

Psychographic Segmentation of the Self-employed: An Exploratory Study

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Although it is well established in the academic literature that entrepreneurs share common traits, there has been limited research dedicated to evaluating psychographic profiles of the self-employed. Using the Nominal Group Technique, the authors gleaned insight from a panel of experts in an effort to segment the self-employed based on personality traits and the benefits they receive from an entrepreneurial career. The findings show that self-employed individuals can be classified into four distinct segments: Exemplars, Generals, Moms and Dads, and Altruists. Each group derives different benefits from self-employment. Understanding these benefits can greatly assist entrepreneurship educators and marketers of small business oriented products and services.

Keywords: psychographics, segmentation, entrepreneurial characteristics, nominal group technique

The academic literature is replete with research discussing the character traits entrepreneurs seem to possess. However, there is a gap in the literature relative to psychographic profiles of the self-employed. For example, while it is generally accepted that entrepreneurs have a high locus of control, comfort with ambiguity, and various other traits (MacPhee, 1987; Erkkila, 2000), less research has been done into the psychology behind why some entrepreneurs are driven to change industry and societal paradigms while others, who presumably share the same traits, toil in relative obscurity content to earn less than similarly qualified professionals (Hamilton, 2000).

This study examines existing literature insofar as how entrepreneur differences extend beyond demographics and unobservable characteristics (e.g., corporate strategy). Psychographic segmentation is an emerging area of research. Strategic types (defenders, prospectors, analyzers, and reactors) and strategic orientation (customer orientation, financial orientation, internal orientation, human relations orientation, and research and development orientation) were found to be useful organizational psychographics in a study of car phone purchases by Dutch firms (a new-buy purchase decision). In contrast, the two firmographic variables, firm size and industry, had little explanatory value with respect to the

adoption or nonadoption of the proposed technology (Verhallen, Frambach, and Prabhu, 1998).

Business market analysis means understanding people, relationships, and psychological drivers. By analyzing purchase motives, marketers can better understand why buyers act the way they do in the marketplace. As an example, small and medium-sized family business clients of professional service providers (accounting, insurance, and law firms) were researched using organizational psychographics. Market segments were identified based on CEO motivations for operating the business. In descending order, the eight psychographic segments of family business owners, which ranged from more than a third of the sample to less than 5 percent, were as follows: loving parents, autocrats, empire builders, fortune hunters, recruits, rebels, status seekers, and social benefactors. These grouping motivations impacted purchasing attitudes and behavior (File and Prince, 1996).

Literature Review

Core Segmentation Research

Psychographic segmentation is the process of grouping individuals based on attitudes, opinions, personality traits, beliefs, and lifestyles (Piirto, 1991). Although there have been conflicts within the academic community as to the reliability and validity of psychographic measures (Wells, 1975), this segmentation approach has become an important tool used by companies to identify trends within market segments and help crystallize causal relationships between consumer decisions and purchase intentions (Piirto, 1991).

A testament to the widespread acceptance of psychographic research is the success of SRI's VALS program and the Yankelovich Monitor, which was cofounded in 1958 by market research pioneer Daniel Yankelovich. Today they sell psychographic information to many of the world's largest companies (Yankelovich Partners, 2005). According to Yankelovich (1964):

Demography is not the only or the best way to segment markets. Even more crucial to marketing objectives are differences in buyer attitudes, motivations, values, patterns of usage, aesthetic preferences, and degree of susceptibility (p. 83).

Smith's (1956) pioneering work in the field was heavily

rooted in the quantitative aspects of market segmentation. Psychographic theory, by contrast is an outgrowth of motivation research (Wells and Tigert, 1971), which posits an extension of Haley's (1968) benefit segmentation theory that states descriptive segmentation techniques such as demographics, geography, and usage are beneficial but provide limited insight into consumer intention.

Haley's hypothesis was that perceived benefits drive purchase intention, which has largely been empirically supported by subsequent scholarly research (Haley, 1999). Psychographics goes one step further by exploring the genesis of how consumers cognitively determine these benefits.

