Nov 8th, 12:00 AM

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The Impact of Founders’ Personality Traits on the Performance of Chinese Apparel New Ventures

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Keywords: founder, personality, network, performance

The significant role of new ventures in economic and social development has led practitioners and researchers to search for the key factors for new venture performance. Research is needed on analyzing factors impacting apparel new venture performance during the initial stage of business establishment. This is particularly true in the Chinese apparel industry, which is in a rapid growth phase with a high rate of failure. In the Chinese apparel industry context, the unique personality traits displayed by company founders, along with their firms’ network relationships, were found to be keys to success (Zhao & Ha-Brookshire, 2014). In particular, “relationship” (“guanxi”) was found to be critical as it deeply influences all kinds of businesses (Zhuang, Xi & Tsang, 2010: p.137). Additionally, for new ventures, founders are critical for forming, building, and maintaining network relationships among firms (Ostgaard & Birley, 1996). High quality relationships with supply chain partners are known to help new ventures create competitive advantages and, in turn, influence new venture performance in China.

Grounded in Barney’s (1991) resource-based view of the firm, this research was designed to investigate the relationships among founders’ personality traits, firm network relationships, and new venture performance in the Chinese apparel industry. The resource-based theory of the firm holds that a firm is configured by various sets of unique, costly-to-copy, and rare resources that the firm possesses. These resources would help the firm gain a competitive advantage and, in turn, superior performance. Founders’ personality traits affect decisions on picking resources and, thus, affect the quality of those resources, including the quality of a firm’s network relationships (Phelan & Alder, 2006). In particular, from the Big Five factors’ perspective, different factors of founders’ personality traits may have different impacts on new venture performance through the quality of external network relationships at the firm level (Brandstätter, 2011).

An online survey was conducted regarding founders’ personality traits, the quality of firm network relationships, perceived competitive advantages, and perceived Chinese apparel new venture performance scales. Employing the purposive sampling technique, and targeting Chinese apparel new ventures that had been established for five years or less, 210 usable survey responses were collected through the So Jump Survey Company in spring 2015. According to Anderson and Gerbing’s (1988) two-step approach, the study data were analyzed using Structural Equation Modeling (SEM) via AMOS. Additionally, post-hoc analyses were conducted to determine which factors of personality traits were significant predictors.
The results showed, first, all five personality traits positively influenced the quality of firms’ relationships with their supply chain partners. This result showed that founders help to establish and enhance new ventures’ firm networks by effectively linking and organizing the relationship of supply chain partners. This was consistent with Phelan and Alder (2006) in that founders’ personality traits affect decisions on picking resources and building networks. Among the five factors, openness to experience had the strongest impact on the quality of firm network relationships. Agreeableness was the second strongest predictor, followed by emotional stability. Second, the perceived quality of firms’ network relationships and competitive advantages together were found to be the mediating variable between founders’ personality traits and new venture performance. This was a new finding that empirically showed how founders’ personality traits affect Chinese apparel new venture performance via network relationships.

The study offers several implications and contributions. First, this study is one of the few studies that simultaneously evaluate the impacts of founders’ personality traits and firms’ network resources on new venture performance. Second, this research provided empirical support for adopting the Big Five Personality model for developing the new venture success scale in the context of Chinese apparel new ventures. In particular, unlike in Western countries, agreeableness was found to be one of the important factors positively (as opposed to negatively) influencing firm network relationships in the Chinese apparel new venture setting. Third, the findings are useful for founders in understanding and improving each of the Big Five factors of personalities, which will, in turn, help their firms achieve better performance. Further research is recommended to examine whether any of the Big Five factors of traits interacts to predict apparel new ventures’ performance.

References