Teaching Psychology of Entrepreneurship

Perspective from Six European Countries

Juan Antonio Moriano León, Marjan Gorgievski and Martin Lukes (editors)

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Editors

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PREFACE

When you enter the key word “entrepreneurship” into Google search engine, you will get more than 21 million references. This is an evidence of the fascination and interest that entrepreneurship arises in both the general public and academics. One of the main reasons for this interest is that entrepreneurship plays a key role in economic growth, as an essential contributor to innovation and new job-creation. In addition, entrepreneurship is becoming an increasingly popular career choice in today's labor market, for its potential to fulfill individuals' needs of being independent, to face new challenges, and for some people, to strive for wealth, or at least a higher income than would be possible when working on pay-roll.

As a result of the booming interest in the last decades, entrepreneurship research has become one of the fastest growing fields in Social Sciences (Katz, 2003), and it generates thousands of scholarly articles every year. The entrepreneurship research field is characterized by plurality and multidisciplinarity, as it interweaves the entrepreneur’s personal characteristics, the new business creation process, and the economical and socio – cultural environmental factors.

In 2006, a group of young researchers from various European countries active in the field of entrepreneurship, united in INPERE – International Network for Psychology of Entrepreneurship Research and Education – decided to organize an Erasmus Intensive Programme for European students who are interested in Psychology of Entrepreneurship, and who plan to become either an entrepreneur or a teacher/researcher in this field. During the preparation stage of this program it became clear that, in spite of the abundant literature and courses offered in entrepreneurship, there was a gap in entrepreneurial education as well as a lack of good training material.

Although the EU definition of entrepreneurship starts with “entrepreneurship is a mindset...” (Green Paper on Entrepreneurship, 2003, p. 6), most educational approaches to entrepreneurship focus on developing technical and managerial skills (e.g., entrepreneurial finance). The first step to developing entrepreneurs, namely enhancing the motivation and drive of young people, is often underestimated and hence ignored. Teaching Psychology of Entrepreneurship, Perspectives from Six European Countries aims to fill this gap and
includes experiences and best practices for researching and teaching entrepreneurship.

This book offers a comprehensive overview of current theories and research findings in the field of psychology of entrepreneurship. It is divided in four parts. Especially the first part of the book focuses directly on the creation of an entrepreneurial mindset. The remaining three parts more indirectly fulfill this goal through the presentation and development of psychological approaches within the interdisciplinary field of entrepreneurship, by showing different pathways to entrepreneurship that may fit different types of nascent entrepreneurs, as well as practical guides for dealing with typical entrepreneurial problems and how to achieve entrepreneurial success. The content of our book is in line with the recommendation based on findings of the EFER survey on Entrepreneurship education in Europe (Wilson, 2004) to devote more attention to culture, attitudes, skills, growth, success and intrapreneurship.

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PART I

ENTREPRENEURSHIP AND CULTURE
LEARNING GOALS

In this chapter students will learn the following topics:

1) Entrepreneurial intentions are previous and determinant elements to perform entrepreneurial behaviours.
2) The importance of developing entrepreneurial mindsets in Europe
3) The psychosocial factors that influence entrepreneurial intentions.
4) The models that explain the formation of entrepreneurial intentions.
5) How to use the Entrepreneurial Intention Questionnaire (EIQ).
CREATING ENTREPRENEURIAL MINDSETS

Entrepreneurship is the moving engine of innovation, competition, job creation and economical growth. It is what makes a new idea become a real successful company. It is what gives a chance to people with fewer opportunities on the job market to create their own employment and to improve their status in society (European Commission, 2003). However, some recent studies show that Spain, similarly to other European countries, does not take advantage of its entrepreneurial potential (Cámaras de Comercio & Fundación INCYDE, 2003; García-Tabuenca, Moreno, & Martí, 2004; Vega, Coduras, & Justo, 2005). Instead there are still a lot of young people who only think of passing the competitive exam for a governmental job position that will secure them a stable job for life.

“Europe needs to foster entrepreneurial drive more effectively. It needs more new and thriving firms willing to reap the benefits of market opening and to embark on creative or innovative ventures for commercial exploitation on a larger scale” (European commission, 2003).

The importance of developing an entrepreneurial mindset in Europe is highlighted in several “communications” and European documents. The most and most recent well known is the 2003 Green Paper on Entrepreneurship in Europe. This important document is the result of a large consultation process in European countries. Its objective is to identify the strategies and actions that European countries should perform in order to improve entrepreneurship in Europe. Among the different policy options proposed to promote entrepreneurship, the need to work at three levels –individual, firm, and society– has been stressed (European Commission, 2006b):

In order for individuals to be motivated to become entrepreneurs, they should be aware of the concept of ‘entrepreneurship’, and this should be made a sufficiently attractive option. They should be equipped with the right skills to turn ambitions into successful ventures.

On the other hand, for entrepreneurial ventures to develop into healthy firms, supportive framework conditions are essential. These should allow firms to develop and grow, instead of posing additional difficulties to their activity.

Entrepreneurial activity depends on a positive appreciation of entrepreneurs in society. Entrepreneurial success should be valued and the stigma of failure
reduced. Entrepreneurship policy aims to enhance entrepreneurial vitality by motivating and equipping entrepreneurs with the necessary skills. A supportive environment for businesses is essential for businesses to start, take over, thrive and survive (European Commission, 2003).

In 2006 the Commission of the European Communities produced the report, “Fostering entrepreneurial mindsets through education and learning” (European Commission, 2006a) in order to implement the Community Lisbon programme. According to this report, there is a need to create a more favourable societal climate for entrepreneurship, based on an integrated policy with a view to not only change the mindset but also improve the skills of Europeans by removing obstacles surrounding the start-up, transfer and growth of businesses.

Education and learning are key elements to improve entrepreneurial mindsets and in addition entrepreneurship contributes to economic growth, employment and personal fulfilment. Entrepreneurship refers to an individual’s ability to turn ideas into action. It includes creativity, innovation and taking risks, as well as the ability to plan and manage projects in order to achieve objectives (European Commission, 2006a). This report indicates a series of recommendations for concrete action that should be taken at national and local level and aims to enhance the role of education in creating a more entrepreneurial culture in European societies. These recommendations are synthesized here:

1. **A coherent framework.** National and regional authorities should establish cooperation between different departments, leading to developing a strategy with clear objectives and covering all stages of education in the context of the Lisbon national programmes. Curricula for schools at all levels should explicitly include entrepreneurship as an educational objective.

2. **Support for schools and teachers.** Schools should be given practical support and incentives to encourage entrepreneurial activities and programmes through a range of different measures. Special attention should be given to teacher-training.

3. **Fostering entrepreneurship in higher education.** Institutions of higher education should integrate entrepreneurship across different subjects and courses. Public authorities’ support is especially needed to provide high-level training for teachers and to develop networks that enable to sharing good
practice. Teacher mobility between universities and the business world should be encouraged and business people should be involved in teaching.

Finally, the conference on Entrepreneurship Education in Europe held in Oslo in October 2006 produced a final agenda that clearly indicated the strategies that European countries need to utilize in education and learning. This report contained the important guidelines needed to improve entrepreneurial mindsets in Europe.

In summary, these policy reports show the European Union is interest to increase and strengthen the pool of potential entrepreneurs. We consider that potential entrepreneurs are those individuals having the firm intention to start a new business someday, once the circumstances allow them to do so.

THE ROLE OF INTENTIONS

In relation to the decision to become an entrepreneur, the methodology used to explain the decision has been changing along the years. Thus, many authors began looking for the existence of certain personality features or traits that could be associated with entrepreneurial activity (McClelland, 1961). Later on, other works have been carried out pointing to the importance of different characteristics such as age, sex, origin, religion, level of studies, labour experience, etc. (Reynolds, Storey, & Westhead, 1994; Storey, 1994). These are usually called “demographic” variables (Robinson, Stimpson, Huefner, & Hunt, 1991). Both lines of analysis have allowed the identification of significant relationships among certain traits or demographic characteristics of the person, and the fulfilment of entrepreneurial behaviours. However, the predictive capacity has been very limited (Gartner, 1988; Robinson et al., 1991; Shane & Venkataraman, 2000; Shaver & Scott, 1991).

From a third perspective, since the decision to become an entrepreneur may be plausibly considered as voluntary and conscious (Krueger et al., 2000), it seems reasonable to analyze how that decision is taken. In this sense, an especially interesting line centres on the entrepreneurial intention as a previous and determinant element to perform entrepreneurial behaviours.

In turn, the intention of carrying out a given behaviour will depend on the person's attitudes toward that behaviour (Ajzen, 1991). A more favourable attitude would make the intention of carrying it out more feasible, and the other
way round. In this sense, the “attitude approach” would be preferable to those used traditionally in the analysis of the entrepreneur—as the trait or the demographic approaches—(Robinson et al., 1991; Krueger et al., 2000). Thus, the attitude is defined as the extent to which an individual positively or negatively something values. Attitudes are relatively stable, but they change with time and with situation. These changes take place through the processes of interaction with the environment. The rhythm of variation of a certain attitude will be different depending on how basic it is for the individual's identity, and also according to the intensity of his/her live experiences (Ajzen, 2001).

Several models have been developed to explain the entrepreneurial intention such as the Entrepreneurial Event Model of Shapero (1982), the Model of Implementing Entrepreneurial Ideas (Bird, 1988) or Maximization of the Expected Utility (Douglas & Shepherd, 2000). Although these models represent a step further in entrepreneurial behavior investigation, they still lack the ability to influence social factors that currently define entrepreneurial behavior. Therefore different authors focused on Social Psychology and searched for a model to explain the entrepreneurial intention apart from the interaction of the social and personal factors. In this way, Ajzen’s (1991) Theory of Planned Behaviour (TPB) has become the most frequently used theoretical frame in the recent studies of the entrepreneurial intention (Alexei & Kolvereid, 1999; Autio, Keeley, Klofsten, Parker, & Hay, 2001; Kolvereid, 1996; Krueger, Reilly, & Carsrud, 2000; Liñán, 2004; Moriano, 2005; Summers, 2000; van Gelderen et al., 2006)

This TPB theoretical framework explains intention as a function of three elements: the attitude towards the behaviour, the subjective norm, and the perceived control (see Figure 1). The fundamental difference of this theory with respect to the previously mentioned models is in the role of the subjective norm, i.e. the emphasis of the social context on the personal decision to carry out or not the behaviour.

The first component of the TPB is the attitude that is a person’s overall evaluation of the behavior (Ajzen, 1991). Previous studies on entrepreneurial intentions have measured the attitude in a general way just through one item which focus on the personal attractiveness of starting a business (Autio et al., 2001; Krueger et al., 2000). In the current study we use a 5-item scale in order to better assess the attitude toward entrepreneurship.
The second component of the model is the subjective norm which is defined as a person’s own estimate of the social pressure to perform or not perform the entrepreneurial behaviour (Ajzen, 1991).

![Figure 1. TPB model (Ajzen, 1991)](image)

These pressures can become a trigger or a barrier in the development of the entrepreneurial career, depending on the social environment. For example, in Europe, the failure of a new business is negatively perceived, whereas in the United States it is assumed that a person can go through several failures before becoming a successful entrepreneur.

The third component is the Perceived Behavioural Control that relates to perceptions of the behavior’s feasibility, which are an essential predictor of the behaviour. Individuals usually elect to work towards behaviors they think they will be able to control and master. This variable is very similar to the Self-Efficacy notion constructed by Bandura (1986), because both are concerned with perceived ability to perform a behavior. Self-Efficacy has been used in numerous studies of entrepreneurship. De Noble, Jung and Ehrlich (1999) developed an Entrepreneurial Self-Efficacy (ESE) scale and found that its score had a significant positive correlation with students’ intention to pursue a new
venture opportunity. In particular, the ESE dimensions 1) Developing new opportunities, 2) Innovative environment and 3) Unexpected challenges, significant positive correlations with Entrepreneurial intention.

If we compare these explanatory variables with those considered by Shapero and Sokol (1982), we can see that perceived feasibility -as it has been mentioned above- corresponds quite well with perceived behavioural control. On the other hand, the willingness to carry out that behaviour (perceived desirability) could be understood as composed of the attitude towards it and the perceived subjective norms. In this sense, it may be remembered that Shapero and Sokol (1982) considered desirability as a result of social and cultural influences.

CONCLUSIONS

Currently, both the European Commission and national governments are demanding an increase in entrepreneurial activity (Acs, Arenius, Hay & Minniti, 2005; European Commission, 2003), having acknowledged the impact of entrepreneurial activity on innovation, competitiveness, creation of employment and economic growth. This demand for entrepreneurial activity includes the study, promotion and development both of new businesses and of entrepreneurs. Hence, the study of entrepreneurial activity has become one of the fastest-growing fields within the social sciences (Katz, 2003).

The main question concerns how to stimulate the emergence of more entrepreneurs. The European Union has attempted to achieve this objective through short term policies focused on eliminating barriers to the development and growth of businesses. However, the concession of grants and the removal of red tape have not had the expected impact on the creation of new businesses. This has led to the adoption of a new approach in which the principal objective is to ensure that more people decide to become entrepreneurs and work towards that end (European Commission, 2003).

In this regard, intentions has demonstrated their utility for understanding the desition of becoming an entrepreneur and the factors that can influence it, offering a coherent, parsimonious, highly generalizable and robust theoretical framework that provides an excellent opportunity to increase our capacity to comprehend and predict entrepreneurial activity from an interactionist
perspective that takes into account both people and the contexts in which they operate.

Professors and counselors should be aware of the influence of psychosocial variables on the intention to start a new business in Europe. The TPB model shows how the attitudes, the subjective norms and the perception of self-efficacy join together and form the intention to begin an entrepreneurial venture. Therefore, educational courses about entrepreneurship in Europe should go beyond the legal and economic principles that surround the creation of a new business, and insist on the development of these psychosocial variables. For example, Entrepreneurship could be “advertised” as an attractive career choice, and the students’ self-efficacy could be improved through activities and training. Furthermore, the trainers should not only examine the feasibility of a business plan, but also look for the person’s real intentions in starting a new company and how this decision is considered by family and friends. Often, opinions and positive feedback from these support groups are crucial for influencing a person’s decision to start a new business. Therefore, their reactions should not be overlooked, but on the contrary should be evaluated in detail.
APPENDIX A: ENTREPRENEURIAL INTENTION RESEARCH PROJECT

With the purpose of better understanding the true essence of the intention-formation process, an Entrepreneurial Intention Research Project (EIRP) has been launched. The aim of the project is to analyse the relationships established among the elements explaining intention, and the form in which their influence is exerted. To do so, an Entrepreneurial Intention Questionnaire (EIQ) has been developed and already been used on a number of samples from different countries. In this section we describe the EIRP, and the EIQ is included in the next one.

Project summary:

The EIQ has been used on different samples with good results. The most widely used version has been EIQ v.2.05. It has been used on 400 students from Andalusia, 1000 from Portugal, 133 from Taiwan, 94 from Maastricht (Netherlands) and 60 from Bolivia. Other researchers have received the EIQ, but have not reported their results, nor sent the data yet.

The analyses carried out at the moment are highly satisfactory. Statistical reliability and validity of the constructs used has been very high, and results from different countries are consistent.

However, some possible drawbacks of the questionnaire design have been highlighted by reviewers and researchers. Therefore, an “EIQ version 3.0” (EIQ-3, for short) is being developed (and almost finished in English and Spanish) to try to overcome those problems.

The first question now (A.--) includes the 20 items used to measure the central elements of the entrepreneurial intention model. They are (semi)randomly ordered with one negative every two or three of them. In this way, acquiescence problem should be solved. The items corresponding to each scale are the following:

Attraction: A02(Reversed), A10, A12(R), A15, A18
Social Norms: A03, A08, A11
Self-efficacy: A01, A05(R), A07, A14, A16(R), A20
Intention: A04, A06, A09(R), A13, A17, A19(R)

- Most items have been kept as they were before (but rearranged). Only sentences that have become negative have been changed, and little more:

- Items in the old q.12 and q.13. They have been written as a sentence.
- Some items in the old q.14 have been reversed to make them positive.
- The section on entrepreneurship education and q.3 (reasons for choosing studies) have been deleted, as they were not essential, to keep the EIQ as short as possible.
- From now on, therefore, the local project researchers should use EIQ-3.

The following steps should be kept to ensure consistency and comparability of results.

**Participating teams:**

- This is a collaborative project open to any local team interested.
- Any interested team should contact the EIRP Steering Group (F. Liñán & Dana T. Redford) to agree the terms of their participation.
- All participating teams should sign a collaboration agreement accepting the ‘communication of results” policy (see below)
- Participating teams will use the Spanish or English version of the EIQ if possible. When translation is needed they will proceed as follows:
- Two native speakers will translate the EIQ to the local language separately. Discrepancies will be solved and a final version will be produced.
- A native English or Spanish speaker will translate back to his/her language. Any discrepancy will be discussed and solved at this stage.
- The final local version will be sent to the EIRP Steering Group for feedback and final approval. At least one of the members of the Steering Group will share the copyright of each local version.

- Once the EIQ has been translated to a language, no more translations will be made. New teams will use the accepted translated version.

- The final version will keep items and questions in the EIQ as they are. Any supplementary item the local team wants to include will be added in separate questions; always after questions A to E. Added items/questions will preferably be included just before or after the Personal data section.

- The EIRP logo will be used in all versions of the EIQ. It will be located at the left-hand side of the heading. The logo corresponding to the local university, centre, institution or group, will be located at the right-hand side of the heading.

- All publications and documents produced out of this project should mention the EIRP and acknowledge its role.

**Steps of the Project:**

Sample selection: last year university business students. This should be the reference sample for international comparisons. Each local team may, of course, decide to study a wider sample, comprised of other students, but it is suggested that the “reference sample” should be the one used for multi-country analyses. Thus, it is made sure that results will be meaningful and completely comparable.

Fieldwork for the first survey: the EIQ (version 3) should be used for the fieldwork. Translations to different languages should be checked by a native speaker. It is advisable that some colleagues and students answer the EIQ as a pilot study, to check for possible problems. Whenever possible, try to complete the fieldwork in the shortest time period, ideally, during a single month (with no breaks or exams in between).

Data analysis. There are several different analyses that may be performed. The basic steps to confirm the validity of results is indicated here.
Exploratory factor analysis over the 20 items in Question A (A01 to A20). With EIQ-2 (principal component analysis with varimax rotation), four factors emerged fully in accordance with a priori expectations. However, some items loaded sizeably on a second factor. This was solved using an oblique rotation (promax rotation). It seems that orthogonal rotations (such as varimax) consider the factors to be unrelated, and this is an unrealistic assumption in our case. For EIQ-3, results are not still available.

Different factor analysis using a wider set of items may cause problems (too many factors together are difficult to interpret, and some items do mix up). Therefore, unless there is a good reason for doing it, it is suggested that those 20 items are not mixed with others in factor analysis.

Structural equation analysis. PLS, LISREL or others could be used for the analysis. So far, this has been done for Spain and Taiwan. The results regarding the four main factors (entrepreneurial intention and its three antecedents) are highly satisfactory. Confirmatory factor analysis. This is not really necessary, but if you are writing a paper, this will serve as a confirmation of the results, and thus make it much more “sellable” / “publishable”.