Entrepreneurial Segmentation: Theories and Insights

Psychological constructs affecting entrepreneurial cognition include learning style (Johnson, Danis, and Dollinger, 2004), parental support and influence (Matthews and Human, 2004), maturity and life experiences (Reynolds, 2004), satisfaction (Johnson, Arthaud-Day, Rode, and Near, 2004), and self-confidence (Cooper, Woo, and Dukelberg, 1988).

While there are myriad resources in the scholarly literature, such as the *Panel Study of Entrepreneurial Dynamics*, in empirically examining entrepreneurship as social and economic phenomena (Gartner, Shaver, Carter, and Reynolds, 2004), there is a gap in the literature relative to the psychoanalytic study of entrepreneurs (Kets de Vries, 1996). According to Jones-Evans (1995) "research has demonstrated considerable inconsistency in identifying a set of characteristics by which those individuals can be termed entrepreneurs or entrepreneurial" (p. 27).

This may be due to that fact that since Cantillon first used the word entrepreneur in an academic context, scholars have been unable to reach consensus as to a proper definition (Dana, 2001). Thus, an agreed upon conceptual framework for entrepreneurial development does not exist (Shane and Venkataramen, 2000; Outcalt, 2000).

Ward (2005) attributes this phenomenon to the fact that entrepreneurship has historically been viewed from three unique perspectives: economic, sociological, and idiosyncratic. Shane (2000) explains that three philosophical schools of thought have emerged relative to entrepreneurship: neoclassical equilibrium theory, psychological theory, and Austrian theory.

Neoclassical equilibrium theories posit that attributes of the individual, rather than information about an opportunity determines who becomes an entrepreneur. Essentially, entrepreneurs are born not made, and possess certain skills that lead to their avocation. Psychological theories suggest that the ability to recognize opportunity stems from intrinsic motivation. For example, McClelland (1961) theorized certain traits, such as the need for achievement, influence one's

output. Austrian theories espouse the opposite of the neoclassical equilibrium view school, stating that information about an opportunity, rather than an individual's attributes, determine who will become an entrepreneur.

Entrepreneurship-related academic literature justifiably focuses heavily on trait theory of entrepreneurial leadership. Scholarly journal articles frequently discuss an entrepreneur's willingness to take risks, high locus of control, and relative comfort with ambiguity, etc. (see Figure 1). However, does knowing these qualities and traits truly help marketers of business-to-business (B2B) products or services define the entrepreneurial market? It is likely that the aforementioned traits are shared by paradigm changing entrepreneurs (e.g., H. Wayne Huizenga, Michael Dell, Martha Stewart etc.), as well as sole proprietors working from a home office. What are the key psychographic variables that separate radical and visionary entrepreneurs (Wawro, 2000) from the small business owner who chooses self-employment even though he or she is statistically more likely to earn less money (Hamilton, 2000) than comparably qualified corporate employees?

Since entrepreneurs have the ultimate decision-making authority in their ventures, understanding how and why they choose this career path (and the benefits they receive from it) will greatly assist B2B marketers in defining their market and crafting appropriate product and promotional strategies.

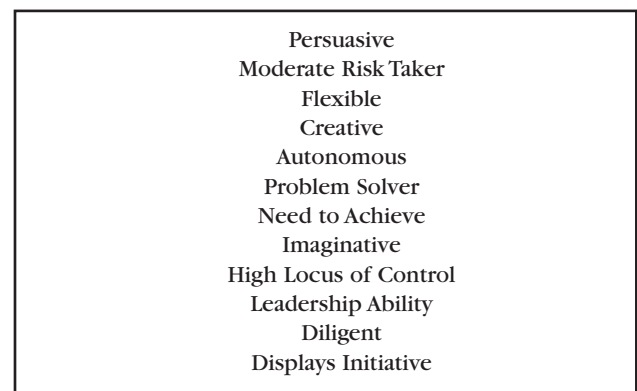


Figure 1. Entrepreneur Qualities and Traits

Source: Adapted from Erkkila, 2000.

