important to realistic entrepreneurs (31.7 percent) and optimistic entrepreneurs (30.0 percent). Having a better management team was more important to realistic entrepreneurs (21.3 percent) and fuzzy entrepreneurs (20.6 percent).

More research was more important to fuzzy entrepreneurs (14.7 percent) and realistic entrepreneurs (14.6 percent). Most of the entrepreneurs did not think that they needed a better business plan. More business training was important to optimistic entrepreneurs (30.0 percent), and realistic entrepreneurs (26.8 percent). Mixed realistic/optimistic entrepreneurs (38.2 percent) and optimistic entrepreneurs (22.0 percent) were more inclined to change nothing than other types of entrepreneurs.

Overall, finance, marketing, and more counseling and training are more important to entrepreneurs for future endeavors. This seems true for most entrepreneurs, but particularly true for realistic entrepreneurs.

Table 8: Percentage of Respondents Who Would Make Changes If Starting Again				
	Realistic	Optimistic	Both	Fuzzy
Seek help from Business Counselor				
Yes	26.8	15.0	23.4	20.6
Observation N	41	20	47	34
Chi-Square	0.758		Gamma	0.654
Start on modest scale				
Yes	0.0	10.0	4.3	2.9
Observation N	41	18	45	33
Chi-Square	0.253		Gamma	0.523
Get more experience				
Yes	9.8	5.0	8.51	17.7
Observation N	41	20	47	34
Chi-Square	0.440		Gamma	0.324
Use different sources of funds				
Yes	22.0	45.0	10.6	17.6
Observation N	41	20	47	34
Chi-Square	0.015		Gamma	0.200
Different location				
Yes	22.0	10.0	10.6	20.6
Observation N	41	20	47	34
Chi-Square	0.374		Gamma	0.798
Better marketing plan				
Yes	22.0	20.0	25.5	23.5
Observation N	41	20	47	34
Chi-Square	0.961		Gamma	0.762
More time and money on advertising				
Yes	19.5	15.0	19.2	14.7
Observation N	41	20	47	34
Chi-Square Tests	0.925		Gamma	0.682

Table 8 (Continued): Percentage of Respondents Who Would Make Changes If Starting Again				
	Realistic	Optimistic	Both	Fuzzy
Define Target Market				
Yes	17.1	15.0	21.3	11.8
Observation N	41	20	47	34
Chi-Square	0.722		Gamma	0.708
Better financial plan				
Yes	31.7	35.0	21.3	26.5
Observation N	41	20	47	34
Chi-Square Tests	0.602		Gamma	0.410
More cash				
Yes	31.7	30.0	21.3	26.5
Observation N	41	20	47	34
Chi-Square	0.719		Gamma	0.465
Better management team				
Yes	17.1	0.0	21.3	20.6
Observation N	41	20	47	34
Chi-Square	0.169		Gamma	0.379
More research				
Yes	14.6	5.0	12.8	14.7
Observation N	41	20	47	34
Chi-Square	0.721		Gamma	0.865
Better plan				
Yes	17.1	15.0	19.1	17.6
Observation N	41	20	47	34
Chi-Square	0.981		Gamma	0.857
More business training				
Yes	26.8	30.0	19.1	20.6
Observation N	41	20	47	34
Chi-Square Tests	0.709		Gamma	0.378
Not change anything				
Yes	22.0	25.0	38.3	20.6
Observation N	41	20	47	34
Chi-Square	0.234		Gamma	0.737

CONCLUSIONS

This paper adds three new dimensions to the study of entrepreneurs — realism, mixed optimism/realism, and fuzzy. Little has been done in these areas. Since no specific realism measure could be found, the authors designed, tested and validated a realism test. Optimism has been studied, but largely outside entrepreneurship. The authors have measured entrepreneurial optimism for the first time and have discovered that while most entrepreneurs are optimistic, they are also realistic. These findings push entrepreneurship research into a new frontier. Many new research topics could be developed such as how venture decisions are derived and concluded, how entrepreneurs assess risks or accept risks, if entrepreneurs behave differently given different set of parameters in optimism and/or realism, and if specific traits influence learning and expectations. Further study on these concepts may lead to additional insights into the nature of entrepreneurs and entrepreneurship.

Since entrepreneurs are both optimistic and realistic, practitioners and entrepreneurial advisor can tailor their advising practices to this new understanding. Strictly optimistic entrepreneurs can be expected to react differently to consulting than those who are realistic or realistic/optimistic. Based on the findings of this study, advisors could expect to gain wider acceptance for their counseling among clientele. In addition, based on the responses, more attention should be given to finance and marketing training and assistance.

An understanding of entrepreneurs can lead loan officers and other service providers to a better understanding of their clients and their client's needs. From this additional insight, officers can provide direct counseling to their clients or refer them to agencies that can provide the needed assistance.

Is it better to be optimistic or realistic? A realistic outlook should improve the odds to avoid unnecessary loss, while an optimistic outlook emphasizes more on positive feelings. There does not seem to be a clearly defined boundary between optimism and realism from the psychological perspective. There also exist different forms of optimism that interact with realism, such as realistic optimism and conditional optimism. The purposes of this research were to determine if entrepreneurs were realistic or optimistic using one established measure and one measure designed by the research team. For the first time, as far as we can tell, a tool has been designed and tested to capture both optimism and realism in the entrepreneurship studies.

