

ASPECTS OF ENTREPRENEURSHIP CHARACTERISTICS

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The paper is reviewing the characteristics of entrepreneurship presenting several indices that measure aspects of entrepreneurial attitudes, activity and aspirations, related to the phases of economic development. It is considered to be the first who defined the entrepreneurship as someone who identified the willingness to bear the personal financial risk of a business venture. There are different and interesting historical views of entrepreneurship in the recent literature, as well as over time. These are reflecting the roles of the entrepreneurship in each of the three economic phases. Phases of economic development are decided on the level of GDP per capita and the extent to which countries are factor driven in terms of the shares of exports of primary goods in total exports. Perceptions about entrepreneurship may affect the supply side and the demand side of entrepreneurship. On the supply side, or the “pool” of potential entrepreneurs, important perceptions include both willingness and perceived ability to become an entrepreneur. Education levels and the availability of entrepreneurship training programs are possible determinants of perceived skills. On the demand side, or “space for” entrepreneurship, there needs to be opportunities for entrepreneurship, but equally important is that entrepreneurs perceive that there are opportunities for starting a business. There are several assessments to be made; First, there is the assessment of opportunity costs, which involves comparing the expected returns of entrepreneurship to the expected returns of an alternative occupation. Then, there is a risk-reward assessment: even if the expected returns from entrepreneurship are considerably higher than the best alternative, the (perceived) risks involved may be too high for a person who is thinking about starting a business.

Key words: entrepreneurship, attitudes, activity, aspirations

There are different and interesting historical views of entrepreneurship in the recent literature, as well as over time. These are reflecting the roles of the entrepreneurship in each of the three economic phases according to Porter's typology of “factor-driven economies”, “efficiency-driven economies” and “innovation-driven economies”. It is considered to be the first who defined the entrepreneurship as someone who identified the willingness to bear the personal financial risk of a business venture. This definition is related more to the static

notion of entrepreneurship as being a “business owner” than to dynamic notion of starting new ventures. The Marshall’s view at the end of the 19th century focused on the importance of entrepreneur in a market economy. His view is related to the economic view of scale-intensive entrepreneurship as a reflection of the efficiency-driven stage. Another scholar, Schumpeter in the 40’s of the 20th century linked the dynamic aspect of entrepreneurship to innovations and economic development. The concept of “creative destruction” can be directly linked to the role of entrepreneurship in innovative-driven countries. Because the current views on entrepreneurship vary, this shows the several faces of the entrepreneurship nature.

MATERIAL ȘI METODĂ

Some authors presents seven phenomena associated with entrepreneurship, while others are talking about thirteen different concepts of entrepreneurship. In recent studies were identified three main components: entrepreneurial attitudes, entrepreneurial activity and entrepreneurial aspiration (Acs and Szerb, 2008). So, a positive attitude towards entrepreneurship may increase entrepreneurial activity and aspiration, which in turn positively affect attitudes as more positive role models appear. Positive aspirations may change the nature of activity.

Entrepreneurial attitudes represents attitudes towards entrepreneurship. If there are good opportunities to start business or the degree of attaching high status to entrepreneurs, then the result will be a high entrepreneurial attitudes. Besides, we can include the assumed level of risk, personal skills perception, experience in business.

Entrepreneurial attitudes can be influenced by entrepreneurial activity, but it can influence entrepreneurial activity.

The importance of entrepreneurial attitudes consists in expression of the general feeling of the population about entrepreneurs and entrepreneurship, about people who can recognize profitable business opportunities, and think that they have skills to exploit them. If the people attitude for entrepreneurship are positive, then this will generate cultural support, help, financial resources. Entrepreneurial activity is multi-faceted, but one important aspect is the extent to which people in a population are creating new business activity, both in absolute terms and relative to other economic activities, such as business closure. Entrepreneurial aspiration reflects the qualitative nature of entrepreneurial activity. These aspirations, if they are realized, can significantly affect the economic impact of these entrepreneurial activities.

Entrepreneurship in Factor-Driven Economies has several characteristics approached by different authors. Economic development consists of changes in the quantity and character of economic value added (Lewis, 1954). These changes result in greater productivity and rising per capita incomes, and they often coincide with migration of labor across different economic sectors in society (Gries & Naude, 2008). Countries with low levels of economic development typically have a large agricultural sector, which provides subsistence for the majority of the population who mostly still live in the countryside. As extractive industry starts to develop, this triggers economic growth, prompting surplus population from agriculture to migrate toward extractive and emergent scale-intensive sectors, which are often located in specific regions.