Besides, using structural equation systems, the influence of many different elements on entrepreneurial intention and its antecedents may be tested: age, gender, labour experience, role models, etc.

Communication of results. As this is a collaborative project, there should be a compromise between “ownership” of results and “sharing” them with other participants. Suggested guidelines are as follow:

- All local results remain the property of the local research team obtaining them.
- All data should be shared with the remaining teams throughout the project.
- All participants may use their own data for publication or research purposes.
- Any publication should acknowledge participation in the EIRP project and the copyright of the EIQ version being used.
- Participants may not use others’ data without express consent from them.
APPENDIX B: ENTREPRENEURIAL INTENTION QUESTIONNAIRE (EIQ)

Version 3.1

The research group “SMEs and Economic Development” at University of Seville, in collaboration with other universities, is undertaking an international study on firm creation by students and alumni. Our aim is to periodically follow up with respondents to evaluate their personal and professional status. For this reason you are asked to provide your contact data at the end of the questionnaire. If you prefer not to participate in the follow-up, simply leave that section blank.

In the questionnaire value-scales below, some statements are positive while others are negative. For each statement, you are asked to indicate your level of agreement with it, (1) representing total disagreement, and (7) representing total agreement. Please respond to the items by marking what you consider to be the appropriate answer, or filling in the blanks. Choose only one answer to each question.

Thank you very much for your cooperation.

Questionnaire

A. Indicate your level of agreement with the following statements about the Entrepreneurial Activity from 1 (total disagreement) to 7 (total agreement).

A01.- Starting a firm and keeping it viable would be easy for me

A02.- A career as an entrepreneur is totally unattractive to me

A03.- My friends would approve of my decision to start a business
A04.- I am ready to do anything to be an entrepreneur
A05.- I believe I would be completely unable to start a business
A06.- I will make every effort to start and run my own business
A07.- I am able to control the creation process of a new business
A08.- My immediate family would approve of my decision to start a business
A09.- I have serious doubts about ever starting my own business
A10.- If I had the opportunity and resources, I would love to start a business
A11.- My colleagues would approve of my decision to start a business
A12.- Amongst various options, I would rather be anything but an entrepreneur
A13.- I am determined to create a business venture in the future
A14.- If I tried to start a business, I would have a high chance of being successful
A15.- Being an entrepreneur would give me great satisfaction
A16.- It would be very difficult for me to develop a business idea
A17.- My professional goal is to be an entrepreneur
A18.- Being an entrepreneur implies more advantages than disadvantages to me
A19.- I have a very low intention of ever starting a business

A20.- I know all about the practical details needed to start a business

B. Considering all advantages and disadvantages (economic, personal, social recognition, job stability, etc.), indicate your level of attraction towards each of the following work options from 1 (minimum attraction) to 7 (maximum attraction).

B1 - Employee

B2.- Entrepreneur

C. Indicate your level of agreement with the following sentences about the values society put on entrepreneurship from 1 (total disagreement) to 7 (total agreement).

C1.- My immediate family values entrepreneurial activity above other activities and careers

C2.- The culture in my country is highly favourable towards entrepreneurial activity

C3.- The entrepreneur’s role in the economy is generally undervalued in my country

C4.- My friends value entrepreneurial activity above other activities and careers

C5.- Most people in my country consider it unacceptable to be an entrepreneur
C6.- In my country, entrepreneurial activity is considered to be worthwhile, despite the risks

C7.- My colleagues value entrepreneurial activity above other activities and careers

C8.- It is commonly thought in my country that entrepreneurs take advantage of others

D. How do you rate yourself on the following entrepreneurial abilities/skill sets? Indicate from 1 (no aptitude at all) to 7 (very high aptitude).

D1.- Recognition of opportunity

D2.- Creativity

D3.- Problem solving skills

D4.- Leadership and communication skills

D5.- Development of new products and services

D6.- Networking skills, and making professional contacts

E. Have you ever seriously considered becoming an entrepreneur?

☐ Yes    ☐ No

Education and experience

1. What degree or other qualifications are you studying?

2. When do you expect to complete your studies?

☐ This year?   ☐ Next year?   ☐ Later

3. Do you have any employment experience?

☐ Yes    ☐ No
If yes:

a. In what capacity? (If several, in which were you employed the longest)

________________________

b. Have you been in charge of other people? □ Yes □ No

c. How much work experience do you have? (Total number of years)

________

d. How long is it since you left your last job? (Number of years, if still working write 0) ______

e. How many employees did your current/last employer have? ______

4. Have you ever been self-employed or the owner of a Small or Medium-sized Enterprise (SME)? □ Yes □ No

If yes:

a. How long? (number of years) __________

How long is it since you ceased to be self-employed? (No. of years, if still self-employed write 0) ______

Entrepreneurial knowledge

5. Do you personally know an entrepreneur or entrepreneurs? □ Yes □ No

If yes, indicate your relationship to them, and evaluate the following questions from 1 (not at all) to 7 (extremely well).

□ Family

- To what extent do you know about his/her activity as entrepreneur?

- To what extent may he/she be considered a ‘good entrepreneur’?
- To what extent do you know about his/her activity as entrepreneur?
- To what extent may he/she be considered a ‘good entrepreneur’?

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6.- Indicate your level of knowledge about business associations, support bodies and other sources of assistance for entrepreneurs from 1 (no knowledge) to 7 (complete knowledge).

- Private associations (e.g. Southampton Chamber of Trade, Institute of Directors, etc.)
- Public support bodies (e.g. Business Link, South East England Development Agency (SEEDA) etc.)
- Specific training for young entrepreneurs
- Loans in specially favourable terms
- Technical aid for business start-ups
- Business centres
- Private associations (e.g. Southampton Chamber of Trade, Institute of Directors, etc.)
- Public support bodies (e.g. Business Link, South East England Development Agency (SEEDA) etc.)
- Specific training for young entrepreneurs

Entrepreneurial objectives

7. If you ever started a business, what size would you like it to ultimately achieve (number of employees)?

☐ Self-employed (No employees) ☐ Micro-enterprise (Up to 10 employees)
☐ Small enterprise (10 to 50 employees) ☐ Medium enterprise (50 to 250 employees)
☐ Large enterprise (250 employees +)

8. To what extent do you consider the following factors to contribute to entrepreneurial success? Indicate from 1 (not at all important) to 7 (extremely important).

- Competing effectively in world markets
- Reaching a high level of income
- Doing the kind of job I really enjoy
- Achieving social recognition
- Helping to solve the problems of my community
- Keeping the business alive
- Keeping a path of positive growth
- Competing effectively in world markets
- Reaching a high level of income

9. How important would it be for you to continuously develop and grow your business?

1 2 3 4 5 6 7

- Indicate from 1 (not at all important) to 7 (extremely important)

10. To what extent would you use the following strategies to expand your business? Indicate from 1 (not at all likely) to 7 (extremely likely).

1 2 3 4 5 6 7

- Exporting a significant share of production
- Regularly introduce new products/services for my customers
- Regularly introduce new processes or systems of production
- Developing research and development projects
- Planning the different areas of the firm in detail
- Reaching cooperative agreements or partnerships with other firms
- Offering specialized training for employees
- Growing your business (personnel, premises, etc.)

Personal Data

11. Age: __________

12. Gender:  □ Male  □ Female
13. Place of birth: _______________________________.  
Place of residence: _______________________________.

14. What level of education have your parents achieved?

Father:  
☐ Primary  ☐ Secondary ☐ Vocational training  ☐ University  
☐ Other

Mother:  
☐ Primary  ☐ Secondary ☐ Vocational training  ☐ University  
☐ Other

15. What are their present occupations?

<table>
<thead>
<tr>
<th>Private sector employee</th>
<th>Public sector employee</th>
<th>Self-employed or entrepreneur</th>
<th>Retired</th>
<th>Unemployed</th>
<th>Other</th>
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<td>Father:</td>
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16. How many people are living in your household? (Including yourself)  
_____________

17. Roughly speaking, what is the total monthly income in your household?  
(Adding up all revenues from any person living in the household)

☐ Up to 500  ☐ From 500 to 1000  ☐ From 1000 to 2000  
☐ From 2000 to 4000  ☐ From 4000 to 7000  ☐ From 7000 to 10000  
☐ Over 10000

Contact Data

Filling in the following details will allow us to follow up your evaluations. All information provided will be considered as strictly confidential, and will only be used for the aims of this research project.

Name:__________________________________________________________

Address: ________________________________________________________

City/town (State): _________________________  Post Code (ZIP): _______

E-mail: _________________________________________________________

Telephone:______________
REFERENCES


LEARNING GOALS

In this chapter students will learn what entrepreneurial education is and its role in promoting the entrepreneurial intention of participants. Specifically students will learn the following topics:

1) The origin and evolution of entrepreneurial education.
2) How approaches to entrepreneurial education differ in USA and Europe.
3) How entrepreneurial education can improve the intention to start a new venture.
INTRODUCTION

It is commonly assumed that the personal characteristics and skills of the entrepreneur can be developed through education. Indeed, some studies have suggested that entrepreneurial behaviour can be stimulated through formal education programmes (Bechard & Toulouse, 1998; Gorman, Hanlon & King, 1997).

Research has also shown that education can stimulate the development of entrepreneurial behaviour indifferent ways. On the one hand, education for self-employment can increase knowledge about the setting-up and management of businesses and promote personal characteristics associated with entrepreneurs, such as motivation to achieve, internal locus of control or self-efficacy (Bonnett & Furnham, 1991; Gorman et al., 1997; Hansemann, 1998; Krueger & Dickson, 1994; Rasheed, 2003).

Moreover, Vesper (1990) claims that formal education about self-employment careers at university facilitates the process of business creation, since it helps to raise students’ awareness of the viability of self-employment as a professional option. In fact, different studies have shown how such education increases positive attitudes towards entrepreneurship as an alternative professional career (Ede, Panigrahi & Calcich, 1998; Hatten & Ruhland, 1995; Kourilsky & Walstad, 1998; Walstad & Kourilsky, 1998).

In a similar line, Dyer (1994) argues that education for self-employment puts students in contact with role models (such as successful entrepreneurs) that make entrepreneurship more attractive as a professional career. In this sense, education for self-employment can be considered as a socializing factor within the process of becoming an entrepreneur.

Concept of Entrepreneurial Education

In parallel to the emergence of entrepreneurship as a scientific discipline, entrepreneurial education has received important recognition and has achieved significant growth in recent decades (Ashmore, 1990; Blackman & Thompson, 1987; European Commission., 1999; Small Business Administration, 2000). However, due to the close relationship between the two disciplines, it has proved difficult to conceptualize and define entrepreneurial education. The simplest definition entrepreneurial education identify it with training for creating
a new business (McIntyre & Roche, 1999). On the other hand, broader definitions embrace a variety of objectives that usually involve training throughout the every stage of the educational system (Ashmore, 1990).

The European Commission (2003) recognizes the existence of two essential elements of entrepreneurial education: the wider factor referring to attitudes and entrepreneurial capacities; and the more specific one focused on education for creating a new business.

In relation to the educational system, now that European member states are aiming towards a more entrepreneurial society, the European Commission (2003: 15) defines entrepreneurial education as those activities of «teaching and learning about entrepreneurship [that] involve developing knowledge, skills, attitudes and personal qualities appropriate to the age and development of the pupils or students».

This conception of entrepreneurial education starts at the lower levels of the education system with a broader curriculum and evolves through the higher levels towards the more concrete aspects of a new business creation. Thus, in the primary and secondary levels of education, the set of individual qualities that are more generally related to entrepreneurial initiative should be developed. At the higher education level, entrepreneurial education should try to channel these qualities in a much more specific way towards entrepreneurship and effective firm creation (European Commission, 2003).

In our opinion, the above-mentioned views should be embraced under the following conception (Liñán, 2004, p. 17): «the whole set of education and training activities –within the educational system or not– try to develop in the participants the intention to perform entrepreneurial behaviours, or some of the elements that affect that intention, such as entrepreneurial knowledge, desirability of the entrepreneurial activity, or its feasibility». In its most general application, it would include the development of knowledge, capacities, attitudes and personal qualities identified with entrepreneurship. In addition, specifically for those of working age, entrepreneurial education would seek to endow participants with the capacity and the desire to effectively create businesses and to energize and develop them thereafter.

This definition presents a number of characteristic features useful as a point of reference for the analysis and classification of the different initiatives in
existence. First, it includes all training activities, those developed within the education system and outside of it. Second, its objectives include the diffusion of an entrepreneurial culture, or firm creation, and also seek to raise the level of dynamism in new entrepreneurs and in existing business (Guzman & Santos, 2001).

Furthermore, this approach allows us to establish a clear boundary between the entrepreneurial education activities and business administration studies. The latter is not concerned with the entrepreneur’s booster sphere – his features, skills, attitudes or intentions – but only with the managerial sphere (Guzman & Santos, 2001). Similarly, conventional business administration instruction is not concerned with the creation and dynamism of new entrepreneurial projects, but only with the administration of firms already in operation.

As this is a very general definition, it is necessary to establish some criteria to classify the variety of initiatives that it includes. In this sense, Curran & Stanworth (1989) try to delimit the main types of objectives pursued. Based partly on their contribution, we have defined the following four categories. Figure 1 illustrates the different role each of them plays in the entrepreneurial process.

### Relationship with the stages of the entrepreneurial process

<table>
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<tr>
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<th>Potential Entrepreneur</th>
<th>Nascent Entrepreneur</th>
<th>Dynamic Entrepreneur</th>
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<td>Awareness education</td>
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<td>Start-up education</td>
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<td>Entrepreneurial dynamism</td>
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From Guzmán & Liñán (2005, p. 7, Figure 1)

**Figure 1.** Objectives of entrepreneurial education
Entrepreneurial awareness education. Its objective is to increase the number of people concerned about small businesses and entrepreneurship so that they may consider this alternative as a viable and rational option. This category therefore does not directly transform people into entrepreneurs, but allows them to choose their future career from an enhanced perspective. These courses fit quite well into high-school and university studies, and their inclusion in this stage is very convenient (Garavan & O'Cinneide, 1994a). In fact, most of the new business creation and entrepreneurship courses — notably the shortest ones — could function as awareness programs (Curran & Stanworth, 1989).

Education for start-up. This category consists of preparation for running conventional small businesses, which form the majority of all new firms. It focuses on the practical aspects related with the creation of the firm: how to obtain financing; legal regulations; taxation; etc (Curran & Stanworth, 1989).

Continuing education for existing entrepreneurs. This education category consists of continuing training for small-business owners. It is a specialized version of adult education, designed to improve the entrepreneur’s existing abilities (Weinrauch, 1984). However, it is very difficult to attract entrepreneurs to this type of training programs, as they are considered to be too general for the specific needs of their firms.

Education for entrepreneurial dynamism. The objective of this category would not only be to increase the intention to become an entrepreneur, but also to develop dynamic entrepreneurial behaviors after the business is already in operation. However, conventional forms of education do not allow for the development of entrepreneurial quality, therefore the use of alternative education models is necessary (Garavan & O’Cinneide, 1994). Six European examples of this alternative approach can be found in Garavan and O’Cinneide (1994b).

Different approaches to Entrepreneurial Education

Since the crisis of the 1970s, the entrepreneurial agent has acquired a greater presence in the different economies, and has received greater attention in both the academic and political domains. This process has been accompanied by rapid development of entrepreneurial education, especially in the United States and
Europe. However, important differences exist with respect to the evolution of this kind of education in each area.

Education for entrepreneurial quality (dynamism) is the most ambitious and the most complicated variant. The most limited training is addressed at existing entrepreneurs, which would ideally act as a complement to other areas of education. Entrepreneurial awareness education and education for start-up provide an intermediate situation being, by far, the most common variants. The differences between the American and the European perspective on entrepreneurial education are found in these last two categories, as we can see in Figure 2.

![Figure 2. Progress of entrepreneurial education in USA and Europe](image)

Entrepreneurial education was first developed in the United States in the 1940s, quickening its expansion during the 1970s and 1980s. As a result, it is clearly consolidated today. Since the beginning, it has been centered on education for firm creation, paying very little attention to the other three possible variants. However, some awareness initiatives have started to be developed since the 1980s and 1990s within the educational system. The same
may be said about continuing education and, more recently, education for entrepreneurial dynamism (Guzmán & Liñán, 2005).

In 1995, there were some 400 higher education institutions offering courses in entrepreneurship (Vesper & Gartner, 1997). A study carried out by the Small Business Administration reports an even higher growth rate – stating that the number of these institutions rose from 263 in 1979 to 1400 in 1998 (Solomon, Weaver, & Fernald, 1994). Despite the discrepancies between these two studies, they both clearly show the importance of this growth.

The increase in the number of educational institutions is not the only way entrepreneurial education has grown. There has been a parallel trend towards deepening the entrepreneurial knowledge in postgraduate and undergraduate programs. Masters and other postgraduate programs that began by offering optional courses now tend to offer groups of courses (concentrations) in the area of entrepreneurship. Undergraduate programs have also introduced entrepreneurship courses, first as electives, then as minors and now as majors. Students can now graduate with a degree in entrepreneurship (Katz, 2003).

The consolidation of entrepreneurial education as a discipline is demonstrated by two occurrences. The first is the creation of centers and associations dedicated to the study and the dissemination of the topic. The second occurrence is the convening of scientific meetings and the publication of scientific journals related to entrepreneurship (Katz, 2003). In both areas, the development has been substantial (Guzmán & Liñán, 2005).

The European development path has been much slower. The United Kingdom, and France to a lesser extent, are the only countries that implemented some entrepreneurial education initiatives in the 1970s. The United Kingdom experienced a more rapid evolution, giving rise to an important expansion in the 1980s. In the rest of the continent, it has only been since the 1990s that a real diffusion of entrepreneurial education has taken place. The European Commission has significantly contributed to this diffusion through its Enterprise Directorate-General by organizing meetings, identifying and publishing best practices, and most importantly, through a relevant coordination activity.

Currently, though, there is a considerable agreement in considering Europe as an area where entrepreneurial education is widely developed. However, it is very difficult to quantify the level the diffusion of this kind of education. Unlike
the United States, in Europe there are not large associations that bring researchers and teachers together, and that are recognized as an important reference. It is therefore difficult to assess the situation. Furthermore, national differences in the organization of the education system or in the degree of political support also complicate its study.

Carsrud (1991) also points to the European focus on regional development as one of the most important elements in the study of entrepreneurship. This could help explain the higher tendency to center the analysis on environmental issues that may make entrepreneurial activity more difficult, giving less relevance to personal or motivational considerations.

Using the British example, the main concerns in Europe have been to establish a more entrepreneurial society and to develop more innovative and risk-taking personalities. As a result, entrepreneurial education has been clearly linked to entrepreneurial awareness activities (Gibb, 1987).

In sum, Europe tends to focus on training for small business management, not paying sufficient attention to the creation of new firms (Dana, 1992; Hisrich & O'Cinneide, 1996). Furthermore, Europe would be most clearly lagging behind the United States in postgraduate studies of entrepreneurship.