Research Methodology

The Nominal Group Technique (NGT) was utilized to collect data for this study as it has been proven to be an effective qualitative research method. Using small judgment samples, it collects penetrating insights from subject matter experts (Streibel, 2003). This technique allows the group to reach consensus quickly while assuring that each participant is afforded equal opportunity to express his or her opinions.

The origins of NGT can be traced back to Delbecq and Van De Ven's (1971) Program Planning Model (PPM). NGT was established to mitigate the inherent limitations of the brainstorming technique. By the early 1970s it was clearly estab-

lished by social scientists that interaction within groups often has the effect of inhibiting the performance of certain members (Taylor, Berry, and Block, 1958).

A nominal group is defined as a group that works together but does not interact directly (Delbecq and Van De Ven, 1971). The process of collecting data is as follows:

- A small group of experts is assembled in an effort to reach consensus.
- A facilitator provides open-ended questions to the participants and encourages them to share their answers without fear of judgment. The anonymity of the participant's response is assured.
- Responses are collected and shared by the facilitator with the entire group.
- The ideas are evaluated and anonymously voted on by the group members in an attempt to reach consensus.

Advantages and Limitations of NGT

The primary advantage of NGT is that it assures equal participation of group members. It also is highly structured and allows for in-depth critical analysis by respondents (Potter, Gorden, and Hamer, 2004). Its disadvantages include a lack of synergy and cross fertilization of ideas received through brainstorming. The process is also somewhat mechanical (Sample, 1984) compared to other qualitative techniques. NGT requires an expert in the subject area to facilitate the discussion (Potter et al., 2004). However, it may be tempting for expert facilitators to interject their own opinions, which would bias the findings.

The validity (Van Teijlengen et al., 2006) and reliability (Vella et al., 2000) of NGT has been demonstrated. NGT is an effective technique for an exploratory study. However, qualitative research has more potential for researcher bias and lacks the generalizability of quantitative research methods (Miles and Huberman, 1994). Thus, additional quantitative methods should be utilized in future investigation of the psychographic qualities of the self-employed.

Subject Matter Experts

For the purposes of this research study a trilateral panel was established consisting of individuals who have a long track record of both scholarly achievement and entrepreneurial experience (see Figure 2). Each panel member has considerable experience working with entrepreneurs ranging from home-based businesses to leaders of high-growth entrepreneurial firms.

The panelists and facilitator concurred that Cantillon's definition of an *entrepreneur* as a self-employed individual (Formaini, 2001) was more appropriate than the Schumpeterian (1961) definition, which states that entrepreneurship is not contingent upon self-employment. Cantillon

viewed entrepreneurs as undertakers of opportunity who assume risk in expectation of a profit. The key component of entrepreneurship is viewed as willingness to accept uncertainty (Cantillon, 1931; Casson, 2002).

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Figure 2. Subject Matter Experts

Data Collection

During a four-week period the authors accumulated verbal and written feedback from each subject matter expert as to the psychological and personality traits of the self-employed for the purpose of psychographic segmentation. Content analysis was performed in order to categorize large amounts of text into narrow categories and establish precise definitions (Stemler, 2001). As the data were collected and coded, it soon became apparent that four classifications of self-employed individuals were emerging:

1. Entrepreneurs who amass fortunes and/or iconic stature. A group Hamilton (2000) referred to as "superstars" (p. 605).

2. Small business owners who are technically proficient but remain small due to their inability and/or unwillingness to delegate authority and give up control.
3. Lifestyle-based entrepreneurs who maintain a small, likely home-based, business and see self-employment not as a vocation but rather a complement to their preferred way of life.
4. Owners of nonprofit organizations who are dedicated to helping others, relieving a perceived injustice, or dedicated to a social cause in some way.

Findings

Content analysis shows that the self-employed can be classified into four psychographic segments: Exemplars, Generals, Moms and Dads, and Altruists (see Figure 3). While individuals within these groups share most, if not all, of the traits set forth by Erkkila (2000) and other scholars, it is clear that members of each segment derive different benefits from self-employment.