We have demonstrated that entrepreneurs are more realistic than optimistic. We discovered a significant proportion of respondents in this study were mixed optimistic/realistic. Furthermore, another group so called fuzzy entrepreneurs also exists. This is a new finding in the entrepreneurship field that has not been analyzed. Perhaps this finding represents a situation where more realistic entrepreneurs have survived and some optimistic entrepreneurs have survived or entrepreneurs become more realistic as they are in business. Additional research involving comparisons of nascent entrepreneurs and in-business entrepreneurs may shed light on this issue.

Much of the entrepreneurial literature seems to assume that entrepreneurs are optimistic without much research evidence and there has been no research on realism among entrepreneurs that we could find. Entrepreneurs who are realistic could be expected to assess risks different than optimistic ones. Perhaps those who are more realistic are the true survivors in the competitive world of new venture creation. It is also possible that learning experiences have changed entrepreneurs' perceptions on their own assessment of the new venture opportunities, and entrepreneurs have learned to be more realistic.

There were no significant differences among the different groups of entrepreneurs studied related to demographics. There were some interesting tendencies. Females tended to be more realistic and males tended to be more optimistic. Majority entrepreneurs tended to be more optimistic and mixed realistic/optimistic. Single entrepreneurs tended to be more realistic, while married entrepreneurs seemed to be more optimistic. Single entrepreneurs might need to be more cautious about their future investment and challenges, while married entrepreneurs might hold more optimistic expectations for their future. Younger entrepreneurs tended to be more optimistic than older entrepreneurs who tended to be more realistic. Younger entrepreneurs probably look at the life span differently from older ones – younger people usually assume that they have a longer time frame to work with, so as to hold more optimistic outlook for the future.

Entrepreneurial characteristics studied indicated that independence was more closely related to realistic, control was more related to realistic/optimistic, and risk acceptance was more related to realistic. Both realistic and realistic/optimistic entrepreneurs considered themselves more creative than either optimistic or fuzzy entrepreneurs, statistically significant difference exists. This is new finding that has not been explored before. Previous entrepreneurship studies only discussed a variety of entrepreneurial characteristics and traits, yet failed to examine any cross-effects or linkage between different characteristics or traits. Given the sample responses, we discovered that optimism or realism do not necessarily relate to other entrepreneurial characteristics. Further research is needed.

Entrepreneurship literature rarely discusses any relationship between work experiences and personal traits. Our study presented some new findings. Experience in the line of business was present in almost 2/3 of realistic and optimistic entrepreneurs. Over 30 percent of the entrepreneurs had no operations experience before starting, but optimistic entrepreneurs had the most operations experience. Managerial experience seemed to exist among all groups of entrepreneurs, but realistic and optimistic entrepreneurs tended to have more. Over 2/3 of the entrepreneurs studied had had management experience before starting their businesses. Whether people have had any experience does seem to relate to their personal traits – respondents who had no operation or management experience were more likely to be realistic or fuzzy, versus those who had some experiences and tended to be more optimistic.

Clearly a majority of all respondents would start a new venture again given what they have experienced. But realistic and mixed realistic/optimistic entrepreneurs were more inclined to do so.

More entrepreneurs would change finances and marketing and would avail themselves of counseling and training than other changes in starting again. Being optimistic or realistic did not seem to relate to what entrepreneurs had learned in the new venture creation process. Most of the entrepreneurs would like to change something in the way to start another new venture, regardless what their personal traits are.

CONTRIBUTIONS TO RESEARCH

The results of this study, although not representing the entire population of entrepreneurs, provide additional insights into entrepreneurs and entrepreneurship that have not been investigated and understood before:

We are among the first to utilize a psychological method to actually measure optimism and realism among entrepreneurs, and conclude that a majority entrepreneurs in our sample are optimistic and realistic.

Entrepreneurs can be optimists and realists at the same time. The nature of the world means that to be realistic we must normally be optimistic (More, 1998). Optimists display certain attitudes, not detached estimates of the objective probability of good and bad events in the future, to make personal commitments to certain modes of thinking and behaving (More, 1998). It is a way of thinking, generated by optimistic attitudes, that makes entrepreneurs unique.

From a research perspective, this study demonstrates that psychological methods can provide valuable tools for entrepreneurship research. These tools should be particularly useful in entrepreneurial behavioral research, a widening field of study.

FUTURE RESEARCH

Many aspects of this research could be expanded. It is important to increase the size of the sample to include a wide variety and more entrepreneurs. More entrepreneurs should be included from different cultural backgrounds, different ethnicity, different industries, different countries/regions and different stages of the new venture creation. In addition, studies of nascent entrepreneurs using the tools used here may shed additional light into the nature of entrepreneurs and the entrepreneurship process. It will be interesting to compare optimism or realism levels (using LOT-R or other psychological methods) among a diverse group of entrepreneurs, given a sufficiently large sample.

More studies could be oriented to investigate the impact of optimism or realism on entrepreneurial learning from both individual's perspective and business perspective. Our study only explored a small part of the optimism and realism and personal perception. We need better tools to explain how optimism differs from realism and pessimism. It is important to expand the objectives of the study to include entrepreneurs' assessment on business outcomes (sales, profits,

challenges, risks) and to understand how optimism influences the operation of the businesses. Many entrepreneurs have been influenced by natural disasters and economic fluctuations in recent years. Some of them have been exposed to unusual financial risks that make them extremely vulnerable in our economy. Studying optimism/realism and understanding how human nature affects expectations/outcomes in new venture creation will help service providers develop more effective coping strategies to assist entrepreneurs at risk.

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