Similarly, the promotion of an entrepreneurial culture has been very important in the development of entrepreneurial education in Europe. For Erkkilä (2000), this emphasis seeks to build a more entrepreneurial society. The relative shortage of entrepreneurs, and especially of quality entrepreneurs, would be related to a weak entrepreneurial culture (Guzman & Santos, 2001). As a result, the principal objective pursued would be that even those students who will not become entrepreneurs are more “entrepreneurial” and have a more favorable opinion towards the entrepreneurial activity. In particular, the entrepreneur’s image has not always been good in European countries.

The explanation for the difference in focus between the two regions may be found in their social and cultural differences (Guzmán & Liñán, 2005). The American society has traditionally been more individualistic and has a more flexible labor market. There is no stigma attached to entrepreneurial activity; it is in fact encouraged by society. There is therefore a sufficiently high supply of individuals with entrepreneurial inclinations. As a result, the most adequate training is centered on the specific steps and techniques to create the venture.
On the other hand, there is a higher level of social protection in Europe, with a much higher role assigned to the different organizations and institutions (state, trade unions, associations, consumers, etc). Entrepreneurial activity is not considered to be as important, or at least it was not so in the past. In fact, a significant part of the population does not even consider entrepreneurial activity as a professional option. In this situation, the most appropriate education promotes awareness of the important role of entrepreneurship.

It will therefore be complicated to transform Europe into the most dynamic society in the world, as intended by the European Commission (2003). Entrepreneurial education alone cannot transform societal values. However, a concerted effort to reform the whole education system—from the primary to the tertiary levels—may be a necessary first step. Despite the different manifestations of good will, only a few countries, like Finland, seem to have advanced significantly in this direction. In any case, the results will only be visible in the long-term, after the students complete their journey through the education system.

**Stimulating entrepreneurial intentions**

In practice, it is very common for entrepreneurship education initiatives to concentrate on those participants that already have an entrepreneurial intention and have identified an opportunity. Many of these people may attempt firm creation even if they do not take any course. Yet, they may be lacking detailed knowledge about their closer environment (where the firm would operate) and, most commonly, not know what specific steps should be taken to start a firm. In this situation, the training could be very useful and significantly increase the number of start-ups effectively attempted. This is what we have identified as “start-up education”, and it usually concentrates on the business-plan elaboration, carrying out visits to entrepreneurs and support bodies, or taking in local relevant guest speakers (Honig, 2004).

However, when substantially increasing the levels of entrepreneurial activity is a major concern, as is the case in the European Union (European Commission, 2003), a wider approach to entrepreneurship education should be used. The inclusion of some awareness contents within the training would be very important. It might be integrated within the same course, or as a separate one. This latter option has been adopted by some relevant initiatives outside the
university, such as the Graduate Enterprise Programme in the United Kingdom (Brown, 1990) or the Entrepreneur-Service in Norway (Kalternborn, 1998).

On the other hand, there is no need to limit the education programme to the start-up phase. It might be possible to implement initiatives to develop dynamic behaviours in the participants (Foley & Griffith, 1998). In this sense, Gibb (1987) pointed out the importance of training contents relating not only to the pre-start-up phase, but also to the post-creation stages. With respect to this, Garavan & O’Cinneide (1994b) highlight aspects such as “managing growth” or “continuous team building”.

![Figure 3. Role of entrepreneurship education in the entrepreneurial process](From Liñán (2007, p. 241, Figure 13.4)

Entrepreneurship is considered as a process where the entrepreneur interacts with his/her environment to identify an opportunity and, eventually, start a new venture. Educational interventions may act upon different elements of that process. Therefore, in Figure 3 we try to summarise the different kinds of training activities identified so far, and where they would exert their main effect.
Following the classification developed above, the role of entrepreneurship education in the entrepreneurial process would be the highest when the two modalities of “awareness” and “entrepreneurial dynamism” are integrated together.

According to Figure 3, development of the entrepreneurial intention could allegedly be considered as the first element to be addressed. In this sense, Kent (1990) indicated that the general opinion towards entrepreneurs is not very favourable. He was referring to the United States, but this is probably even truer in Europe (European Commission, 2003). Transmitting the important role entrepreneurs play in economic growth and development would help improve participants’ valuation of entrepreneurship. Similarly, Fillion (1995) includes in the category of “foundations of entrepreneurship” a series of courses that could be clearly considered as entrepreneurial awareness education. In particular, besides insisting on the importance of the entrepreneur in the economy, the following contents may be highlighted: transmitting the roles and aspects of entrepreneurship, together with the problems usually faced; identifying the abilities used by entrepreneurs, making clear that they may be developed and showing some techniques to do so; and making explicit the successive steps involved in both the start-up and the firm-development processes.

Peterman & Kennedy (2003) found that participants not having much previous experience regarding entrepreneurship—and not especially positive—increased their perceived feasibility and desirability more. There would be a rationale, then, to try to reach all those that do not even consider this option. It may very well be the case that after participating in the programme they change their minds. In this sense, helping participants make their personal objectives explicit in the short and in the long run (their “mission”) and see how it may be compatible with entrepreneurship could be another very interesting exercise, which has already been tried out with good results (Brown, 1990; Fillion, 1995; Foley & Griffith, 1998; Garavan & O'Cinneide, 1994a).

Contents described so far would have their main effect in affecting perceived desirability and, to a lesser extent, feasibility. However, it should be noted that all other possible contents depicted in Figure 4 would also affect intentions and their antecedents. The difference, therefore, is in their main purpose. For that reason, these contents described below should be considered as primarily
pursuing the stated objective, but indirectly helping to increase the entrepreneurial intention (Liñán, 2007).

To develop opportunity recognition abilities, Epstein (1996) identified four skills to enhance creativity. DeTienne & Chandler (2004) have adapted those skills into a training model named as SEEC (securing, expanding, exposing and challenging). They offer a detailed list of activities that could be used in an opportunity-recognition course. When they tested this model, results indicated that this training model led to the identification of more opportunities and more innovative opportunities.

On the lower part of Figure 4, over the Environment/Opportunity/New Venture area, we have included a set of measures specifically addressed to increase the knowledge of the local business environment, developing network contacts and having the possibility to interact with local successful role models. The importance of developing local network contacts has been highlighted by a number of authors (Johannisson, 1991).

However, it is possible to go further. Hartshorn & Parvin (1999) describe a training programme which includes mentoring of participants by local entrepreneurs. Each student is placed with an entrepreneur/mentor who considers the student as a kind of advisor, letting him/her take part in all business decisions made by the entrepreneur. This would be very important not only to get a closer and more accurate knowledge of what being an entrepreneur is, but also to introduce the prospective entrepreneur in the local business circles (Gibb, 1998).

Similarly, Kent (1990) suggests the utility of using “socialization” seminars for participants. Local entrepreneurs and relevant business community stakeholders are invited to participate as well. This gives participants the opportunity to know “who is who” in the local business world, to establish important contacts, to solve specific doubts that they may have, and also to reinforce-their motivation.

At the Opportunity/New Venture link, business plans are a very well known and widely used pedagogical methodology (Gorman, Hanlon, & King, 1997). They would not only provide an operationalization of the business opportunity (Lechner & Dowling, 1998), but also serve as a legitimization of the entrepreneur. They would produce «an aura of formality and conviction often
STIMULATING ENTREPRENEURIAL INTENTIONS THROUGH EDUCATION

required before an individual’s creation of a new organization will be taken seriously» (Honig, 2004: 260). Besides, it may reasonably be argued that increased specific knowledge and formalization of the business idea would also help increase perceived self-efficacy of the potential entrepreneur.

However, some recent studies indicate (Carrier, 2005) that a course consisting only of the production of a business plan may have a negative effect on desirability. This result, if confirmed, would be strengthening the case for a wider entrepreneurship education programme, including some or all of the contents described in this section as a complement to the business planning.

Finally, an additional element that could be also included in entrepreneurship education would refer to the development of dynamic behaviours once the firm is in operation. If these contents are integrated, we would be talking of “education for entrepreneurial dynamism” or entrepreneurial quality. Some examples that could be considered here have been described by Garavan & O’Cinneide (1994b), and they include teaching on how to manage growth and its implications for the entrepreneur’s time, the firm’s structure and functioning, financing requirements, and so on. Similarly, the need for the entrepreneurial team to be continuously re-built to adapt to new situations would also be included, together with motivation of human resources and leadership.

CONCLUSIONS

Starting from our view of the entrepreneurial process, it would be possible to theoretically analyse entrepreneurship education. Consequent with the relevance attached to personal decisions, a view of entrepreneurship education based on the entrepreneurial intention model has been adopted here. It has also been recognized that different kinds of courses or programmes seeking separate objectives do exist. The most common one is “education for start-up”, which is usually based on the elaboration of a business plan. However, other modalities exist seeking distinct but complementary objectives, such as “entrepreneurial awareness education” or “education for entrepreneurial dynamism”.

In practice, the classification of entrepreneurship education initiatives established might be very useful. Most courses and programmes concentrate on the business plan and could then be considered as “education for start-up”. This category is very useful. It helps those individuals already having a high level of
intention, and having identified a viable business opportunity, to take the specific steps to start their venture. Of course, there will always be some individuals with high entrepreneurial intention, and especially apt at identifying opportunities. For them, start-up courses focusing on business plans are a most valid instrument.

However, there is a majority of people who have not even considered becoming an entrepreneur. This is especially true in some areas where entrepreneurial activity is lower and entrepreneurship is not a socially-valued career option. Some of them may have considered entrepreneurship, but, not having detected a viable opportunity, may decide to give up and look for a salaried position. If we want to reach this larger part of the population, entrepreneurship education should integrate substantial “awareness” contents. Developing intention, creativity and business knowledge would be a most relevant way towards achieving it. Only then would the supply of potential entrepreneurs in a society be significantly increased.

Policy decision-makers should bear these considerations in mind when the objective of promoting or fostering entrepreneurship is addressed. If a more entrepreneurial society is to be developed, as the OECD (1998) or European Commission (1999) suggest, both the general population’s intention towards entrepreneurship, and their opportunity recognition abilities would have to be strengthened.
CASE STUDY

The Erasmus Intensive Program: “Psychology of Entrepreneurship”

The Erasmus Intensive Program (IP): “Psychology of Entrepreneurship” was an idea implemented by INPERE (International Network for Psychology of Entrepreneurship Research and Education) and co-financed by the Lifelong Learning Program of the European Commission. INPERE is composed by six European universities: Spanish National Distance University (UNED), University of Verona (Italy), Erasmus University Rotterdam (The Netherlands), University of Economics Prague (the Czech Republic), Philipps–University Marburg (Germany), University of Technology (Dresden, Germany) and Silesian University (Katowice, Poland). These universities joined their resources and decided to create this Erasmus IP with the aim of promoting education of future entrepreneurs or Entrepreneurship trainers.

The main objective of the program was to bring together professors, researchers, lecturers and university students from different European countries to share the knowledge of how to educate, guide and promote entrepreneurship
in Europe. More precise aims were to provide students and overview of entrepreneurship, to teach them the latest researches in entrepreneurship from social sciences and to show them the methods and techniques in order to develop the skills required to become entrepreneur.

The strong points of this innovative education program were the transfer of know-how in entrepreneurship training and education for graduates students between EU universities, promoting interdisciplinary and intercultural teamwork, self-starting behavior among participants and developing own business ideas were

The learning method was explicitly ‘student-centred’ rather than ‘teacher-centred’. This means that the students first spent time exploring and discussing what they already knew about the entrepreneurship topics, which enabled them to recognize where and how the new material fitted into their current knowledge base. We stimulated the students to have an active role in the learning process, and they were trained to apply what they have learned to practice. The student learnt to learn, analyze and solve problems. The advantage of this method was that it increases retention, because the student acquires knowledge that is directly useable and applicable.

During the IP students experienced the importance of interdisciplinary knowledge for solving problems. They learnt the relationship between information derived from different disciplines and how to integrate this information efficiently in order to acquire new knowledge and to solve the problems. The student’s knowledge was developed cumulatively throughout the study program through progressive acquisition of new information.

Additionally, the program also paid attention to the development of attitudes with concomitant knowledge of culture-related values and norms. They worked in small teams, which stimulated discussion and forced participants to consciously and critically deal with their own and each other’s attitudes.

In line with current development in entrepreneurship education, various methods of teaching and training were used. The lectures were combined with role plays, group discussions, teamwork, case studies, self-analysis (of own strengths and weaknesses related to entrepreneurship), elevator pitches, problem-based learning, and discussion with a successful entrepreneur.
The IP tied with the following existing teaching programs of the participating universities: “Educate how to become an entrepreneur” (UNED, Spain), “Psychology of Successful Entrepreneurship” (Philipps-University Marburg, Germany), “Training of Social and Managerial Skills” and “Psychology of Entrepreneurship” (University of Economics Prague, Czech Republic), psychological education in coaching, personal development and training (“Training the trainer”), and Entrepreneurship education (start-up and growth, Business Planning) (Erasmus University Rotterdam, The Netherlands).

The schedule of the Erasmus IP “Psychology of Entrepreneurship” was the following:
### Table 1. IP 2007 schedule

<table>
<thead>
<tr>
<th>Day</th>
<th>Opening conference</th>
<th>Invited expert: Prof. Lorraine Uhlaner, Director of MBA Programs at Nyenrode Business Universiteit (The Netherlands)</th>
</tr>
</thead>
</table>
| Day 2 | Course: Juan A. Moriano: Entrepreneurship as a process  
          Course: Francisco Liñan: Entrepreneurial intention  
          Invited expert: Prof. Francisco Liñan, Universidad de Sevilla |
| Day 3 | Course: Dominika Dej: Why do some people create a business and others don’t?  
          Course: Martin Lukes: Opportunity recognition and development |
| Day 4 | Course: Dominika Dej: Entrepreneurial personality traits (predictors of business start-up)  
          Course: Dominika Dej: Entrepreneurial competences  
          Round table: Three invited speakers: Entrepreneurship in Spain |
| Day 5 | Course: Martin Lukes: Acquisition of entrepreneurial team and employees  
          Course: Martin Lukes: Managing business growth, Startup.com  
          Course: Evelina Ascalon: Intrapreneurship or corporate entrepreneurship |
| Day 6 | Course: Marjan Gorgievski: When is an enterprise successful?  
          Course: Business concepts presentations part 1  
          Course: Business concepts presentations part 2  
          (Martin Lukes, Marjan Gorgievski, Juan Antonio Moriano León) |
| Day 7 | Course: Marjan Gorgievski: Entrepreneurship and health, Stress management skills. |
| Day 8 | Course: Adalgisa Battistelli: Create entrepreneurial mindset  
          Course: Adalgisa Battistelli: What is social entrepreneur |
| Day 9 | Course: Ute Stephan: The importance of planning for entrepreneurial success: from a self-management perspective |
| Day 10| Course: Ute Stephan: Culture and entrepreneurship: Which country is most entrepreneurial?  
          Course: Mariola Laguna: Positive psychological capital and entrepreneurship  
          Test  
          Closing conference (incl. Students Diplomas, Course Evaluation) |
One of the student’s opinion presented below shows that the program and its content were received enthusiastically among the participants:

“I have spent 12 days during this summer on Erasmus IP in Spain about Psychology of Entrepreneurship and I must say that it was a great opportunity to learn about psychological context concerning starting and running a business internationally. Mainly it was because we worked together in groups from six different countries and you could learn how people deal with solving problems, dealing with tasks and approaching a target in their homeland. Sometimes it was amusing to get over cultural differences but after we managed recognizing these differences everything went smoothly. This all took part under guidance of teachers from these six countries. They led lectures and workshops for us and therefore our participation was not only a passive listening but practical experience. I can recommend IP programme to everybody who wants to learn more about him or herself, about how people from different cultures think and make decisions and before all about the use of psychology in the field of entrepreneurship”.

David Mysil, Czech Republic
REFERENCES


CHAPTER III
NATIONAL CULTURE AND ENTREPRENEURSHIP - OR WHICH COUNTRY IS MOST ENTREPRENEURIAL?

Ute Stephan

*Work and Organizational Psychology Work Group*

*Philipps-University, Germany*

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**LEARNING GOALS**

In this course students will learn about the association of culture and entrepreneurship.

1) Understand what culture is and how it influences entrepreneurship,

2) Understand which cultural values and practices relate to entrepreneurship,

3) Learn about other factors that influence a nation’s entrepreneurship besides culture.
INTRODUCTION

Mark is German, he has just graduated in business and is meeting his friend Walter, who is about to finish his degree in information technology. The two have been discussing to start a small internet marketing company for some time now. They have already had a couple of small orders from customers. Mark and Walter felt that they have done a good job and also received very positive feedback from their customers.

When they are meeting Mark starts ‘I am not sure what we should do next really. We went to all these business preparation courses, we wrote a good business plan – our consultants said so and even the banks agreed that our concept was great! I don’t understand why they would not give us a loan!’ Walter: ‘I know, I’m absolutely frustrated as well. And, it’s not just the banks. I tried to fill out the forms for the government subsidies we would be eligible for… hopeless. Also, I think, my parents and also a couple of my friends try to tell me that it is not a good idea for us to start a business.’ Mark: ‘How can they? Have they even an idea of how good our concept is?’ Walter: ‘It’s not that, they just generally feel that it would be a bad idea. What happens if we fail? Will we get a job afterwards? You know, big companies don’t like to employ people who failed.’ Mark: ‘Well, to be honest with you, I’ve also had second thoughts. We wouldn’t even get unemployment benefits, if we failed…. or pension money, or stuff like that.’ Walter: ‘It seems the only one who strongly encourages me just to do it is my brother, but I think he’s simply picked up that American ‘can-do’ attitude when he stayed there.’

THEORETICAL BACKGROUND

1. Why culture and entrepreneurship?

“…the relative stability of differences in entrepreneurial activity across countries suggests that factors other than economic ones are at play.” (Freytag & Thurik, 2007, p. 118)

The idea that culture could be associated with entrepreneurship and thus be a driver of economic growth has quite a long tradition. McClelland (1961/1976) built on Weber’s idea that the protestant work ethic was the main cultural driver behind the occurrence of capitalism and industrialization. McClelland introduced Need of Achievement (nAch) – “the desire to do something better,
faster, more efficiently, with less effort” (McClelland, 1976, p. A). He found nAch not only to be a characteristic of successful entrepreneurs and was able to train them accordingly (McClelland & Winter, 1969), but he also found nAch to be predictive of national economic growth rates (McClelland, 1976). McClelland used an innovative measure of ‘cultural nAch’, he analyzed the motivational content of popular literature – something we would call today a measure of cultural practices.

Since McClelland, only a few authors looked into the culture and entrepreneurship relationship. The editors of a recent special issue on culture and entrepreneurship concluded that there is still a ‘paucity of contributions dealing with cultural influences’ (Freytag & Thurik, 2007, p. 122).

2. What is culture?

According to Hofstede (2001) culture is ‘the collective programming of the mind that distinguishes the members of one group or category of people from another’ (p.9). However, there are hundreds, if not thousands of definitions of culture in the literature. As Smith (2002) summarizes ‘… none of them suggests an individual has a culture of his or her own. Culture is something that is shared among people.’ (p.1).