Speaking about entrepreneurship in Efficiency-Driven Economies, also there are some things to discuss. As the industrial sector develops further, institutions start to emerge to support further industrialization and the build-up of scale in the pursuit of higher productivity through economies of scale. Typically, national economic policies in scale-intensive economies shape their emerging economic and financial institutions to

favor large national businesses. As increasing economic productivity contributes to financial capital formation, niches may open in industrial supply chains that service these national incumbents. This, combined with the opening up of independent supply of financial capital from the emerging banking sector, would expand opportunities for the development of small-scale and medium-sized manufacturing sectors. Thus, in a scale-intensive economy, one would expect necessity-driven industrial activity to gradually fall and give way to an emerging small-scale manufacturing sector.

The third type is entrepreneurship in Innovation-Driven Economies. As an economy matures and its wealth increases, one may expect the emphasis in industrial activity to gradually shift toward an expanding service sector that caters to the needs of an increasingly affluent population and supplies the services normally expected of a high-income society. The industrial sector evolves and experiences improvements in variety and sophistication. Such a development would be typically associated with increasing research and development and knowledge intensity, as knowledge-generating institutions in the economy gain momentum. This development opens the way for the development of innovative, opportunity seeking entrepreneurial activity that is not afraid to challenge established incumbents in the economy. Often, small and innovative entrepreneurial firms enjoy an innovation productivity advantage over large incumbents, enabling them to operate as “agents of creative destruction”. To the extent that the economic and financial institutions created during the scale-intensive phase of the economy are able to accommodate and support opportunity-seeking entrepreneurial activity, innovative entrepreneurial firms may emerge as significant drivers of economic growth and wealth creation (Henrekson, 2005).

RESULTS AND DISCUSSIONS

The countries, in fact their economies, are grouped into three phases of economic development. Phases of economic development are decided on the level of GDP per capita and the extent to which countries are factor driven in terms of the shares of exports of primary goods in total exports. Perceptions about entrepreneurship may affect the supply side and the demand side of entrepreneurship. On the supply side, or the “pool” of potential entrepreneurs, important perceptions include both willingness and perceived ability to become an entrepreneur. Education levels and the availability of entrepreneurship training programs are possible determinants of perceived skills. On the demand side, or “space for” entrepreneurship, there needs to be opportunities for entrepreneurship, but equally important is that entrepreneurs perceive that there are opportunities for starting a business. There are several assessments to be made. First, there is the assessment of opportunity costs, which involves comparing the expected returns of entrepreneurship to the expected returns of an alternative occupation. Then, there is a risk-reward assessment: even if the expected returns from entrepreneurship are considerably higher than the best alternative, the (perceived) risks involved may be too high for a person who is thinking about starting a business.

An individual’s risk-avoidance preference may be a significant factor in the transition from potential (or latent) entrepreneurship to entrepreneurial activity. At the same time, the individual may also be influenced by demographic characteristics such as age, gender, origin, or ethnicity and also by institutions. Intrinsic assessments, may ultimately lead to a proclaimed intention (and

subsequent action) to start a business with opportunity-related entrepreneurship in mind. This holds for the bulk of entrepreneurs, particularly in innovation-driven countries. It is also possible that people decide to start a business when a very specific business opportunity comes into view unexpectedly. They may act on this even though, before the business opportunity came their way, they did not see opportunities to start a business in their area. These people had not considered setting up a business until the opportunity was presented to them. Thus, for entrepreneurs, the perception of opportunities may come well in advance, or just before setting up the business, or at the same time.