Segment 1: Exemplars

The word “exemplar” derives from the Latin word *exemplum* and refers to a desired model, or something that should be imitated. Essentially, Exemplars are the entrepreneurs who have an enormous impact on their industry and society. These entrepreneurs share the same aforementioned traits as others entrepreneurs but tend to be more visionary. While Exemplars reflect the societal perceptions of the self-employed, they are actually the rarest segment (MacPhee, 1987).

For instance, Cruikshank (2006) notes how in the 1970s a young Steve Jobs would spend time in department stores looking at the design of kitchen appliances and visualizing a personal computer that would be as easy to use and as ubiquitous as household appliances. Future billionaires Bill Gates and Michael Dell, each leaving college to pursue the opportunities they recognized, reflect the visionary (Wawro, 2000) and risk-taking propensity (Jennings, Cox, and Cooper, 1994) of the Exemplar.

A key characteristic that seems to separate Exemplars from the other entrepreneurial segments is their ability to leverage the talents of others in fulfillment of their vision. Similar to what Napoleon Hill viewed as a Master Mind Alliance, Exemplars seem to be aware of their strengths and weaknesses and take proactive steps to mitigate their weaknesses via hiring or strategic relationships. Jim Koch, founder of Boston Beer Company, notes that as an entrepreneur “you can believe that your judgment is infallible and develop a whim of iron which can lead you into making dumb mistakes” (Erickson, 1997, p. 55). To avoid this phenomenon, Koch chose to grow his business by outsourcing production, under close supervision, to other breweries that had declin-

ing brands but adequate infrastructure and core technical competencies. As a result, the company realized tremendous growth and Koch is viewed as a paradigm-changing entrepreneur.

Exemplar Sam Walton changed the landscape of his industry by creating a culture that valued the role of teamwork in pursuit of a shared goal. Tangible rewards such as employee stock options in combination with subtle tactics, such as referring to employees as *associates*, managers as *coaches*, and customers as *neighbors* resulted in internal stakeholders having immense loyalty for Walton despite often having burdensome work conditions (Bergdahl, 2004).

Another Exemplar, Southwest Airlines founder Herb Kelleher has received similar devotion from employees. According to Schwartz (1996) this employee devotion and ultimately the company’s long record of profitability in a turbulent industry can be traced to the golden rule set forth by Kelleher:

Employees are No. 1. The way you treat your employees is the way they will treat your customers. Think small to grow big. Manage in the good times for the bad times. Irreverence is OK. It’s OK to be yourself. Have fun at work. Take the competition seriously, but not yourself. It’s difficult to change someone’s attitude, so hire for attitude and train for skill. Think of the company as a service organization that happens to be in the airline business. Do whatever it takes. Always practice the Golden Rule, internally and externally.

Exemplars do not seem to reflect the negative traits many people in society have of entrepreneurs as mercurial, primarily internally motivated, and unconcerned with risk (Jennings, Cox, and Cooper, 1994). Rather, they tend to be true leaders who view their companies as vehicles of social good and positive change. While Exemplars often reap the financial gains incumbent with leading an industry and/or societal paradigm shift, financial gain does not appear to be a motivator. Money appears to satisfy but not motivate, which suggests Two-Factor Theory (Herzberg, 1984) has some applicability to an entrepreneurial career path.

One quality of an Exemplar is that he or she often willingly cedes power to a professional CEO once the company reaches a certain critical mass. They are intuitive and self-actualized, and thus realize that they do not have the skill set and/or managerial acumen to grow the company to the next level. Essentially, an Exemplar will put the best interest of shareholders ahead of his or her ego. A recent example of this phenomenon was Jet Blue founder David Neeleman stepping down as CEO after recognizing the company needed a leader with better operational skills (Schlangenhein and Mildenberg, 2007).

Segment 2: Generals

Generals, by contrast, would be much less likely to cede power due to their overly developed locus of control. The term *General* can be somewhat deceiving as this segment is often leading either a very small team or, in many cases, no team at all. This descriptive term is used to reflect the need for control in virtually every facet of his or her venture. Generals tend to be very technically proficient but lack the vision and leadership skills inherent in Exemplars. This truth is evident to every stakeholder except the General, who is likely to view himself or herself as an Exemplar.