![Figure 1. Iceberg Model of Cultural Practices and Values (upward arrows indicate that values are enacted in behaviours)](image-url)
As to what it is that is being shared, two manifestations of culture can be differentiated: The most common perspective sees shared values as the basis of a culture – similar to traits being core to a person’s personality. A second, connected perspective focuses on practices, i.e. societal behaviours, practices and policies, which result from enacted values (House et al., 2002). This view of culture corresponds to understanding a person through his/her behaviour and outcomes of his/her behaviour. The first, values-view of culture asks respondents to indicate how much they value and desire a certain thing (cf. Hofstede, 2001; Schwartz, 1992).

These value statements are then aggregated, i.e. mean country scores are calculated and further analyzed (i.e. analyses are conducted on the country level). The second, practices view of culture asks respondents to describe their society as they presently perceive it to be regarding ‘common behaviours, institutional practices, proscriptions and prescriptions’ (House et al., 2002, p. 5). Similarly, mean country scores are calculated and further culture-level analyses conducted.

In interpreting cultural data one has to keep in mind that ‘Cultures are not king-size individuals: They are wholes, and their internal logic cannot be understood in the terms used for personality dynamics of individuals.’ (Hofstede, 2001, p. 17).

3. How does culture influence entrepreneurship?

There are mainly two views of how culture influences entrepreneurship (cf. Davidsson & Wicklund, 1997; Hayton et al., 2002; Freytag & Thurik, 2007). The ‘aggregate trait’ explanation of entrepreneurship is that if a society contains more people with ‘entrepreneurial values’ and ‘entrepreneurial traits’ more people will become entrepreneurs. The second view refers to the degree of ‘societal legitimation’ or ‘moral approval’ of entrepreneurship within a culture (Etzioni, 1987). A higher overall level of ‘legitimation’ of entrepreneurship within a society is evident in that society’s ‘behavior’. That is, societies legitimating entrepreneurship will pay more attention to entrepreneurship within the educational system, will regard entrepreneurship as something desirable, and also e.g. will allow more tax incentives to encourage business start-ups. Thus, the environment including societal culture is thought to be more supportive of entrepreneurship. While the ‘aggregate trait’ view corresponds to the perspective of culture as aggregated values, the societal
legitimation view corresponds to the perspective of culture as societal practices (Stephan & Uhlaner, 2008).

4. Which cultural dimensions influence entrepreneurship?

The review of culture and entrepreneurship by Hayton, George and Zahra (2002) indicates that cultures that value individualism (vs. collectivism), low power distance and low uncertainty avoidance are conducive to entrepreneurship and innovation (controlling for national wealth). Individualism vs. collectivism largely refers to the independence vs. interdependence of the individual with his immediate and larger group (e.g., family, organization). Power distance captures in how far a society values providing equal chances to its members or whether hierarchy is valued. Low uncertainty avoidance societies tolerate ambiguity and do not prescribe – via rules and regulations – ‘one best way to do things’. The opposite is true for societies that value uncertainty avoidance highly.

Concerning cultural practices and entrepreneurship Stephan and Uhlaner (2008) found high humane orientation and low assertiveness practices to be associated with national rates of new business formation and established businesses, but not nascent entrepreneurship (controlling for national wealth).

Humane orientation reflects how friendly, fair and concerned people in a society treat each other and whether it is accepted to mistakes. Assertiveness refers to how assertive, aggressive, dominant and confrontational people are in social relationships. Table 1 provides a descriptive overview of entrepreneurial activity as well as cultural values and practices in selected countries.

5. Which factors other than culture play a role in facilitating entrepreneurship?

“… there is some intriguing evidence that the level of business ownership displays a U-shaped relationship when related to economic development ... The implication of such a U-shape is that, as economies develop, the rate of new business startups or that of nascent entrepreneurship declines, but picks up again in highly developed economies. This reversal marks the regime switch between the managed and the entrepreneurial economy…” (Freytag & Thurik, p. 120-121).
Table 1. Total Entrepreneurial Activity and Country Score for Cultural Values and Practices for Selected Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>TEA*</th>
<th>Individualism</th>
<th>Power Distance</th>
<th>Uncertainty Av.</th>
<th>Humane Orientation</th>
<th>Assertiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>11,3</td>
<td>91</td>
<td>40</td>
<td>46</td>
<td>4,2</td>
<td>4,5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>15,4</td>
<td>79</td>
<td>22</td>
<td>49</td>
<td>4,4</td>
<td>3,5</td>
</tr>
<tr>
<td>China</td>
<td>14,0</td>
<td>20</td>
<td>80</td>
<td>30</td>
<td>4,3</td>
<td>3,8</td>
</tr>
<tr>
<td>Ireland</td>
<td>8,4</td>
<td>70</td>
<td>28</td>
<td>35</td>
<td>5,0</td>
<td>3,9</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>7,9</td>
<td>58</td>
<td>57</td>
<td>74</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Poland</td>
<td>6,6</td>
<td>60</td>
<td>68</td>
<td>93</td>
<td>3,7</td>
<td>4,1</td>
</tr>
<tr>
<td>Spain</td>
<td>6,1</td>
<td>51</td>
<td>57</td>
<td>86</td>
<td>3,3</td>
<td>4,4</td>
</tr>
<tr>
<td>Germany</td>
<td>4,8</td>
<td>67</td>
<td>35</td>
<td>65</td>
<td>3,3</td>
<td>4,7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4,8</td>
<td>80</td>
<td>38</td>
<td>53</td>
<td>4,0</td>
<td>4,5</td>
</tr>
<tr>
<td>Italy</td>
<td>4,3</td>
<td>76</td>
<td>50</td>
<td>75</td>
<td>3,7</td>
<td>4,1</td>
</tr>
<tr>
<td>Japan</td>
<td>2,2</td>
<td>46</td>
<td>54</td>
<td>92</td>
<td>4,3</td>
<td>3,7</td>
</tr>
</tbody>
</table>

*Total Entrepreneurial Activity (averaged 2002-2006, calculated from data provided by the Global Entrepreneurship Monitor study, cf. Reynolds et al., 2005), for all cultural dimensions: high scores indicate ‘more’ of a dimension, ‘ – ’ no data available; Hofstede value indices taken from Hofstede (2001) and GLOBE practices indices taken from House et al. (2004)

According to the Global Entrepreneurship Monitor project the following entrepreneurial framework conditions are immediately relevant for small and medium-sized businesses as well as for the existence and perception of entrepreneurial opportunities (and thereby for new firm formation): Capital availability, government policies, government programs, education and training, research and development transfer, commercial and legal infrastructure, internal market openness, access to physical infrastructure, as well as cultural and social norms (cf. Minniti, Bygrave & Autio, 2006; see also Bowen & De Clercq, 2007).
6. So, which country is the world’s most entrepreneurial country?

Guesses? … you will get to know in class. Alternatively, have a look at www.gemconsortium.org

CONCLUSIONS

Taken together evidence exists that both cultural values and cultural practices influence a nation’s rates of entrepreneurship. Thus, empirical research so far suggests that culture has effects both through ‘providing’ more people with entrepreneurial values and traits (‘aggregate trait’ perspective) and though providing a more supportive environment (‘societal legitimation’ perspective). Altogether, few studies have been done up to now relating national cultures to national entrepreneurship rates (i.e. on the country-level of analysis). More research is clearly needed that should take the interdependencies among cultural variables and other framework conditions into account. It should be noted that the cultural values approach faces some methodological challenges (such as the measurement being inconsistent with multi-level theory, cf. Klein & Kozlowski, 2000; Stephan & Uhlaner, 2008, and effects of deprivation-based preferences and reference groups see Peng, Nisbett & Wong, 1997).
RELATED IN-CLASS ACTIVITIES

1. ‘The typical Spanish, Dutch, Czech, …. Person?’ (small-group work and discussion)

For most people culture is a secret. One typically only becomes aware of cultural differences, when interacting with people from different cultures. When doing so one it is helpful to be aware not only of what is typical of the other culture, but also of what is typical of one’s own culture. In this exercise, we focus on the self-view of the participants own culture. Through this we will explore cultural differences.

Instructions: Get together in groups according to your culture, e.g. all Czech participants form one group, all Polish participants another etc.. Each group draws the outline of one person on a large sheet of paper. Now your group writes adjectives describing a typical person from your own culture in that outline. Use a red pen to write down adjectives that you think are less favourable, and a blue pen to write down positive attributes.

Each group will present their typical person to the large group. This provides a basis for discussing cultural differences and contrasting self- and other views of one’s own culture (in-group vs. out-group views, respectively).

As a next step each group describes a typical Spanish, Dutch, Czech etc. entrepreneurs using the same technique. The descriptions will be used to reflect on similarities and differences between these ‘typical entrepreneurs’. Furthermore, we will reflect on what possible problems may arise when these ‘typical entrepreneur’ co-operate internationally.

2. ‘If you were a politician …’ (small-group work and discussion)

The European Commission is trying to implement an entrepreneurial mindset in Europe (see Green Paper ‘Entrepreneurship in Europe’, 2003 and ‘Action plan: The European agenda for Entrepreneurship’, 2004). Based on your knowledge about culture and entrepreneurship try to develop a broad political initiative to revamp entrepreneurship in Europe. How could you create such an ‘entrepreneurial mindset’? In which areas would you try to intervene, and how? Maybe you know about some policies, institutions, etc. that facilitate entrepreneurship and that your home government has implemented?
REFERENCES


PART II

PSYCHOLOGY OF THE ENTREPRENEUR
In my experience, there is only one motivation, and that is desire. No reasons or principle contain it or stand against it.

Jane Smiley

Motivation is what gets you started. Habit is what keeps you going.

Jim Ryun

LEARNING GOALS

In this chapter students will learn:

1) What entrepreneurial motivation means,

2) How to distinguish between different types of entrepreneurial motivation,

3) What is the role of framework conditions in the entrepreneurial process,

4) Students will recognize and define personal motivational traits.
INTRODUCTION

In this chapter we investigate the question of why some people decide to become entrepreneurs and others don’t, and review the background for understanding these behaviours from macro-economic, cross-cultural, and individual perspectives. Hence, entrepreneurial motivation is the central point of this chapter. We define “motivation” as an important driving force that directs one’s actions toward related goals, and thus focuses one’s attention and sustains taken actions (Baum, 2007). Entrepreneurial motivation relates to entrepreneurial activity and represents a force pulling a person towards achieving entrepreneurship as an end-goal.

Firstly, we shed light on the definition of entrepreneurship and present a process approach to this phenomenon. In line with this approach, we illustrate macro-level framework conditions significant for the emergence of entrepreneurial motivation. We refer, therefore, to the structural, social, and political contexts determining entrepreneurial intention and activity. Specifically, we focus on the role of national culture and present three different approaches explaining how do cultural factors (e.g. entrepreneurial values in given society or social “legitimation” of entrepreneurship) affect the motivation to become an entrepreneur (Etzioni, 1987; Hofstede, 1980).

Moreover, we propose a classification of opportunity- and necessity-driven entrepreneurial motivation based upon underlying environmental and individual factors. In particular, we present the role of country-specific conditions fostering and preventing entrepreneurial activity and show its prevalence in different countries (GEM, 2007).

Further, we concentrate on personal characteristics such as needs, values, and traits driving people to become and sustain themselves as entrepreneurs. In particular, self-efficacy, entrepreneurial visions, and goal-setting strategies are mentioned to be important for entrepreneurial motivation and business performance (Baum, 2007). In addition, based on research findings (Shane, 2001), we present start-up classification derived from motivational needs and drives of entrepreneurs.

Last but not least, we introduce a model of entrepreneurial motivation and entrepreneurial process (Shane, 2003), integrating both individual motivational characteristics of entrepreneurs as well as the process approach. This broader perspective enables a better understanding of the importance of entrepreneurial
motivation. Particularly, it illustrates its role in the formation of entrepreneurial motivation, the realisation into a business start-up, and the maintenance of the established venture.

In the end of this chapter you will find recommended class activities with detailed instructions concerning students’ tasks as well as topic-related case study to work on during the course.

**DEFINITION OF ENTREPRENEURSHIP**

Entrepreneurship is a multilevel phenomenon that many disciplines, such as psychology, sociology, and particularly economics, have explored from various different angles. We propose to define entrepreneurship according to the GEM classification (Global Entrepreneurship Monitoring, Bosma, Jones, Autio & Levie, 2007). GEM describes entrepreneurship within a broader context, and understands it as a process starting at the very onset of business conception and planning activities at the first stage. At the second stage, the entrepreneurship process carries on with the birth of the firm, and keeps developing with the ongoing management of the established business in the last stage.

![Figure 1. A process approach to entrepreneurship](image)
This paradigm to understand entrepreneurship as a process is widespread (e.g. Baron, 2002). Researchers distinguish between the pre-launch, launch, and post-launch stages of the entrepreneurial process, which reflects two main categories of entrepreneurial activity: new venture formation and new venture performance (Carton, Hofer, & Meeks, 1998). This division may have consequences for understanding motivational aspects of entrepreneurship. GEM defines entrepreneurs as subjects involved in the entrepreneurial process. Therefore, entrepreneurial characteristics, such as motivation, are studied in reference to the stage-model of entrepreneurial activity.

Both the GEM model and models focusing on the stages of entrepreneurial activity represent a process approach to entrepreneurship and are presented in the Figure 1.

ENTREPRENEURIAL MOTIVATION IN THE CONTEXT OF BROAD FRAMEWORK CONDITIONS

Entrepreneurship is embedded within different contexts of framework conditions, varying strongly across countries, time, gender, and social groups. On the macro-level perspective there are some important environmental framework conditions such as policy, administrative complexities, intellectual property rights, and labour market regulation, influencing entrepreneurial activity and the motivation to become an entrepreneur (Verheul, 2002). Other macro–level conditions which are considered to be crucial for entrepreneurial activity are the urbanization rate, age structure, income level, unemployment rates, and industrial structure. The likelihood of becoming an entrepreneur depends also on diversity of customers’ tastes, technological development, and standard of living developments (i.e., factors reflecting supply and demand). Framework conditions such as those described above determine the formation and implementation of business intention, innovation, and expansion of new ventures.

Cultural aspects may also play a crucial role in determining entrepreneurial activity and motivation (GEM, Reynolds, 2002). In the GEM model of entrepreneurial activity, culture is classified under the framework conditions. According to Hofstede (1980, 2001), “culture is the collective programming of the mind”. Cultural variables might influence people’s behaviours, which results in different behaviours of people socialized in diverse cultures. Following
Hofstede’s logic, the decision to become an entrepreneur may also be determined by culture.

Relationships between culture and entrepreneurial behaviors have not been clearly established yet, but can be expected based on the following. First, according to the idea of an ‘aggregate psychological trait’, the more people share ‘entrepreneurial values’ in a given society, the more entrepreneurs are expected to exist in that society (Davidson, 1995, Uhlaner and Thurik, 2007). Second, along with Etzioni’s theory of ‘legitimation’ of entrepreneurship within a culture (Etzioni, 1987), the higher the ‘moral approval’ of entrepreneurship is, the more manifestations of entrepreneurship are expected. In cultures high on ‘legitimation’, entrepreneurs have higher social status, better support from government, and general supply and demands of entrepreneurship are enhanced. Finally, the third approach to culture and entrepreneurship is based on the assumption that values and beliefs held by potential entrepreneurs differ from those held by the general population (Baum, 1993). In other words, it is assumed that there are shared “entrepreneurial values”, that is, values that are uniquely held by entrepreneurs across cultures. Those shared values distinguish entrepreneurs from other people living in those countries.

In sum, important contextual factors have impact on the start-up rates and the motivation behind business creation. However, at the end it is the individual entrepreneur who determines volitionally whether to start a business or not. In the next section we will discuss why some individuals chose entrepreneurial life paths whereas others do not, taking into consideration certain contextual factors.

ENTREPRENEURIAL MOTIVATION TYPOLOGY

Motivations for an entrepreneurial life path result from push and pull factors existing in a given environment. In this context, researchers distinguish between opportunity and necessity entrepreneurship.

Necessity entrepreneurship results from a push motivation caused by negative factors such as frustration or dissatisfaction with the current job and/or life- style. On the contrary, positive factors such as perception of business opportunities, entrepreneurial socialization or training are considered to be positive pull factors leading to opportunity entrepreneurship. People who are pulled into entrepreneurship may do so because of a desire for independence and increased
income, or because they recognize a good opportunity to implement their business idea. The most acknowledged differentiation between push and pull motivated start-up intentions are presented in Table 1.

Table 1. Push and Pull motivational factors.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Push</th>
<th>Pull</th>
</tr>
</thead>
<tbody>
<tr>
<td>Triggers of the</td>
<td>Environmental</td>
<td>Individual</td>
</tr>
<tr>
<td>entrepreneurial intention</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Main purpose</td>
<td>Getting away from the current situation</td>
<td>Orientation towards future gains</td>
</tr>
<tr>
<td>Motives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ending unemployment</td>
<td></td>
<td>- Seize an opportunity</td>
</tr>
<tr>
<td>- Avoiding unemployment</td>
<td></td>
<td>- Gain decision latitude</td>
</tr>
<tr>
<td>- Get out of an emergency</td>
<td></td>
<td>- Take initiative</td>
</tr>
<tr>
<td>situation</td>
<td></td>
<td>- Become one’s own boss</td>
</tr>
<tr>
<td>- Dissatisfaction with own</td>
<td></td>
<td>- Gain independence</td>
</tr>
<tr>
<td>vocational situation</td>
<td></td>
<td>- Do interesting tasks</td>
</tr>
<tr>
<td>- Dissatisfaction with</td>
<td></td>
<td>- Implement one’s own ideas</td>
</tr>
<tr>
<td>working conditions,</td>
<td></td>
<td>- Gain better income</td>
</tr>
<tr>
<td>contents and time</td>
<td></td>
<td>- Gain success</td>
</tr>
</tbody>
</table>

According to the 2007 GEM Report, there are differences in prevalence of opportunity and necessity entrepreneurship among countries. The results show that opportunity-driven entrepreneurs are more likely to be from high-income countries (Austria, Belgium, Denmark, Finland, France, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Netherlands, Norway, Portugal, Puerto Rico, Slovenia, Spain, Sweden, Switzerland, United Arab Emirates, United Kingdom, and United States), where other attractive job opportunities are available. On the contrary, in middle and low income countries (Argentina, Brazil, Chile, China, Colombia, Croatia, Dominican Republic, Hungary, India, Kazakhstan, Latvia, Peru, Romania, Russia, Serbia, Thailand, Turkey, Uruguay, and Venezuela), opportunity-driven entrepreneurship is less likely, and most start-ups are necessity-driven. In those countries this often goes along with perceived lack of other job alternatives, which, in turn, makes entrepreneurial activity to be the only option to ensure one’s welfare.
Whether entrepreneurs start their business because of pull or push factors has important implications. Necessity-driven entrepreneurs have been shown to have lower estimations of their own resources (GEM, 2007). In countries where regulation of business entry is not transparent and the business environment is perceived as demanding, individuals’ estimations of their own resources, capabilities and skills needed to start a business are lower. In turn, the more negative starters’ perceptions of their own capital, the lower the level of early stage entrepreneurial activity. Also individuals’ perception of their own skills and resources might be an important barrier preventing people from entrepreneurial activity. Other relevant aspects influencing start-up motivation are the perception of tolerance for business failure in society, and the belief that being an entrepreneur is a worthy career choice or not. Also, the degree to which entrepreneurship is presented and discussed by the media seems to be an important factor in the promotion of venture creation (GEM, Reynolds, 2007).