Some countries have favorable perceptions of entrepreneurship combined with low rates of intentional entrepreneurship. This is the case for many innovation-driven economies in Europe. In other words, although attitudes and perceptions toward entrepreneurship are fairly high, the attractiveness of becoming involved in entrepreneurship appears to be low for many Europeans compared to other possible sources of income. A variety of national characteristics could be underlying this phenomenon. It could be that there are a lot of administrative burdens attached to starting a business, reducing the attractiveness of entrepreneurship. It could also be the case that employment protection is high. This could discourage employees with positive entrepreneurial perceptions from switching to entrepreneurship. A different effect of stringent employment protection is that potential entrepreneurs may think carefully before hiring employees due to the substantial losses they would incur if their employees became unfit for work, or if they had to reduce the number of workers. Fear of failure is often considered an important cultural component that is detrimental to new firm activity. However, so far this asserted effect has not been fully confirmed. If fear of failure is prevalent among those who in principle see good opportunities to start a business, this may justify intervening to reduce fear of failure. For many countries with factor-driven and efficiency-driven economies, it seems that the difference between entrepreneurial perceptions and entrepreneurial intentions is relatively small, or even negative. This suggests lower opportunity costs for entrepreneurial activity and higher degrees of necessity-driven entrepreneurship. In countries with mainly efficiency-driven economies, attention should begin to be paid to attitudes.

CONCLUSIONS

For many factor-driven and efficiency-driven countries there is a gap between entrepreneurship perceptions and entrepreneurship intentions which is relatively small or even negative. This shows smaller opportunity costs for entrepreneurship activity and a higher level of entrepreneurship necessity driven by necessity.

In the factor-driven economies, attitudes should not be the major concern of the government, but in the efficiency-driven economies must be paid attention to the attitudes.

Concerning the innovation-driven economies there are some clues for government that should be aware of in order to encourage entrepreneurship activity. For example the attention of media, the openness of the people to the entrepreneurship career, state support, etc.

There are a number of differences between efficiency-driven and innovation-driven economies regarding the two types of entrepreneurship attitudes. So, the developments in perceived opportunities are going in parallel in a reasonable way in both economic development stages.

Taking into account the fear of failure, the growth of this indicator is the same as the decline of opportunities perceived for both categories of economic development stages. This is linked with the economic situation. During recession failures have higher consequences and the sources of alternative incomes are scarce.

It seems that the perceptions of individuals on their skills are not affected by the business cycle, despite the increased fear of failure. Moreover, the skills perceived in starting business in efficiency-driven economies are greater than those in innovation-driven countries. This is because of the differences between the two types of economic development stages. So, due to that, the comparison between skills and capabilities of doing business is not relevant. Concerning the intentions of starting a business, these are different in the efficiency-driven and innovation-driven economies. For the efficiency-driven economies, in the segment of lower income, alternatives of better jobs are rare. It means that more people will intent to start a business, in comparison with the innovation-driven economies.

Talking about the entrepreneurship activity it is not surprisingly that in factor-driven economies with a lot of small scale activity the rate of involvement in both stages of entrepreneurship activities as greater. In recent years the rate entrepreneurship has raised in the early stage. Some EU countries as Belgium, Germany and France have the smallest rate of entrepreneurship. This reflects the risk aversion of the Europeans and preference to employment than self employment. It is possible that in Europe the entrepreneurial behavior manifest itself within the firms. This is known as “intrapreneurship” and “corporative entrepreneurship”. It is not so well known how intrapreneurship activity between countries differs.

Concerning the entrepreneurial motivations it can be observed that some of individuals are pulled in entrepreneurial activity because of the opportunity recognition, others are pushed into entrepreneurship because they do not possess other living means or because they fear of becoming unemployed in the next future. For those pulled into entrepreneurship there are identified two major determinants of entrepreneurship opportunity: those individuals pulled due to their desire of independence, and those who want to increase their income in comparison with the employed one. The rest are persons who think that there is no other possibility to gain their living (entrepreneur motivated by necessity) and persons involved in entrepreneurship activity in order to maintain their income level. The countries that present a high prevalence to entrepreneurship based on opportunities

improvement are innovation-driven ones. In these countries opportunities are expected to be abundant and higher alternatives for living. When the countries are progressing in economical development it is decreasing the rate of entrepreneurship necessity.

Discontinuing business is specific for dynamic economies and the business enter and the exits are correlated. It is observed that the rate of business discontinuing is relatively high in factor-driven economies and relatively small in efficiency-driven ones.

A lot of discontinued businesses are not failed businesses. A particular study (Headd, 2003) says that a third of discontinued businesses were successful at closing. Other study (GEM 2008) shows that a third of discontinued businesses continued under another form or were sold. There are other reasons to be taken into account such as financial problems for the factor-driven and efficiency-driven countries more than innovation-driven ones. Most important reason was the lack of profitability. Other reasons were selling opportunities, retirement and personal reasons, all for innovation-driven economies.

But the end of a business doesn't represent the end of entrepreneur career. It only represents a new beginning.

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