Gerber (1986) notes that self-employed individuals have three personalities: entrepreneur, technician, and manager. All three must be present if a venture is to get off the ground but once the venture is launched one of the personalities tends to dominate and ultimately dictates the course of the venture. The General has enough entrepreneurial vision to identify a market opportunity that complements his or her strengths and has a modicum of skills in the functional areas of business that allow for the venture to remain sustainable. Generals are often found in the technical trades and professional services. The sole proprietor of a small landscaping business and a home-based management consultant may, although dissimilar in a demographic context, be very similar

in a psychographic context in that they perceive similar benefits from self-employment.

The problem most Generals have is their inability to let go of the reins once their goal of profitability has been achieved (Jennings, Cox, and Cooper, 2004). This results in a paradox in that the skills that allow Generals to achieve profitability will ultimately lead to their downfall. Ward's (2003) description of paradoxical entrepreneurial organizations seems to encapsulate the path followed by many Generals by noting these organizations:

Become dominated by the function that has driven their success, and hubris develops, causing them to fail to see how their organization is losing touch with a changing environment, even leading them to believe that they shape the environment and do not need to be concerned with external changes. Thus, the heroic vision on which the organization was founded becomes a heroic self-concept (p. 103).

Traits such as obsession with quality that are essential in the formative stages of a venture can be destructive at later stages of a venture. This is a paradox Generals seem unwilling or unable to predict or prevent.