Perception of framework conditions influences the motivation to become an entrepreneur and has an impact on the expectation for company growth. High growth expectation varies across countries, and prevails in high-income countries such as the United States, Israel, Iceland and Canada. According to the GEM Reports from 2007, the motivation to start up high growing ventures needs to be boosted; most of the businesses participating in the GEM study reveal either limited medium-term growth potential or none at all. In conclusion, opportunity-driven start-up motivation and growth expectation vary across countries and prevail in high-income countries. Information about entrepreneurial motivation of nascent and young entrepreneurs is of great importance on the political and institutional level. For instance, improvement of framework conditions, especially business regulations, might attract more people to entrepreneurship. Domestic political, legal and economic institutions should create entrepreneur-friendly, encouraging environments. Some institutions (e.g., The World Bank) promote entrepreneurship by improving local infrastructure, building up market institutions and improving administration. Such attempts are of great importance, especially in developing middle- and low-income countries.
<table>
<thead>
<tr>
<th>Source: GEM Adult Population Survey (APS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of adult population between 18-64 years</td>
</tr>
<tr>
<td>0%</td>
</tr>
<tr>
<td>Austria</td>
</tr>
<tr>
<td>Puerto Rico</td>
</tr>
<tr>
<td>Belgium</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>Sweden</td>
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<tr>
<td>Japan</td>
</tr>
<tr>
<td>Slovenia</td>
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<tr>
<td>Italy</td>
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<tr>
<td>Netherlands</td>
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<tr>
<td>Denmark</td>
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<tr>
<td>Israel</td>
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<td>United Kingdom</td>
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<td>Greece</td>
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<td>Switzerland</td>
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<td>Norway</td>
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<td>Finland</td>
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<td>Spain</td>
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<td>Ireland</td>
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<td>United Arab Emirates</td>
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<td>Portugal</td>
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<tr>
<td>United States</td>
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<tr>
<td>Hong Kong</td>
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<tr>
<td>Iceland</td>
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<tr>
<td>Russia</td>
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<td>Romania</td>
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<td>Latvia</td>
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<td>Turkey</td>
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<td>Hungary</td>
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<td>Croatia</td>
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<td>India</td>
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<td>Serbia</td>
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<tr>
<td>Kazakhstan</td>
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<tr>
<td>China</td>
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<tr>
<td>Thailand</td>
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<tr>
<td>Uruguay</td>
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<tr>
<td>Brazil</td>
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<tr>
<td>Chile</td>
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<tr>
<td>Argentina</td>
</tr>
<tr>
<td>Dominican Republic</td>
</tr>
<tr>
<td>Venezuela</td>
</tr>
<tr>
<td>Colombia</td>
</tr>
<tr>
<td>Peru</td>
</tr>
</tbody>
</table>

**Figure 2.** Early stage entrepreneurial activity for 42 nations, in 2007 by income/regional groups
PERSONAL MOTIVATIONAL TRAITS

Above we presented entrepreneurship from a process perspective, where entrepreneurial activity is considered to be embedded within the broader national and institutional framework influencing entrepreneurial motivation and action. However, this approach overlooks the personal aspects of entrepreneurship. As entrepreneurship is considered to be a multilevel phenomenon, environmental factors alone cannot fully explain entrepreneurial activity. The role of human agents in the entrepreneurial processes should be taken into account. For example, in a given society with the same culture and framework conditions, some people choose to become entrepreneurs whereas others prefer working on payroll. Similarly, the same business opportunities can be perceived and evaluated differently by different people, and it depends on these individual assessments whether they decide to start a new venture or not. Thus, business opportunities can not fully account for the entrepreneurial process since the recognition of opportunities and their transformation into entrepreneurial activity depend upon individual perceptions and evaluations. In other words, it is not purely the abundance or lack of opportunities that turn people towards entrepreneurial behaviour, but rather how those opportunities are being interpreted. From this perspective, entrepreneurship unfolds as a process dependent on human’s attributes, in which especially human motivation plays an important role. An individual variation in motivation is considered to be important for entrepreneurial activity (Shane, 2003). On the individual level, motivation is based on one’s needs, values, desires, and intentions, and is expected to be closely associated with personality traits (Locke and Baum, 2007). As mentioned in the beginning of this chapter, entrepreneurial motivation is an important drive that energizes one’s actions toward related goals, directs one’s attention, and sustains chosen actions (Baum, 2007). In the literature we can find information on motivation and its effects on entrepreneurship. Several motivational aspects important for entrepreneurship and their short characteristics are presented in the Table 2.

The motivators presented in Table 2 do not scoop all aspects relevant to the entrepreneurial drive. The best-known entrepreneurial drive results from the need for independence and being one’s own boss. This exciting feeling of sovereignty and autonomy pulls people to accept social and financial risks, and to invest many working hours to create their own company.
### Table 2. General motivators on the individual level.

<table>
<thead>
<tr>
<th>Motivational aspect</th>
<th>Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need for achievement</td>
<td>- desire to improve, meet high standards, and attain goals</td>
</tr>
<tr>
<td>General self-confidence/ self efficacy</td>
<td>- belief to be able to perform successfully, achieve goals, and defeat obstacles</td>
</tr>
<tr>
<td>Risk taking</td>
<td>- acceptance of uncertainty</td>
</tr>
<tr>
<td>Internal locus of control</td>
<td>- belief that one’s actions or personal characteristics have a direct effect on the outcomes of an event</td>
</tr>
<tr>
<td>Tolerance of ambiguity</td>
<td>- propensity to view situations without clear outcomes as attractive</td>
</tr>
<tr>
<td>Independence</td>
<td>- wish to make key decision</td>
</tr>
<tr>
<td>Drive (Ambition, goals, energy, tenacity)</td>
<td>- willingness to invest effort in thinking and bringing ideas into reality</td>
</tr>
</tbody>
</table>
| Ambition (Healthy ambition)                 | - strong desire to attain high results and meeting high standards  
- willingness to make something real great  |
| Goals                                       | - high goals resulting from ambition which need energy, stamina, and persistence                                                             |
| Energy                                       | - hardiness, endurance, stamina                                                                                                              |
| Tenacity                                    | - being persistent in case of troubles and not giving up if failed, following determinedly own ideas                                          |
| Egoistic passion                             | - acting in one’s own interests and passion in following own goals  
- sacrificing other things in order to follow own priorities                              |
| Proactiveness                               | - tendency to act and make things happen                                                                                                    |

In addition to general motivational aspects presented in Table 2, there are also situation-specific motivators, such as task and situation related self-efficacy, and situation-specific goals and visions. Specific self-efficacy is related to certain tasks, and how well an entrepreneur has accomplished these tasks in the past, as well as whether good performance was attributed externally or internally (i.e. whether a person believes that success could be attributed to their own skills and actions (internally) or rather had been caused by luck (externally). Although specific self-efficacy is generally considered to be important for entrepreneurial success, marked overconfidence may have some negative consequences (e.g.
ignoring environmental changes, underestimating risks and working less intensively). Finally, besides general and specific personal characteristics, entrepreneurial motivation may also result from business-directed goals and vision. Vision generates motivation through anticipation of desired future results, which work as rewards, and thus give power to follow the action. The clearer the visualization of the goal, the higher is the drive to achieve it. According to goal-setting theory, more challenging goals lead to better performance (Locke & Latham, 2002), thus they produce more motivation that predicts appropriate behaviours and increases probability of goal attainment. It happens because motivation influences intention, which, in turn, indicates how much effort will be invested in order to reach the goals. Situational specific goals and vision help people to conduct certain tasks through formulation of suitable task-strategies.

Table 3. Shane’s (1991) Classification of entrepreneurs according to start-up motives.

<table>
<thead>
<tr>
<th>Motivational aspect</th>
<th>Characteristic</th>
</tr>
</thead>
</table>
| Need for Approval         | - Strong need for external approval, input and recognition  
- Associated with Maslow’s (1943) fourth level need, „esteem“ or self-actualisation  
- Start-Up is seen as part of personal development  
- Corresponds to individualistic behaviour (Hofstede, 1980)                                                                                     |
| Need for Independence     | - Corresponds to individualistic behaviour (Hofstede, 1980)  
- Personal control and freedom of choice are of major importance                                                                                   |
| Personal Development      | - Strong need for individual personal development and learning                                                                                                                                                  |
| Welfare Considerations    | - Related to collectivism and communitarianism  
- An entrepreneur contributes to the welfare of the group he is a part of, his community or just his immediate family                                                                                      |
| Instrumentality of Wealth | - Corresponds to „Materialism“                                                                                                                                                                                   |
| Tax Reduction and Indirect Benefits | - Reflects the objective to increase personal wealth by retaining previously earned money (Very important in Scandinavian countries)                                                                 |
| Follow Role Models        | - Relates to identification with other individuals  
- Confirm the importance of role models and family attitudes in influencing the desirability of starting a new venture                                                                                   |
START –UP TAXONOMY

Several authors have attempted to classify entrepreneurs according to the nature of their motivation (e.g. Shane, 1991, Miner 1997). They hypothesised that people are driven by special motives which go beyond push and pull classification of entrepreneurial motivation. Specifically, they didn’t split entrepreneurs into opportunity and necessity groups but rather concentrated on main components that describe different entrepreneurial motivations.

We briefly present the classification of entrepreneurs by Shane (1991), based on a study composed of over 1000 entrepreneurs from 11 different countries. The results show that entrepreneurs from various countries are driven toward starting up businesses for similar reasons. Specifically, the seven universal components underlying entrepreneurial motivation are “need for approval”, “need for independence”, “need for personal development”, “welfare considerations”, “perceived instrumentality of wealth”, “indirect benefits, such as tax reduction, and “following role models” (see Table 3).

![Figure 3. Model of entrepreneurial motivation and the entrepreneurial process (Shane, 2003)](image-url)
CONCLUSIONS

In this chapter we concentrated on a personal approach to the entrepreneurship and described unique features of entrepreneurs as well as framework conditions important for entrepreneurial motivation. Entrepreneurship has been presented from a process perspective.

The figure 3 presents a model showing how human motivations might generate entrepreneurial behaviour. This illustrates how entrepreneurial motivation and the entrepreneurial process are linked to each other. According to the assumption that entrepreneurial behaviour is a dynamic process including some specific steps, different motivations are expected to influence the entrepreneurial activity on its different stages. Additionally, cognitive factors (e.g. knowledge, intelligence) and skills should be considered as well as macro level conditions and business opportunities. To conclude, from our perspective, environmental framework, business opportunities, and individuals’ motivation act in concert. In turn, the importance of these aspects changes according to the specific phase of the entrepreneurial process.
RELATED IN-CLASS ACTIVITIES

Ice- breaker exercise

The class will start with an ice-breaker exercise. Some students will share with the group whether they are going to become an entrepreneur or not, and give reasons for their choice.

Group work

Students will work in international groups with the objective to find out country-specific factors preventing and promoting the motivation to become an entrepreneur. Students will be divided into 6 internationally diverse groups. Each group will focus on one country and prepare a flipchart with information including typical factors fostering and preventing entrepreneurship. Personal and macro-level factors (culture, society, policy, market situation, and infrastructure) should be taken into consideration. After 20 minutes of group discussion, each group will present the flipchart in plenum.

Students’ discussion

Students will discuss the topic ‘Which role should the following subjects play in stimulating entrepreneurial activity and encouraging people to become an entrepreneur?’ (E.g. media, banks and credit institutions, policy-makers, education). Additionally, they may discuss specific strategies that these groups would need to follow. The teacher will moderate the discussion and complete the information based on this chapter.

Case study: discussion

Students will receive a vignette (“Ted Turner”), read and discuss it, focusing on the following questions:

- Does the profile of Ted Turner fit students’ perceptions of the career of an entrepreneur?
- What forced Tom Turner to become an Entrepreneur?
- What were Tom’s major drives?

(Instruction: Reading the vignette takes about 15 minutes. Teachers will moderate the discussion.)
Case study: group work

Students work in groups of 6 and analyse the vignette focusing on different selected aspects (each group will work on a different aspect):

- Personal motivational characteristics of Tom Turner
- Additional characteristics of Tom Turner (behaviour, strategies, know-how etc.)
- Development of Tom’s entrepreneurial activity (typical steps in his entrepreneurial processes)
- External factors fostering Tom’s entrepreneurial career.
- Important life events having possibly impact on Tom Turners career development, events viewing his entrepreneurial spirit

Instruction: Students will prepare their answers on cards. The teacher will present the cards on the board and will try to uncover whole aspects of the model of motivational characteristics in the entrepreneurial process. (See Figure 2).

Materials: Flipchart, cards, markers, copies of vignette

CASE STUDY

Ted Turner

Ted Turner, founder of Turner Broadcasting System, is an entrepreneur who lives life on the edge. Who else would buy an unprofitable Metro-Goldwyn-Mayer film studio for $1.6 billion? Who else would bet on producing the Goodwill Games with U.S. versus Soviet athletes at a cost of about $50 million? Who else would report that "the thrill of victory is everything we imagined it would be," following the triumph of Turner's Atlanta Braves in the 1995 World Series, after three consecutive, unsuccessful trips to the playoffs?

Although Turner's unorthodox endeavours always contain an element of risk, they are not limited to his entrepreneurial pursuits. In 1999, he promised to donate $1 billion out of his $7.8 billion fortune to the United Nations, declaring that he would "rather use [his wealth] for the benefit of mankind than spend it selfishly."
Robert Edward Turner, III, born in 1938, spent his boyhood primarily in Savannah, Georgia. As a boy, he was an enthusiastic reader of books about heroes, from Horatio Hornblower to Alexander the Great. Unsuccessful in playing any of the major sports, he turned to one that required no special physical attributes, but rather relied on the ability to think, take chances, and compete: sailing. Turner became a fanatic sailor, using a method that earned him such nicknames as the Capsize Kid and Turnover Ted. He loved sailing's competitive frenzy.

Turner graduated from the second military school he attended and applied to Harvard for admission but was rejected. His father insisted that he attend an Ivy League college, so he went to Brown University to study Greek classics. Dismayed by this area of study, Turner's father eventually convinced him to change his major to economics. After two suspensions for infractions involving women, Turner was kicked out of Brown University for setting fire to his fraternity's homecoming float.

After a few years, Turner joined the family business. His father, R. E. Turner, Jr., was an ambitious businessman who had built a $1 million billboard business. However, in a short time, Turner's family disintegrated: his sister, Mary Jane, died; his parents were divorced; and his father killed himself.

Although his father's will left the Atlanta billboard company to Ted, a contract to sell the business had been signed before he died. Showing the deal-making ingenuity that has characterized his business activities, the young Turner convinced the buyers that, by shifting lease sites to another company he had inherited, he would be able to sabotage the company before the deal closed. The buyers backed down, and Turner’s career moved forward. At the helm of the company, Turner began to expand, buying up billboard companies and radio stations. Since these constant acquisitions required huge outlays of cash and incurred debt, he learned to maintain a sufficient cash flow to cover payments.

In 1969, he took his company public with a merger that included a small Atlanta television station now called WTBS. In 1976, WTBS was the first station to become a network by beaming its signal to cable systems via satellite. By 1986, WTBS reached 36 million U.S. households and was cable television's most profitable advertising-supported network. The 1986 operating cash flow of the company was $70 million, and 1989 sales topped the $1 billion mark.
Turner did not sit back and watch the cash come in. He was, and is, always looking for ways to build his assets. Despite industry scepticism, Turner used the growing cash flow from WTBS to start the Cable News Network (CNN) in 1989. In spite of criticism from industry "experts," the 24-hour news channel was a success, catapulting into international success with the extensive coverage of the Gulf War in 1990. The success of CNN enabled Turner to create additional news networks domestically and internationally, including Headline News, CNN Financial News Network, and CNN International, as well as sites on the World Wide Web. By the end of 1995, the news division of Turner Broadcasting Systems posted revenues of $765 million and an operating cash flow of $281 million. Phenomenal public viewing of the coverage of the O. J. Simpson trial accounted for an increase of 45 percent in combined household viewing of CNN and Headline News on a 24-hour basis. Turner's success, however, also served to attract additional competition, with three of the four major networks launching news networks in 1996. Today, however, CNN sets the standard for hard-hitting news coverage; in 1998, cable viewers voted CNN their preferred news network. In 2000 it was reported to have more than 75 million subscribers in the United States. CNN is also America's number one distributed news network.

Turner's uncanny success in starting high-risk ventures is not accidental. A vigilant and relentless manager, Turner would often sleep on his office couch after working an 18-hour day. Even now, his commute to work is a matter of going "down" to the office; he lives in the penthouse apartment of one of the Turner towers in Atlanta. Until autumn 1986, when Turner established a five-man management committee consisting of veteran TBS executives, he personally supervised company tasks and decisions. One person familiar with Turner's management style was surprised at the formation of the committee: "He [Turner] would never even let the five go out and have a beer together, let alone run the company."

Turner’s talents extend beyond the corporate boardroom. A high risk taker, he won the America's cup race in 1977. In 1979, he won the Fastnet race off England’s southwest coast, during which 156 competitors died in the violent seas.

In his own view, Turner is a quintessential achiever. He says, "I've got more awards than anybody—anybody in my age. I've probably got more debt than
anyone in the world. That's something, isn't it?" What makes him keep pushing for more? Not satisfied with his accomplishments, Turner has established a visionary goal: to use his power and network to influence world issues. He wants to concentrate on issues such as nuclear weapons, environmental abuse, and overpopulation. He speaks proudly of TBS specials, such as the one based on the life and works of Martin Luther King, Jr. When asked if he would want to be president of the United States, Turner said, "The United States is only five percent of the world's population. I'm in global politics already." Turner's view is both global and long term; he is obsessed with both owning a U.S.-television network and being the dominant figure in the international cable TV market. But at the end of 1989, gross profits were $631 million and sales were over $1 billion. Turner felt that the simple solution was either to increase buyer clout by taking over an existing network or to acquire his own program library.

Turner's attempt to take over CBS in 1985 failed, costing him $23 million in lawyer and investment banker fees. But Turner, an undaunted optimist and aggressive competitor, viewed this attempted hostile takeover defeat as a triumph, since CBS had to borrow heavily to acquire stock to stop the takeover. At the time, Turner felt that this set CBS back 10 years, while the event left him in a position to pursue his aggressive growth strategy.

Turner moved directly from his setback with CBS to the acquisition of MGM. In 1985, one CNN executive said, "Ted's mind is always 5 or 10 years down the road. Right now he's probably living in 1995." Turner's purchase of the MGM studio was motivated by rising licensing fees for old movies and television shows. Bill Bevins, TBS financial chief executive, projected that the higher fees would lower operating profits from 40 percent of sales in 1985 to 10 percent in 1990. The 3,650-film library offered Turner Broadcasting a solution to rising licensing fees. About 1,000 of these films have enduring commercial value and have been, and continue to be, aired on WTBS. Some analysts felt that the price paid—$1.6 billion—was too high, with the deal putting Turner heavily into debt. More debt for TBS resulted from Turner's decision to colorize about 10 percent of the films in this newly acquired library—at an average cost of $300,000 per film and a total cost of $22 million to $55 million.

Careful management of cash flows, however, permitted continued expansion, including expansion into additional networks (Turner Classic Movies and The Cartoon Network) as well as into motion picture production (Castle
Rock Entertainment, New Line Cinema, and Turner Pictures). His original motion pictures combined yielded $400 million in box office receipts, a respectable 9.3 percent of the 1995 domestic box office market.

Today, Turner's entertainment networks—which now include TBS Superstation, TNT, Cartoon Network, and Turner Classic Movies—reflect the same level of excellence and resultant success that CNN embodies. In 1999, each of these networks was an industry leader in virtually every primary demographic segment. TBS Superstation is reported to draw a larger adult demographic audience than any other cable network, while TNT won landmark success in 1998 by setting a cable distribution record of 75 percent of U.S. television homes. This distribution was achieved within 10 years of TNT's inception, an industry record. The success of the entertainment networks is further augmented by Turner's deftness in global relations. Turner uses his international savvy to provide 15 localized versions of his entertainment networks to regions of Europe and Asia. Finally, Turner entertainment networks have more than 10 World Wide Web sites that complement regular programming and offer original content exclusive to the Web, an avenue that allows service to yet another contingent of viewers. Turner’s Home Box Office network has also gained renown as America’s most successful premium television network. Home Box Office offers audiences two 24-hour services—HBO and Cinemax. At the end of 1999, these services reached 35.7 million U.S. subscribers. Turner's international finesse is again evident in HBO's servicing of 11 million subscribers in more than 40 countries in Latin America, Asia, and Central Europe. Home Box Office’s success can be largely attributed to its powerful programming. Turner provides audiences with access to Hollywood's best movies, which in turn drives subscriber acquisition. In January 2000 HBO drew 7.6 million viewers for the second-season launch of the big hit program, The Sopranos.

Constant attention to his goals of expansion finally bore fruit with the merger of TBS and CBS. In a series of extremely complex and time-consuming negotiations that required the approval of the Justice Department and the Federal Trade Commission, this merger created the world’s largest entertainment conglomerate, valued at between $6.2 billion and $8.5 billion. Under the terms of the agreement, each (TBS and CBS) is a wholly owned subsidiary of a new Time Warner Holding Company, of which Ted Turner is the vice chairman while remaining CEO of TBS. According to estimates, the
Effective sales for 1994 were $18.7 billion, with cash flow of $3.4 billion. In less than three decades, Turner leveraged a $1 million billboard company into a multi-billion-dollar entertainment conglomerate. He saw cable television ending the near-monopoly status of the Big Three television networks, saw the value in providing real-time international news coverage, saw the emerging entertainment market in international markets, and will most likely predict with accuracy the integration of the Internet with news coverage.

In spite of the frequent criticism of his obsessions by one of his major stockholders, and the high risk associated with doing things that were new and different, Turner maintained his focus. People who know Turner well will not bet against him. He has an entrepreneurial spirit that thrives on living on the edge and relishes challenging situations.
REFERENCES


CHAPTER V
ENTREPRENEURIAL PROFILE: PERSONALITY AND COMPETENCIES

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The critical ingredient is getting off your butt and doing something. It’s as simple as that. A lot of people have ideas, but there are few who decide to do something about them now. Not tomorrow. Not next week. But today. The true entrepreneur is a doer, not a dreamer.

Nolan Bushnell, founder of Atari and Chuck E. Cheese’s

Entrepreneurs average 3.8 failures before final success. What sets the successful ones apart is their amazing persistence.

Lisa M. Amos

LEARNING GOALS
In this course students will get familiar with the research on personality dimensions in entrepreneurial context and learn about:

1) Controversies and critical points of assessing entrepreneurial traits, and research on differences between attributes of entrepreneurs and non entrepreneurs will be highlighted.

2) The role of the competencies in entrepreneurial activity and performance.

3) Students will develop a draft of training program for entrepreneurs.
INTRODUCTION

This chapter takes an individual’s differences approach to entrepreneurial success. We will first describe results from the traditional research on personality characteristics as predictors of entrepreneurial success. Next, we will present results from a newer line of research, namely that of entrepreneurial competencies. Finally, we will describe the role of cross-cultural differences as a possible mediator of the relationship between personality and competencies, and entrepreneurial success.

THEORETICAL BACKGROUND

In the past decades, interest in entrepreneurship has increased. Research in this field has developed and it has gained a major position in economical and political debates, and is often used to deal with issues such as unemployment, and stagnating economic growth and development. If entrepreneurs and the entrepreneurial processes are highly important phenomena, future entrepreneurs should be made easily identifiable for selection purposes. Unfortunately, the complex and unknown nature of entrepreneurship has caused some difficulties with universally defining the term entrepreneurship, which complicates the search for typical entrepreneurial personality profiles.

Current definitions recognize entrepreneurs to be active players, embedded in a broad context of organizational, social, environmental, and even cultural factors. From a psychological perspective, entrepreneurs are described as active individuals involved in the “entrepreneurial processes.” Certain behaviors have been identified as characteristic for this entrepreneurial process (Cromie, 2000; Chell, 1991; Frese, 2007). Firstly, entrepreneurs tend to create their own business organizations. They actively map their environment and seek out new opportunities. Secondly, entrepreneurs develop innovative solutions, formulate plans and implementation strategies, and organize resources in order to make their products and services marketable. They monitor the execution of their actions and search for feedback. Behaviors of entrepreneurs are profit and growth oriented.

The entrepreneur is the central figure in the entrepreneurial process. Therefore, the entrepreneur can be expected to influence business success to a large extent. Not surprisingly, predicting entrepreneurial success based on
personal characteristics has been one of the oldest contributions of psychologists to entrepreneurship literature. Since the introduction of the “need for achievement” concept as one of the core characteristics of entrepreneurs, the personality approach has been considered to be the mainstream approach in this field (despite its being controversial, due to numerous inconsistencies in research findings). There is ground to believe that relationships exist between personality traits, business creation, and performance. Nevertheless, no clear personality profile differentiating entrepreneurs from non-entrepreneurs, or groups of entrepreneurial self-employed (who aim for growth, wealth creation and innovation) from non entrepreneurial small business owners has yet been identified. Moreover, a thorough analysis of distinguishing characteristics of different types of entrepreneurs is still largely lacking.

Another, newer line of research on entrepreneurial profiles focuses on entrepreneurial competencies and their relationship with entrepreneurial activity and performance. The difference between personality variables and competencies is that competencies refer to characteristics that are less stable, more proximal to actual behaviour, and more easily learned and improved. Therefore, it is likely that the value of competencies for education and training is larger. There is a general agreement that individual level competencies are closely linked to the entrepreneurial processes and thus they may increase our understanding of why some entrepreneurs are successful and others not. Entrepreneurial competencies are understood as the “total sum of entrepreneurs’ requisite attributes: attitudes, values, beliefs, knowledge, skills, abilities, personality, wisdom, expertise (social, technical, managerial), mindsets, and behavioural tendencies needed for successful and sustaining entrepreneurship” (Kiggundu, 2002).

PERSONALITY VARIABLES AND ENTREPRENEURSHIP

The personality approach to entrepreneurship probably has as many protagonists as opponents. Researchers intending to explain the relationship between entrepreneurial performance and personality traits have met methodological and definitional problems, which in turn have led to inconsistencies in the results and misunderstandings of the findings. Personality researchers agree that individual differences are stable over time and consistent across various situations.
### Table 1. Definitions of the Big-Five personality variables

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
<th>High scores on the scale</th>
<th>Low scores on the scale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Emotional Stability</strong></td>
<td>Represents individual differences in emotional stability</td>
<td>Experiencing negative emotions: anxiety, hostility, depression, self-consciousness, impulsiveness, vulnerability</td>
<td>Self-confidence, calm, relaxed</td>
</tr>
<tr>
<td><strong>Extraversion</strong></td>
<td>Represents the extent to which individual is assertive, dominant, energetic, talkative, enthusiastic</td>
<td>Tendency to be cheerful, like people and big groups, look for excitement and stimulation</td>
<td>Tendency to spend time alone, being reserved, quiet, independent</td>
</tr>
<tr>
<td><strong>Openness to Experience</strong></td>
<td>Describes the tendency to seek new experiences, and explore novel ideas</td>
<td>Being creative, innovative, imaginative, reflective, untraditional</td>
<td>Being narrow, conventional, non-analytical</td>
</tr>
<tr>
<td><strong>Agreeableness</strong></td>
<td>Represents ones interpersonal orientation</td>
<td>Trusting, forgiving, caring, altruistic, gullible, tendency to have good interpersonal relationships</td>
<td>Low need for affiliation, unforgiving, able to make difficult decisions</td>
</tr>
<tr>
<td><strong>Conscientiousness</strong></td>
<td>Describes individual’s degree of organization, persistence, hard work and motivation in pursuit of goal accomplishment</td>
<td>High need of achievement, persistence and dependability (reflects the extent to which one is organized, deliberate, fulfills duties and responsibilities)</td>
<td>Low need of achievement and law dependability</td>
</tr>
</tbody>
</table>

There is some evidence that personality traits influence vocational choices and that people actively try to fit their jobs to their personal preferences as well as to given work environments. This research is based on the attraction-selection-attrition model (Schneider, 1987), according to which people are more attracted to activities that match their personalities and find these more satisfying than other occupational categories. Additionally, it is proposed that if people follow their own interests in environments that match their personalities, they would be more likely to increase their persistency and, consequently, lead to
their success. However, personality variables (e.g., conscientiousness) are behavioural dispositions that, while relating to general, broad categories of behaviour (e.g., being organized), they often cannot predict very specific ones (e.g., clean the kitchen at least once a week).

Researchers differentiate between distal-broad personality traits and proximal or specific personality traits. The most important distal personal variables can be organized in a five-factor model of personality called the Big Five (FFM; Costa & McCrae, 1992). The five dimensions composing the model include the following sets of constructs: Emotional Stability, Extraversion, Openness to Experience, Agreeableness, and Conscientiousness.

The Big Five model has often been used to compare individual differences among diverse groups. In entrepreneurship research, for example, the model was used to differentiate entrepreneurs from managers. The main objective of these studies was to identify personality factors associated with becoming an entrepreneur and, moreover, associated with becoming a successful one. In addition to distal personality factors, researchers have also devoted their efforts to investigating proximal individual differences. These are lower order, specific personality constructs that are more likely to be related to specific behaviours than the first category of broad personality dimensions (Tett et al., 2003). Research has produced a long list of proximal personality variables related to entrepreneurial intentions and success (Rauch & Frese, 1996, Zao & Seibert, 2006). The most prominent ones are listed in Table 2.

In several studies, researchers investigated whether personal characteristics of entrepreneurs differed from non-entrepreneurs. Special attention was given to comparing entrepreneurs and managers in regard to the need for dominance, autonomy, and affiliation (Baum, 1992; McGrath 1992b). Concerning the differences between the two groups, managers have been found to work within established business organizations where established procedures and regulations are available. Entrepreneurs, on the other hand, work under unspecified conditions and are responsible for all aspects of the enterprise. Additionally, entrepreneurs tend to face work-life imbalance, as well as social, financial, and personal risks, which can produce high levels of psychological and physical stress. Entrepreneurial activity, it may be concluded, requires self-confidence, calmness, and low anxiety. Further, entrepreneurial activity includes hard bargaining, negotiation, following one’s own interests, and often even requires using
manipulation and persuasion. These activities do not go along with interpersonal orientation and agreeableness. Given these differences, entrepreneurs and managers should differ on at least two personality dimensions: Emotional Stability and Agreeableness. A recent meta-analysis (Zhao & Seibert, 2006) confirms these assumptions. Results show that entrepreneurs score significantly lower than managers on both of these personality dimensions.

Table 2. Definitions of proximal personality variables that have often been associated with entrepreneurial intentions and entrepreneurial success.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
<th>Characteristics for the high scores on this dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need of achievement</td>
<td>Denotes individual’s need to strive hard to attain success</td>
<td>Setting demanding targets for oneself, being proactive, tendency to take immediate responsibility for tasks, plan and control events. Want to receive feedback about their level of performance</td>
</tr>
<tr>
<td>Locus of control</td>
<td>One aspect of the cognitive style which represents the extension to which individual feels in charge</td>
<td>Perception of control over the environment by one’s action, belief that luck and fate do not really determine what happens</td>
</tr>
<tr>
<td>Risk taking</td>
<td>Describes the individual cognitive style with respect to taking risks Actively seeking risky assignments and having greater propensity to take risks</td>
<td>Actively seeking risky assignments and having greater propensity to take risks</td>
</tr>
<tr>
<td>Tolerance of ambiguity</td>
<td>Describes one’s ability to make decision with incomplete information</td>
<td>Making decisions in situations of high uncertainty</td>
</tr>
<tr>
<td>Creativity</td>
<td>Describes the tendency towards experimentation, trial and error, lateral thinking</td>
<td>Thinking in non-conventional ways, challenging existing assumptions, flexibility and adaptability in problem solving</td>
</tr>
<tr>
<td>Need of autonomy</td>
<td>Represents one’s strive to be independent and having control</td>
<td>Avoiding restrictions, rules, procedures and strong need for independence and autonomy</td>
</tr>
<tr>
<td>Self-efficacy</td>
<td>Describes optimistic self-beliefs to cope with a variety of difficult demands</td>
<td>Belief that one's actions will produce desired results</td>
</tr>
</tbody>
</table>

Additionally, Zhao and Seibert (2006) demonstrated that entrepreneurs score significantly higher on Openness to Experience and Conscientiousness. Openness to experience as well as emphasis on innovative and creative solutions has been often considered to be typical characteristics of entrepreneurs.
ENTREPRENEURIAL PROFILE: PERSONALITY AND COMPETENCIES

(Schumpeter, 1997). Specifically, Starting up a new venture and exploring new opportunities requires more creativity than working within an established business organization. Not only high achievement motivation, but also dependability and efficient self-organization are necessary. These aspects are critical for the self-made environment and day-to-day occurrences of entrepreneurs. In confirmation of these claims, entrepreneurs have been found to achieve higher results on both the dimensions of Openness to Experience as well as Conscientiousness. Interestingly, the fifth psychological dimension, Extraversion, seems not to differ between managers and entrepreneurs, although the results are not consistent and vary across studies.

ENTREPRENEURIAL COMPETENCIES

Entrepreneurial competencies may be aggregated into sets of knowledge, skills, and abilities which have been shown to relate positively to business success (Markman, 2007). Selected entrepreneurial competences are listed in Table 3. Although entrepreneurial competencies are of great importance for performance in general, they influence entrepreneurial activity in different ways depending on the stage of entrepreneurial development and the external conditions the entrepreneur faces. Entrepreneurial competencies correspond not only with entrepreneurial tasks and their characteristics but also with the broader environment within which entrepreneurial tasks are executed. This means that there are some relevant contextual factors determining the importance of particular competencies in a given environment where the entrepreneurial activity is preformed. One such environmental factor may be the stability of the market. Entrepreneurs who operate within a stable market may experience less uncertainty than entrepreneurs who operate within a constantly changing market characterized by fast technological progress. A competency such as “widened perception” (see Table 1), for instance, may be more important for an entrepreneur operating within a rapidly changing market. Contextual aspects change over time and relate to stages of the entrepreneurial activity. Consequently, different types of competencies are relevant in each stage of the entrepreneurial activity. Thus, different competencies would be important during the pre-start up phases, which includes formulation of business idea, developing business plan, opportunity recognition and evaluation, compared with later phases.
Table 3. Definitions of selected entrepreneurial competencies

<table>
<thead>
<tr>
<th>Competence</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Career Vision</td>
<td>Includes formulation of long-term goals and preparation of action implementation plan.</td>
</tr>
<tr>
<td>Self-confidence</td>
<td>One’s belief to be able to complete demanding tasks implies having the necessary knowledge, human and professional capacity, and the correct attitude and energy to achieve goals.</td>
</tr>
<tr>
<td>Widened Perception</td>
<td>Ability to explore beyond the boundaries of one’s circle of experience and reference in order to find new opportunities.</td>
</tr>
<tr>
<td>Flexibility</td>
<td>One’s disposition to change focus in order to follow better fitting options that allow tasks to be well executed.</td>
</tr>
<tr>
<td>Empathy</td>
<td>Ability to recognize and understand another's emotions, needs, and interests and to integrate them to one’s own. (Ability to &quot;put oneself into another's shoes&quot;)</td>
</tr>
<tr>
<td>Conceptual thinking</td>
<td>One’s disposition to identify the relations existing among different components in complex situations that are not directly related; the ability to construct models that are easy to apply.</td>
</tr>
<tr>
<td>Management</td>
<td>Ability to gather, integrate, and manage required resources in order to start, maintain, and grow within the organization.</td>
</tr>
<tr>
<td>Entrepreneurial networking</td>
<td>Includes establishing, maintaining, and taking advantages of interpersonal and institutional relations in order to achieve entrepreneurial goals.</td>
</tr>
<tr>
<td>Decision taking</td>
<td>Analyzing the different alternatives available in order to determine the best path to follow, assuming full responsibility for the outcomes.</td>
</tr>
<tr>
<td>Action orientation</td>
<td>The energy, force, courage and dedication necessary to put into action and realize the ideas, proposals, opportunities, and entrepreneurial projects.</td>
</tr>
</tbody>
</table>

To understand the way entrepreneurial competencies function in achieving success across situations and the business life cycle, the distinction between “weak” and “strong” situations is very helpful (Mischel, 1973, in Markman 2007). The concept of “weak” and “strong” situations refers to the external conditions determining whether high or low levels of expression of individual differences will occur. In a “strong” situation, roles are well defined, unambiguous hierarchies exist, and clear rules, norms and regulations are prevalent. In contrast, small and new ventures seem to create “weak” situations, where personal differences, in particular entrepreneurial competencies, play a crucial role influencing company-level outcomes. Entrepreneurial competences, from the perspective of this typology, may gain in special importance in weak situations.
ENTREPRENEURIAL PROFILE: PERSONALITY AND COMPETENCIES

The findings in the field of entrepreneurship and personality are not consistent. As studies have been conducted in numerous different countries, inconsistencies may be attributed to national and cultural differences, in particular cultural differences. According to Hofstede (1980, 2001), culture is “the collective programming of the mind that distinguishes one group or category of people from another”. Hofstede’s famed dimensions of national cultures are Power Distance (the extent to which the less powerful members of institutions accept and expect unequal power distribution), Uncertainty Avoidance (tolerance for ambiguity), Individualism and Collectivism (degree of integration of individuals into groups), and Masculinity and Femininity (distribution of roles between genders). Several authors (e.g., McGrath, 1992b), utilizing Hofstede’s typology, have reported that entrepreneurs differ from other career professionals along some culture dimensions. According to Hofstede (2001, 2002), uncertainty avoidance, or the reliance on norms, rules and procedures and the avoidance of ambiguous situations, has been found to be less valued among entrepreneurs (McGrath & MacMillan, 1992). Contrary to that, individualism, masculinity, and power distance were valued consistently higher among entrepreneurs. These results suggest that cultural dimensions may contribute to our understanding of successful entrepreneurship and the uncovering of connections between personality and entrepreneurship.