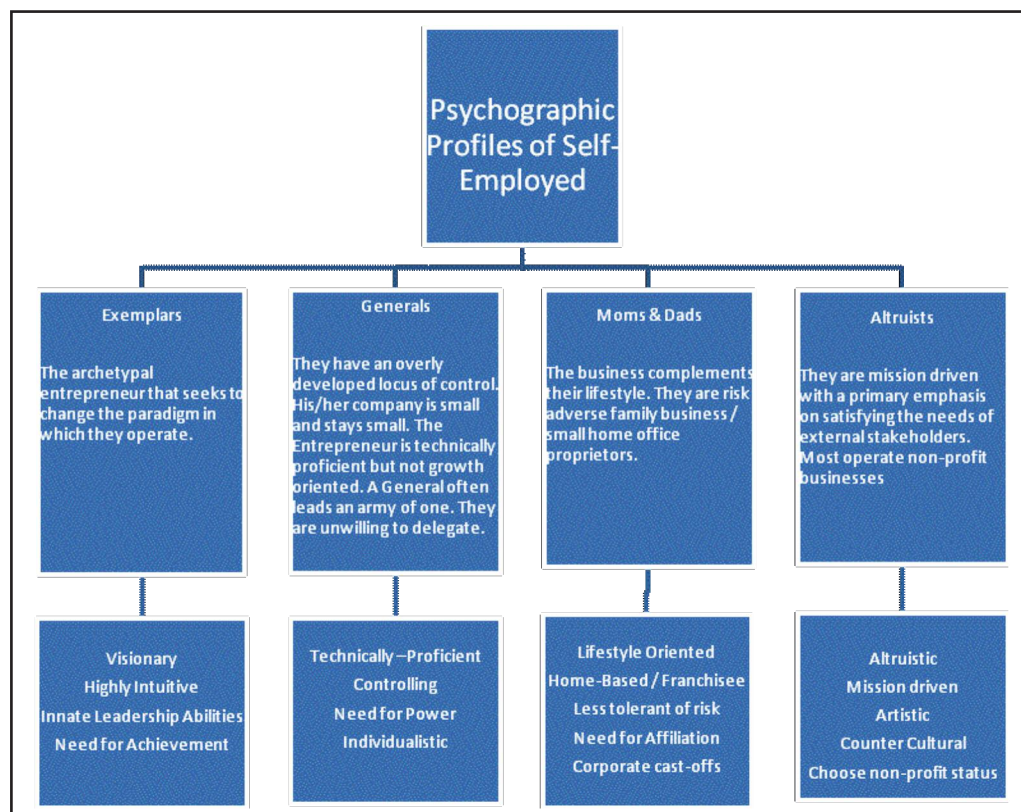


Figure 3: Psychographic self-employed segments

Segment 3: Moms and Dads

Members of this segment tend to view their venture as an extension of themselves. Entrepreneurship isn't as much about being self-employed as it is about being true to their avocation. This segment nurtures their ventures much like a parent would with a child in that they appear to be emotionally attached to the enterprise and will make decisions to protect the venture that may not be in their best commercial interests. This psychographic segment is comprised of three subsegments of entrepreneurs. Each subsegment is motivated by lifestyle considerations but derive different benefits from their career choices. The three subsegments of Moms and Dads were found to be

- **Lifestyle entrepreneurs:** Business owners who choose self-employment primarily for the lifestyle benefits an entrepreneurial career path offers. These are individuals who own businesses closely aligned with their personal interests, values, and passions (Marcketti, Niehm, and Fuloria, 2006). These ventures are unlikely to generate significant revenue but are desirable to entrepreneurs seeking to escape bureaucratic or corporate environments. The struggling artist who sells his or her wares without much prospect of financial gain would be a prototypical lifestyle entrepreneur.
- **Franchisees:** According to the International Franchise Association (2004), there are 767,483 franchise units in the United States, which provide 9,797,117 jobs or 7.4 percent of the nation's private sector jobs. It is the consensus of the panel that the franchisees should be classified as a subsegment of Moms and Dads because the primary benefit sought by this segment is mitigated risk and leveraging shared resources, similar to the benefits one receives as part of a family unit.
- **Family Business Owners:** Sharma, Chrisman, and Chua (2007) define family business as "a business governed and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families" (p.2). Culture within family firms is unique in that there is a dynamic interaction between family values and expectations, and business values and expectations (Naldi et al., 2007). Moms and Dads tend to indoctrinate their children into the business at an early age and communicate to them, either tacitly or explicitly, that the family business is a viable potential career path. The motivation for these parents is protecting their children via ensuring future employment, but these actions may foster feelings of guilt and/or resentment among those children intent on forging a different career path.

Segment 4: Altruists

Members of this psychographic segment tend to associate success and derive benefits by advancing a social cause and/or helping others. Their entrepreneurial activities are mission based (Brickerhoff, 2000) and are likely to establish nonprofit corporations. According to the National Center for Charitable Statistics (2007) there are 1,397,263 nonprofit organizations in the United States, which represents a 28.8 percent increase since 1996. Of the nonprofits, 7.4 percent are private foundations created by Exemplars and/or the organizations they founded and 36.2 percent of the nonprofits generate \$25,000 or less in revenue (NCCS, 2007). The latter statistic shows that a significant number of Altruists are likely running their ventures on a part-time basis while working for others, which mitigates some of the pressure of fundraising. It also demonstrates that Altruists may lack some of the business acumen required to manage a venture.

Many Altruists appear somewhat naïve in that they tend to believe that their altruistic purpose will be enough to sustain their business (Brickerhoff, 2000). In reality, Altruists may face the greatest challenges as their tax status limits potential revenue streams and established professionally managed charities have existing relationships with the finite number of grant-makers.

Management Implications

Psychographic segmentation of the self-employed benefits marketers of small business related products and services as marketers will have clearer insight into how and why entrepreneurs make decisions. Entrepreneurship and marketing educators will also benefit from the findings of this study as they show that entrepreneurial activity may be influenced as much by perceived psychographic benefits as one's entrepreneurial traits. While the literature suggests traits drive behaviors, the findings of this study suggest traits *and* the perceived benefits of self-employment drive behaviors.

Marketing to Exemplars

Exemplars will be interested in scaling their venture and positioning it as an alternative to existing offerings. Therefore, marketers may want to appeal to the visionary facet of this segment by embracing and validating their vision. Sales representatives will likely not see the same opportunity as the Exemplar, but they shouldn't be critical of the Exemplar's vision. Numerous executives have rued the day their managers ignored the vision of an Exemplar and lucrative opportunities have been missed. For instance, Exemplars such as Bill Gates and Steve Jobs recognized commercial opportunities for technology developed by Xerox's PARC division (Abate, 2004) that Xerox engineers thought to be of little commercial value. Marketers need to look at this segment much in the way private equity investors view this

segment: as entrepreneurs who have the ability to potentially shift industry and societal paradigms.

Exemplars will be interested in the negotiating terms and prices more than other segments, perhaps even discussing volume discounts with prospective vendors long before the business is operational. Of course, many exemplary visions do not come to fruition, which is why they are usually dismissed by vendors. To identify potential Exemplars, B2B marketers should look to associations such as the MIT Enterprise Form or high-tech incubators, as this segment will be the most proactive at networking and be far more open to the prospect of bringing in new vendors than the other psychographic segments.

Marketing to Generals

Marketers can determine if an entrepreneur is a General relatively quickly by examining the growth trajectory of the business. If it appears that the venture has remained at a plateau and the entrepreneur does not express a desire to grow the business, he or she is likely a General. Thus, marketers should play to the overly developed locus of control that typifies this segment. A hard sell should not be used, but rather a calculated business case should be presented to the General as they will be more analytical and less emotional when developing relationships with vendors than the other segments. The value proposition should be presented in a way that the benefits satisfy the General's need to control and heroic self-concept, rather than stressing the value to the General's end customers. Generals will feel as if they know their customers better than anyone and resent the inference that they could be providing better service than they are currently providing.

Marketing to Moms and Dads

This segment will have a somewhat parental relationship with their customers and businesses. Marketers, unlike when marketing to Generals, should promote the value proposition's impact on the business and customers. This segment will be focused on quality over quantity, and likely put the best interest of the internal and external stakeholders above their own self-interest.

Another key consideration when marketing to this segment is their higher level of risk aversion. Unlike Exemplars, Moms and Dads are much more likely to prefer a safer entrepreneurial path, which is reflected by their penchant for purchasing franchises and working in family businesses. Leveraging the power of a franchised brand and an appreciation of family business traditions are important to this group,

thus marketers should be cognizant not to present products or services that will radically change the status quo.

Marketing to Altruists

This segment offers the least potential for business-to-business marketers insofar that a significant percentage of these ventures generate minimal revenue. Selling to Altruists, however, is somewhat easier than selling to the other segments in that the entrepreneur will be fixated on his or her mission. So long as the product/service helps to fulfill the mission the entrepreneur will be receptive, provided he or she has adequate cash flow to complete the transaction.

Research Agenda

According to Pink (2001) there are 30 million self-employed individuals in the United States alone, yet relatively little research has been conducted to psychographically segment this group. This exploratory study should serve as the foundation for future quantitative and qualitative research in this area. Larger samples and different data collection techniques will allow future researchers to utilize factor analysis, cluster analysis, and discriminant analysis to identify the underlying dimensions of response data.

Future researchers may also want to establish if each segment is comprised of subsegments, similar to the Moms and Dads. Additionally, psychographic segmentation of intrapreneurs is an area of future interest. Predicting entrepreneurial propensity among employees contributes to the long-term health of an organization as it's been demonstrated that organizations that maintain an entrepreneurial culture are able to attract higher quality job applicants (Olmsted, 2005) and out-perform their competitors (Parboteeah, 2000).

By determining the perceived benefits individuals gain by choosing self-employment as a career path, future researchers can make an important contribution to the organizational behavior, entrepreneurship, and marketing literature. Additionally, these findings would greatly benefit B2B marketers. An overwhelming number of businesses in the United States are small businesses (Small Business Administration, 2006) and understanding the attitudes, lifestyles, and motives of those business owners would enhance marketing efficiency and effectiveness.

Future researchers should replicate this study with a different panel of subject matter experts. If their findings indicate validity and reliability, the study should be expanded quantitatively. A questionnaire could be created and the responses could be interpreted using factor and cluster analysis in an effort to support the qualitative research findings.

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