Interestingly, cultural and personality dimensions, while operating on different levels, seem to be related. For instance, Smith and Bond (1993) reported that individualism was associated with extraversion, uncertainty avoidance with neuroticism, and anxiety and stress and power distance with conscientiousness (Hofstede, 1980). Additionally, need of achievement was associated with rewarding performance, and high standards was found to be related to performance orientation. (House & Javidan, 2004; McClelland, 1961).

The question is still open in regard to whether culture variables are predictors for level of personality traits or whether reversed relationships exist. According to the cultural congruence hypothesis (Dorfman, 2004), behavior is likely to be consistent with a given culture (e.g., with its values and dimensions). Transferring this assumption onto the entrepreneurial research field, relations
between personality traits and entrepreneurship are ought to differ between countries. For example, achievement motivation and entrepreneurship might be more strongly related in high performance oriented societies. Similarly, neuroticism is likely to be stronger in cultures high on uncertainty avoidance.

Despite the findings described above, the impact of culture on the relationship between personal traits and entrepreneurship is mostly unrevealed (Zhao and Seibert, 2006).
RELATED IN-CLASS ACTIVITIES

Students might discuss entrepreneurial characteristics basing on vignettes (Appendix 1).

Students will work in the small groups on a proposal for a program supporting entrepreneurial competencies and characteristics.

Instructions for the students: Imagine that you are a group of trainers working with nascent and young entrepreneurs. Please design a program for development of entrepreneurial competencies and characteristics. Provide information on the contents of the programme and its methods. Specify the timeframes and modules. Try to make the program attractive for the target groups and possible customers. Highlight the strengths of the program but don’t forget its limitations. You will present the program in plenum. Course participants and teachers will provide you feedback. Please keep in mind the following aspects while developing the program:

- define the target group (number and characteristics of participants)
- decide on the time frames and outlines
- decide on the goal of the training
- decide on the contents
- choose adequate teaching methods and techniques
APPENDIX 1: VIGNETTES

MR. X began to show an interest in what he is doing now at the age of 13. Seven years later he started up and now his company has more than 1,000 employees and $200 million in sales. His personal beliefs revolve around working hard and trying your hardest to succeed. He believes that if you are intelligent and know how to apply your intelligence you can accomplish anything. MR. X thinks that if you don't work your hardest you will never succeed. MR. X is obviously a visionary but he also works very hard and very competitively to carry out his vision. He continuously looked for ways to grow his company. His belief in high intelligence and hard work is what put him where he is today, as well as being in the right place at the right time. He doesn't believe in luck or any sort of god, just hard work and competitiveness. MR. X will simply continue to stomp out the competition until he dies.

In the mid-1970s, at the age of 18, MR. Y set off from his native Québec to travel around Europe, supporting himself for four years as a street performer — playing accordion, juggling, stilt walking and breathing fire to earn a living. When he returned home in 1979 he remained as a street performer. In 1984, the province of Québec was celebrating the 450th anniversary of Canada's discovery and looking for innovative shows to mark the occasion. Mr. Y proposed the first great show and the company was born. Today more than 50 million spectators have seen a show and close to 10 million have seen one during 2007. The original show in 1984 employed 73 people. Today the business has more than 3,500 employees, including close to 900 performing artists. Mr. Y’s employees and artists represent more than 40 nationalities and speak 25 different languages. MR. Y’s commitment to his artistic vision and the passion he has for his work were what swayed the judges in his favor to become the Entrepreneur of the year. He has taken a great entrepreneurial journey from street performer to CEO of a globally recognized brand. Entrepreneurs sometimes talk about the luck they've had in their careers, but luck contributes little to these leaders' successes. Passion, vision, innovation —and a lot of hard work — are what make these entrepreneurs and their companies exceptional. MR. Y demonstrates these traits in abundance.
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LEARNING GOALS
In this chapter, students will learn about:

1) One of the components of the construct of entrepreneurial orientation, personal initiative (PI).
2) The definition of PI.
3) The model of antecedents and consequences of PI.
4) How to assess PI.
THE ENTREPRENEURIAL ORIENTATION CONSTRUCT

The concept of entrepreneurial orientation is very broad and complex, and has been used both to refer to organizations and to persons, thus distinguishing businesses with entrepreneurial orientation and people who are entrepreneurs. In this chapter, we will first clarify this concept from a psychological perspective.

We consider entrepreneurial orientation a psychological concept. Thus, the construct entrepreneurial orientation includes the psychological orientation and relates to the entrepreneur’s habitual tasks, as well as the necessary adaptation to the requirements of the environment in which the current businesses are immersed (Krauss, Frese, Friedrich, & Unger, 2005).

So, this perspective analyzes the personal variables that are closest to the tasks and behaviors of the entrepreneur. Krauss et al. (2005) indicate, moreover, the main differences of the orientations in contrast to other aspects, such as traits or attitudes.

Whereas traits are stable over time and situations (McCrae, et al., 2000), orientations can be affected by culture and environment (Thomas & Mueller, 2000). Orientations are more specific, more action-oriented (Kanfer, 1992).

In comparison to attitudes, orientations place more emphasis on behaviors and do not require appraisal preference.

So, from this perspective, the components of the EO construct are:

1) Learning orientation
2) Achievement orientation
3) Autonomy orientation
4) Competitive aggressiveness
5) Innovative orientation
6) Risk-taking orientation
7) Personal Initiative
Of all these orientations, we consider PI to be the most important to explain entrepreneurial orientation. As we will see in this chapter, this dimension overlaps important aspects of the remaining components.

DEFINITION AND CHARACTERISTICS OF PERSONAL INITIATIVE

PI has been defined as a behavioral syndrome, considering syndrome as a series of behaviors that, taken together, make up PI, which manifests as an approach to work characterized by being self-starting, active, and persistent, consistent with the mission of the organization, goal-directed and action-oriented (Frese, 2001; Frese & Fay, 2001; Frese, Fay, Hilburguer, Leng, & Tag, 1997; Frese, Kring, Soose, & Zemple, 1996).

This concept was developed to respond to a social problem. As is common in applied psychology, Frese and Fay (2001) acknowledge that it was a social problem: the lower initiative observed in the workers of East Germany after the reunification, which led the authors to begin research about the concept of PI.

PI is a work behavior characterized by its self-starting nature, its proactive approach and by persistence in overcoming the difficulties that emerge when attempting to achieve a goal (Frese et al., 1996, 1997).

These three characteristics have been analyzed by Frese (2001) and Frese and Fay (2001) from the perspective of the action theory (Frese & Zapf, 1994; Kozulin, 1986), on the basis of two aspects of this theory: first, people are active by nature and, second, the concept of the action sequence.

The action sequence can be analyzed in four steps, as if it were a logical sequence of the following plan: (a) goal development, (b) review of the information and prognosis, (c) plan development and execution, and, lastly (d) control of plan execution and feedback. Thus, Frese (2001) and Frese and Fay (2001) analyze, in each step, the three characteristics of PI, as displayed in Table 1.

**Self-starting**

Self-starting implies that a person does something without being told, without getting an explicit instruction, or without an explicit role requirement. This refers to self-imposed goals versus assigned goals (Frese & Fay, 2001).
### Table 1. Facets of personal initiative

<table>
<thead>
<tr>
<th>ACTION SEQUENCE</th>
<th>CHARACTERISTICS OF PERSONAL INITIATIVE</th>
<th>Persistence in overcoming obstacles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Self-starting</td>
<td>Proactive</td>
</tr>
<tr>
<td>Goal development</td>
<td>- Active goals and meta-goals</td>
<td>- Anticipating future problems or opportunities and turning them into goals</td>
</tr>
<tr>
<td></td>
<td>- Redefinition</td>
<td></td>
</tr>
<tr>
<td>Review of information and prognosis</td>
<td>- Active search</td>
<td>- Considering the potential problems and opportunities before they appear</td>
</tr>
<tr>
<td>Plan development and execution</td>
<td>- Active plans: opportunistic and well developed</td>
<td>- “Plan Bs”</td>
</tr>
<tr>
<td>Control of plan execution and feedback</td>
<td>- Active search for feedback</td>
<td>- Development of indicators of potential problems and opportunities</td>
</tr>
<tr>
<td></td>
<td>- Self-development of feedback</td>
<td></td>
</tr>
</tbody>
</table>

Likewise, self-starting a goal means that one has developed the idea, but self-starting can also mean that a person takes charge of an idea or project that is already known but has never been launched before in a certain context. This allows us to extend the application to the different kinds of businesses that a person who is considered an entrepreneur can launch.

The authors (Frese & Fay, 2001) distinguish two kinds of active plans: opportunistic and elaborate. Opportunistic plans, although based on the active search for opportunities in the environment, do not involve long-term planning or development like those required in elaborate plans. It has been suggested that people with a high level of performance use a combination of both types of plans (Sonnentag, 1998).
Proactive

The second characteristic of the behaviors of personal initiative is that they are proactive. Proactivity involves having a long-term focus and not waiting until one has to respond to some demand (Frese & Fay 2001). This long-term focus allows one to consider aspects that have not yet emerged, such as new demands, new or recurrent problems, as well as opportunities. The fact that both opportunities and demands are anticipated allows one either to take advantage of them or to solve them immediately. This is essential in business management. One must anticipate problems and opportunities and turn them into goals.

Persistence in overcoming obstacles

The third and last characteristic is overcoming obstacles or difficulties, that is, persistence. Persistence is usually necessary to reach one's goal. Generally, PI implies that something has changed.

Self-regulating emotional processes are involved in overcoming obstacles (Karoly, 1993). That is, people must protect their goals even if they are not immediately achieved. Frese and Fay (2001) present a prerequisite so that the continuity of the goal will be more likely: a person should feel responsible for the goal and its results. When responsibility tends to become diluted, it is more likely that a person will dawdle and hope that other people will overcome the difficulties.

But the other two characteristics of initiative, proactive and self-starting, are also involved in this process of taking on responsibility for the goal. These characteristics make it easier for people to accept responsibility for a goal if it was initiated by them. This reminds us that the three characteristics of initiative are related despite the fact that, for more clarity, they are analyzed individually.

Secondly, searching for information and predict can be interrupted if difficulties emerge, either because of the negative feelings such difficulties trigger or because of the complexity of the environment. It is important to protect oneself from both aspects in order to continue to search for information and prognosis, despite the diverse difficulties that may appear.
Thirdly, regarding plans, difficulties can block a plan of action. Once again, two facets of initiative are highly related, because the “Plan-Bs”—as in this third step of the proactive facet—once more allow us to overcome these obstacles.

Lastly, overcoming obstacles in the control of plan execution and feedback is related to protecting the search for feedback concerning the difficulties that may emerge.

In the following section, we will describe in more detail the general model of antecedents and consequences of personal initiative proposed by Frese and Fay (2001) and developed from other previous works (Frese, 2001; Frese et al., 1997; Speier & Frese, 1997).

THE GENERAL MODEL OF ANTECEDENTS AND CONSEQUENCES OF PERSONAL INITIATIVE

When asked what factors favor personal initiative and what effects initiative has on organizations, Frese and Fay (2001) propose a model of personal initiative that attempts to explain this issue (See Figure 1.)

In the model, following Kanfer (1992), the authors distinguish between proximal and distal causes. In contrast to distal causes (personality and the so-called Knowledge, Skills, and Abilities [KSA], orientations are proximal causes, and are more specific, more action-oriented, and closer to the area of PI. They also indicate that the part called environmental support is a mixture of distal and proximal causes.

So, first we find the distal causes: personality and knowledge, skills, and aptitudes. They do not directly influence PI, but instead through orientations, and they are more general than proximal causes.

Second are the environmental supports, which are somewhere between proximal and distal causes. That is, their level of specificity is between the more general degree of distal causes, without reaching the average specificity of proximal causes. As do the distal causes, they affect orientations, and orientations affect initiative.
Thirdly, proximal causes, which have been called orientations because this concept has an average specificity and, as mentioned, includes the affective, conative, and cognitive components (Eagly & Chaiken, 1993), are closer to initiative and more action-oriented.

Lastly, initiative affects performance both at the individual and global level. Below, we shall describe these four aspects in more detail.

**DISTAL CAUSES**

First, within the distal causes, we find personality factors.

The first personality factor is achievement motivation, which was described by McClelland (1961) and which involves a high level of aspirations, a strong success orientation in tasks and to focus on perfection and interest in feedback about one’s performance. A high correlation has been found between achievement motivation and personal initiative (Frese et al., 1997), but although...
both concepts involve overcoming obstacles, achievement motivation is not necessarily self-starting, so that they are considered different concepts.

Regarding action orientation, Frese and Fay (2001) define this component as putting intention quickly into action in contrast to delaying decision-making or being distracted. Again, Frese et al. (1997) found a correlation between both concepts, although in this case, it was low.

The third aspect included in the section of personality is the need for cognition understood as "the tendency for an individual to engage in and enjoy thinking" (Cacioppo & Petty, 1982, p. 116). Therefore, when changing, novel situations in which there are difficulties or errors, such as those experienced when displaying initiative, it is more likely for people with this personal characteristic to develop well, an aspect that some entrepreneurs admit is the main motive that led them to found their business. Once more, a significant correlation between both concepts was found (Fay, Sonnentag & Frese, 1998).

With regard to the variable proactive personality, people with a high proactive personality are defined as relatively free from situational tensions and who effect changes in their environment. Moreover, they identify opportunities and act upon them, showing initiative, they decide to act and are perseverant even when this implies a considerable change (Crant, 1995).

The last personality factor is psychological conservatism, which is somewhat similar to authoritarianism and dogmatism, and implies a series of attitudes related to ethnocentrism and a focus on rules and punishment, and high intolerance toward uncertainty. It is suggested that this personality factor makes adaptation to change more difficult.

Fay and Frese (2000) empirically found a low tendency to show behaviors of personal initiative in people with high conservatism in contrast to other people with a low score.

Along with the personality factors, the second block of distal causes, Knowledge, Skills and Abilities are considered resources that allow people, in our case, entrepreneurs, to perform their work well, that is, to have a successful business. That is why being competent at work and learning quickly are antecedents of initiative and they facilitate a better development of personal initiative, which, in turn, allows the development of high self-efficacy (Bandura, 1977) and high control appraisals (Rotter, Chance, & Phares, 1972).
Thus, the authors have found a relation between these characteristics and personal initiative. For example, in a longitudinal study, they found that cognitive ability affects personal initiative (Fay & Frese, 2001).

Environmental supports

Firstly, regarding control at work, people exert control if they can decide what tasks to perform daily, or establish the quantity of daily work to be carried out, or establish norms and procedures about how to carry out their work, or feel responsible for their work.

Work complexity refers to day-to-day problems for which there is no immediate solution or when it is impossible to know whether one is performing the job correctly.

There is some controversy about the way that control at work affects orientations. Various authors state that if control at work is not allowed, learned helplessness (Seligman, 1975) appears, thus decreasing control aspirations. However, other authors believe the exact opposite, specifically Wicklund (1974), whose reactance theory states that a decrease in control leads to higher control aspirations, because when people feel they are in a situation that is out of their control, they want to recover control.

Faced with this controversy, the authors of the model (Frese, 2001; Frese & Fay, 2001) combine several explanations, indicating that at short term, decrease in control leads to an increase in aspirations, but at the long term, this situation can lead to learned helplessness and a decrease in control aspirations due to the impossibility of changing one’s scarce control over the task.

Work complexity affects the belief that one controls one’s work, that is, control appraisals. Thus, if one controls the work and the work complexity, this situation is expected to continue in the future, so that control aspirations increase.

Both control and complexity will also affect self-efficacy because they make it possible to have enriching and challenging experiences and such experiences increase one’s belief in one’s own personal capacity (Bandura, 1997).

In a recent work that attempted to clarify these relations, Lisbona, Palací, and Salanova (submitted for publication) found that control is directly related to
initiative and also through control aspirations orientation, whereas complexity is only related through control aspirations, and they found a surprising result: the relation is negative. That is, the higher the complexity, the lower are the control aspirations and less initiative. However, the relation with the self-efficacy orientation was not significant in any of the two antecedents.

Whereas in the work of Frese, Garst, and Fay (2007), the authors found a relation mediated by control and complexity through control aspiration orientations, perceived opportunity for control, and self-efficacy, and an interesting and novel result: a reciprocal effect, not only is initiative capable of changing control and complexity, but there was also a second reciprocal effect of an additional lagged partial mediation of control orientation on later work characteristics, as indicated in their longitudinal study.

Stressors, which are also included in the model of environmental supports, affect personal initiative positively through change orientation and control aspirations.

Along with control, complexity, and stressors, the model also suggests that the support for personal initiative is positively related to initiative; these environmental aspects that favor entrepreneurial activity have been extensively studied and mentioned throughout the book.

**Orientations**

Orientations are more specific, more action-oriented, and closer to the area of PI than the distal causes. They should be more predictive of PI than the distal, more general causes. An orientation is neither a highly specific attitude (e.g., toward one task) nor a general personality trait. An intermediate level of specificity is required, because all orientations in the model are supposed to predict PI directly and proximally across a number of domains within the work setting (Frese & Fay, 2001).

Orientations motivate PI because they allow people to believe that it is possible to show initiative and that they are capable of dealing with the negative consequences that may emerge after displaying initiative. Thus, the variables that appear in the model classified as orientations revolve around these two aspects: first, in reference to motivators and the concepts called control orientations, which include control appraisals, self-efficacy, and control and responsibility
aspirations. Secondly, when motivation is affected by anticipated potential negative results, then change orientation, handling errors, stress, and change orientation would intervene to deal with these negative consequences.

Within this classification, we can still include another classification, because beliefs in control, that is, the first block counted as motivators, can be divided into two areas: control over outcome and control over one’s own actions. Thus, control appraisals would be related to outcomes, as they concern the belief that one can influence work decisions and, therefore, have an impact on work outcomes (Frese & Fay, 2001).

Secondly, self-efficacy would be included in this second block of control over one’s own actions. Self-efficacy has been defined as the belief in one’s own capacity to plan and carry out actions that are necessary to achieve certain goals and outcomes (Bandura, 1997). According to the cognitive social theory, self-efficacy contributes to determining the effort needed to carry out tasks, and the persistence, amount of attempts, and time dedicated to try to deal with obstacles. Self-efficacy also affects the way we think and feel. Thus, a negative sense of self-efficacy is related to burnout, depression, anxiety and helplessness, whereas positive self-efficacy is associated with persistence, dedication, and satisfaction with one’s actions (i.e., Garrido, 2000; Martínez, Marques, Salanova & De Silva, 2002; Salanova & Schaufeli, 2000).

Lastly, control and responsibility aspirations, which were mentioned with reference to environmental supports, are situated in both blocks, as control is aimed both at one’s own actions and at outcomes.

The second great block of orientations is related to the negative consequences that may result from PI, because it is reasonable to suppose that motivation will disappear when negative results are obtained. Errors, stress, and changes can be anticipated as a consequence of PI. People who fear errors, who perceive change to be negative, and who are not capable of facing stressors are less likely to be capable of showing PI. Error orientation may be conceptualized within the general concept of coping (Lazarus & Folkman, 1984). Frese & Plüddemann (1993) empirically found that active coping with change, errors, and stress decreases the obstacles to displaying initiative. Stressors also frequently appear in new situations, new procedures, and new tasks. Good strategies are needed to cope with errors, stressors and changes that are the consequence of initiative.
However, the stress one may feel at work is not the same as the stress entrepreneurs may feel because of their actions and decisions. As noted by Rybowiak, Garst, Frese, and Batinic (1999), there are differences between stresses at work and errors. Firstly, errors are self-produced; therefore, the person feels more guilt, and errors frequently hinder the course of an action. Thus, coping strategies that are only directed at emotion have clear limitations when used to cope with errors, especially if the goal is still there and must still be achieved.

Effects of personal initiative

The model proposes that PI is related to performance, but also, from the concept of reciprocal determinism, Frese and Fay (2001) propose that active behaviors that lead to PI will affect the environment, as is confirmed by the results of the work of Frese et al. (2007), which was mentioned when referring to the topic of control and complexity.

Likewise, Bandura (1997) suggests that the personal internal factors in the form of affective, cognitive, and biological events, behaviors and environmental events operate as determinants that affect each other mutually and bi-directionally.

In the case of entrepreneurs, we think the role of initiative is essential in the diverse phases of launching a business, both at the stage of the initial idea and when starting up the project, as well as in the management and maintenance of the entrepreneurial project. And, according to the model proposed by Frese and Fay (2001), this initiative can receive feedback from the entrepreneurial process.

Various studies show how initiative is positively related to entrepreneurial success (Koop, DeReu, & Frese, 2000) and, more specifically, proactivity has been considered an important predictor of entrepreneurial success (Lumpkin & Dess, 1996), and in fact, entrepreneurship may be considered an extreme case of initiative, becoming one’s own boss, and self-starting an organization.

The results of the above-mentioned studies reveal the complex relations between antecedents of PI. The model of Frese and Fay (2001) is an outline that can provide a general view of these relations. As mentioned, initiative is an important antecedent of entrepreneurial orientation and entrepreneurial success. However, more empirical studies are needed to examine these relations in the
specific context of entrepreneurial activity. Because, as mentioned throughout this work, entrepreneurs must cope with many difficulties and challenges and one of the keys to their success may be PI.

**Figure 2.** Entrepreneurial process

Considering the model, reflect on the importance of PI and its components (Self-starting, Proactivity, and Persistence) in each one of the stages of the entrepreneurial process.
REFERENCES


LEARNING GOALS

In this chapter students will learn:

1) How entrepreneurial success can be defined.

2) What criteria of business success are generally used in the business literature

3) How different entrepreneurs themselves define success

4) Students will get background information on issues related to the construction of success criteria for research purposes.

5) Students will get to know how different types of entrepreneurs differ in their values.
“I feel that starting a business after having been on sick benefit for more than a year is a great victory”. Senna and his wife Janet own a soil sanitation company. They clean soil without using chemical processes. It was a deliberate choice to run the business in an environmental friendly way. Both he and Janet have a medical background, because of which both of them lost their former jobs. The three people they hired to work for them all have medical backgrounds. They claim that people who do not have experience with disablement for work do not fit into their companies’ culture, which they describe as striving for understanding and welfare of all people and for nature. The company has many clients, and they have received a permit from the local government to expand their business on the current location next year.

(Based on: Evers, G.E., De Feyter, M.G., Hartog, F.M.J., Jurrij, E., 2001)

INTRODUCTION

For the past decades, the acquisition of wealth, recognition, and business growth have been the normative criteria to assess business owners’ success (cf. Julien, 1998; Littunen, 2000; Wang, Watkins, Harris, & Spicer, 2004). The aim of this psychological contribution is to investigate the content of the entrepreneurial success construct in more detail, by generating more insight into the way different types of business owners themselves define that they have succeeded. We will present a multi-dimensional success construct, and show how different success criteria may conflict with one another. In addition, we aim to provide insight into what different entrepreneurs strive for when they are striving for success, related to entrepreneurs' individual values and values shared by the groups and communities entrepreneurs are part of. Finally we give suggestions concerning the way different types of entrepreneurs can balance the tradeoffs of striving for different types of success in a way that is personally satisfying.

Criteria of entrepreneurial success

A recent review of the entrepreneurship and small business literature (Gorgievski & Ascalon, 2005) has revealed nine important criteria that are often used as indicators of business success. Profit, growth and innovation are the top three criteria most often used, because these are expected to relate closely to
wealth acquisition. Firm innovation is often not considered the bottom line, though. It is generally seen as a critical characteristic of a firm that helps to increase profitability. A fourth criterion that can be identified is firm-survival or longevity. In research on business start-up, the fact that the business manages to survive the first year is often considered quite an accomplishment. In this sense, firm survival may not seem a very high standard for business success. However, when this criterion is defined as being able to continue the business in the long run, it becomes a very relevant criterion. Longevity of the firm has particular importance for family businesses, where it relates to the possibility to transfer the business to future generations. A fifth business criterion is social and environmental performance, or in other words contributing back to society. This is defined as meeting goals related to further social and environmental welfare beyond the direct economic, technical, and legal interest of the firm. This may include philanthropic behaviors, such as giving to charities, supporting community activities, and pursuing environmentally friendly practices.

There are also a variety of success criteria of a softer nature. Research on business owner objectives (Kuratko, Hornsby, & Naffziger, 1997; Newby, Watson, & Woodliff, 2003) shows that business owners strive for several personally oriented objectives in addition to financial returns or extrinsic rewards, although these are far less often studied than economic performance criteria. The sixth criterion is therefore entrepreneurs’ personal satisfaction, related to whether business owners manage to fulfill important personal goals. Personal satisfaction influences many business decisions, such as whether to invest more time and money, whether to cut back, or even to shut down the business (Cooper & Artz, 1995). The seventh criterion is satisfied stakeholders, in particular customer satisfaction and employee satisfaction. These criteria have been included in many performance measures that link to business strategy, such as the Balanced Scorecard (Kaplan & Norton, 1996), Performance Prism, and the Business Excellence model (for example Adams et al., 2003). The eighth criterion is the achievement of work-life balance. Work has often been found to interfere with one’s personal life and one’s personal life has also been found to interfere with one’s work life (Nelson & Burke, 2000). A subgroup of business owners has been identified that chose their career to allow them more time with their families. They used the autonomy and flexibility that their position allowed to balance the responsibilities at work and at home. In in-depth interviews, business owners called a positive work-life balance the crowning glory of their
hard work in the early start-up years. Finally, public recognition can be identified as the ninth criterion. This criterion emerged mainly from scanning the popular media that typically give special attention to award winning entrepreneurs and their companies and products. In addition, Kuratko et al. (1997) found that public recognition may be among business owners’ intrinsic rewards.

Conflicts and compatibilities between criteria of business success

Different criteria for business success may conflict with one another, whereas others are highly compatible. Profit, growth, innovation and client satisfaction have typically been shown compatible, and related to creation of wealth and influence. One famous conflict is the trade-off between economic criteria, such as making a profit, and social and environmental performance, or so-called “green entrepreneurship” (Orlitzky, Schmidt, & Rynes, 2003). This leads to discussions in society about whether and how we can motivate entrepreneurs to at least adhere to a “minimum behavioral standard”, including abiding by the law, and generally maintaining standards of honesty and integrity, if it hinders them in attaining growth and making a large profit. Another famous conflict occurs between criteria related to work-home balance and profit and business growth. It seems fair to say that conflict occurs between criteria related to different systems that interact with each other, namely the business, the family and society.

Personal differences in weighing entrepreneurial success

Different kinds of entrepreneurs weight the tradeoffs between criteria differently, and hence strive for different types of success. In order to have a rewarding entrepreneurial life, it is important for entrepreneurs to recognize what is important to them. Knowing what is really important in life will more likely keep entrepreneurs motivated to accomplish their personal goals, while at the same time keeping the business solvent. A fruitful approach to personal differences in this respect is a values approach.

Value systems can be distinguished at the level of the individual, but also on the levels of groups and nations. On the individual level, values are concepts or beliefs about desirable end-states or behaviors that transcend specific situations, and guide selection or evaluation of behaviors and events (Schwartz and Bilsky,
On the group or national level, values are a central element of the culture. For example, Hofstede (1980) refers to culture as "the collective programming of the mind which distinguishes the members of one human group from another and includes systems of values" (p.25). Shared values (culture) are expected to shape individuals' values and attitudes. The latter refer to a person’s predisposition to respond in a favourable or unfavourable manner towards a specific object (Lindsay, 2005), in contrast to values, which are general and transcend specific contexts. The cultural value system affects social consciousness and is an important source of behaviour motives and incentives. The underlying system of values belonging to a specific group or society motivates individuals in a society to engage in behaviors that may not be as prevalent in societies sharing other values.

One of the most influential values systems is Schwartz’ theory of universal human values (Schwartz & Bardi, 2001), which is a values system that can be used both on an individual level and on the cultural level. Schwartz universal value system consists of ten main value dimensions (see Table 1): conformity, tradition, benevolence, universalism, self-direction, stimulation, hedonism, achievement, power, and security. These values are theoretically structured based on the complimentary or conflicting nature of their relationships. Two dimensions are distinguished. One dimension leads from self-enhancing to self-transcendent. On the self-transcendent side of the circle are benevolence and universalism, because both involve a high regard for the welfare of others. On the self-enhancing side of that dimension are the values of power and achievement, because they both involve increasing and demonstrating an individuals’ own worth. The other dimension leads from openness to experience to conservation. Self-direction and stimulation are both at the openness to experience side, because both involve striving for independence, new experiences and change, while tradition, security and conformity are on the opposite side, because these values emphasize maintaining the status quo, such as accepting and acting on tradition and adhering to group norms. Values have been found to predict value congruent behavior (Bardi & Schwartz, 2003).

Another well-known values system is that of Hofstede (1980), which is used on a cultural level, and which has also been used to describe entrepreneurial subcultures (McGrath, MacMillan, & Scheinberg, 1992).
Hofstede's (1980) cultural dimensions are based on an extensive study on work related values, which have lead to the development of originally four, later five, cultural dimensions. The first cultural dimension described by Hofstede is *power distance*, and it is an indicator for the degree of inequality among people. According to Hofstede (1980), a large number of societies are unequal but some are more unequal than others. The second dimension – *uncertainty avoidance* is an indicator for the degree to which people in the respective country prefer structured situations to unstructured ones. A society with high uncertainty avoidance may be regarded as rigid, while a society with low uncertainty avoidance may be regarded as flexible. The third dimension – *individualism-collectivism* measures the degree to which people in the country prefer to act as individuals rather than as members of groups. The fourth dimension is called *masculinity-femininity*. This dimension indicates the degree of emphasis the culture places on materialism. In a masculine society, emphasis is placed on materialism and wealth, whereas in a feministic society, harmony and relationships are valued more. Finally, the fifth dimension refers to a *long term versus a short term orientation*. This relates to cultures’ time horizon and the value attached to the future versus the present and past. A long term orientation relates to perseverance and thrift.

**Table 1. Definitions of Schwartz’ value orientations (Schwartz & Bilsky, 1987)**

<table>
<thead>
<tr>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power:</td>
<td>Social status and prestige, control or dominance over people and resources.</td>
</tr>
<tr>
<td>Achievement:</td>
<td>Personal success through demonstrating competence according to social standards.</td>
</tr>
<tr>
<td>Hedonism:</td>
<td>Pleasure and sensuous gratification for oneself.</td>
</tr>
<tr>
<td>Stimulation:</td>
<td>Excitement, novelty, and challenge in life.</td>
</tr>
<tr>
<td>Self-direction:</td>
<td>Independent thought and action-choosing, creating, exploring.</td>
</tr>
<tr>
<td>Universalism:</td>
<td>Understanding, appreciation, tolerance and protection for the welfare of all people and for nature.</td>
</tr>
<tr>
<td>Benevolence:</td>
<td>Preservation and enhancement of the welfare of people with whom one is in frequent personal contact.</td>
</tr>
<tr>
<td>Tradition:</td>
<td>Respect, commitment and acceptance of the customs and ideas that traditional culture or religion provide the self.</td>
</tr>
<tr>
<td>Conformity:</td>
<td>Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms.</td>
</tr>
</tbody>
</table>
Cultural Values and Entrepreneurship

Most entrepreneurial studies using a values approach to date have focused on cultural values rather than individual values. In addition, most culture-related values studies have examined the relationship between the emergence of entrepreneurship in certain countries as related to the culture of that country. These studies have shown that entrepreneurship appears to be more compatible with some cultural values than others (Busenitz & Lau, 1996; Huisman, 1985; Lee & Peterson, 2000). Some researchers believe that certain values among entrepreneurs transcend cultures (Busenitz and Lau, 1996). For example, MacGrath et al. (1992) identified a set of typical values among entrepreneurs from across eight countries. Based on Hofstede's (1980) dimensions, they found that entrepreneurship is associated with low collectivism/high individualism, high power distance, low uncertainty avoidance, and low femininity/high masculinity. It seems plausible that cultures that resemble this cultural profile would be supportive of entrepreneurial activities.

A much smaller number of studies has addressed the relationship between (cultural) values and the nature of the businesses that are being developed by entrepreneurs. Different types of business owners exist, some of whom are more entrepreneurial than others. One important distinction is between small business owners and entrepreneurs. These two groups of business owners are not striving for the same goals, and peoples' goals may reflect their values. Small business ventures can be defined as ‘any business that is independently owned and operated, not dominant in its field, which does not engage in any new marketing or innovative practices’ (Carland, Hoy, Boulton & Carland, 1984, pp 358). For small business owners, the business consumes the majority of their time and resources, is the primary source of income, and intricately bound with family needs and desires. This contrasts with entrepreneurial ventures, which would be characterized by innovative strategic practices and profitability and growth as principle goals (Carland et al., 1984). Entrepreneurs would establish and manage a business for the principle purpose of profit and growth, and their activities would be characterized by innovative behavior.

Little empirical research has been conducted to date on cultural values that might discriminate between small business owners and entrepreneurs. A study we conducted among Dutch business owners, the majority of whom had small and medium sized businesses, showed that the respondents could be characterized by self-direction, hedonism and benevolence (Gorgievski &
Ascalon, 2005). Hence, as compared to the Dutch general population, they scored somewhat higher on values related to openness for change, which lines up with typical entrepreneurial tasks such as innovation and creating new value (see Figure 1 and Table 2). Moreover, business size related to entrepreneurs’ values. Entrepreneurs who had larger businesses valued power higher than other entrepreneurs (Gorgievski & Ascalon, 2005).

Figure 1. Plot of mean ratings on Schwartz’ values for Dutch business owners and Iranian indigenous female entrepreneurs

Another study we conducted sheds some light on the values profile of female indigenous business owners. Indigenous entrepreneurship is a specific type of business ownership associated with creating, managing, and developing new ventures by indigenous or native people for the benefit of indigenous people.
ENTREPRENEURIAL SUCCESS, A VALUES APPROACH

(Hindle & Lansdown, 2005). Indigenous entrepreneurs’ objectives are different from many of the objectives that non-indigenous business owners strive for. Indigenous business owners often have the goal of preserving their heritage and increasing self-determination (Lindsay, 2005).

Table 2. SVS scores for the general population across countries (a = Schwartz, in press), PVQ scores for the Dutch general population and a sample of Dutch business owners (b=Gorgievski & Ascalon, 2005) and a population of Iranian female indigenous entrepreneurs (c= Zarafshani e.a., 2007).

<table>
<thead>
<tr>
<th>Value type</th>
<th>Pan cultural scores a (Schwartz, in press)</th>
<th>Dutch general population b</th>
<th>Dutch Business Owners b</th>
<th>Iranian Female indigenous entrepreneurs c</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean rank</td>
<td>Mean rank</td>
<td>Mean rank</td>
<td>Mean rank</td>
</tr>
<tr>
<td>Benevolence</td>
<td>1</td>
<td>4.72</td>
<td>1</td>
<td>4.63 (0.86)</td>
</tr>
<tr>
<td>Self-direction</td>
<td>2.5</td>
<td>4.42</td>
<td>2</td>
<td>4.23 (0.87)</td>
</tr>
<tr>
<td>Universalism</td>
<td>2.5</td>
<td>4.42</td>
<td>5</td>
<td>3.96 (0.82)</td>
</tr>
<tr>
<td>Security</td>
<td>4</td>
<td>4.38</td>
<td>3</td>
<td>4.16 (1.05)</td>
</tr>
<tr>
<td>Conformity</td>
<td>5</td>
<td>4.19</td>
<td>8</td>
<td>3.21 (0.89)</td>
</tr>
<tr>
<td>Achievement</td>
<td>6</td>
<td>3.85</td>
<td>6</td>
<td>3.94 (1.03)</td>
</tr>
<tr>
<td>Hedonism</td>
<td>7</td>
<td>3.73</td>
<td>4</td>
<td>4.02 (1.13)</td>
</tr>
<tr>
<td>Stimulation</td>
<td>8</td>
<td>3.08</td>
<td>7</td>
<td>3.47 (1.22)</td>
</tr>
<tr>
<td>Tradition</td>
<td>9</td>
<td>2.85</td>
<td>10</td>
<td>2.60 (0.81)</td>
</tr>
<tr>
<td>Power</td>
<td>10</td>
<td>2.35</td>
<td>9</td>
<td>3.00 (1.12)</td>
</tr>
</tbody>
</table>

When studying indigenous entrepreneurship, the topic of values is highly relevant. Indigenous businesses are typically created by an “extended team”, where family members, extended family, and even the community at large all play a significant role. Hence, indigenous entrepreneurs face significant cultural
pressures. Redpath and Nielsen (1997) investigated values at the cultural level among indigenous communities. They found that indigenous communities scored high on collectivism (and low on individualism); low on power distance; low on uncertainty avoidance; and high on femininity (low masculinity). An interesting question would be: what are the shared values of a sub culture of indigenous business owners; are they indigenous, entrepreneurial or would they more resemble those of small business owners? According to Lindsay (2005), the cultural values of the indigenous community will be deep-rooted in the culture of the indigenous business, creating one of the most complex types of organizations.

Little empirical evidence exists to support this assumption. Results of our research among 60 rural indigenous women entrepreneurs in Iran using the Schwartz value system (Zarafshani, Gorgievski, & Moradi, 2008), have shown that indigenous entrepreneurs valued conformity, benevolence, and security as the top three values that are guiding principles in their lives (See Table 2). Cultural norms for Iran in general based on the Schwartz values system that could be used for comparison are not available, hence it remains tentative as to whether these values are typical for the Iranian culture, or typical for Iranian women in general. Conformity and security ranked somewhere in the middle across cultures (Table 2). What is interesting to note, however, is that these values are typically considered to hinder entrepreneurship rather than enhance it. They are associated with an aversion to innovativeness and change that are generally defined as key to entrepreneurship (Shane, Locke & Collins, 2003). In contrast, based on Hofstede’s cultural dimensions, cultural practices among Iranian managers have been described as individualistic towards out-group but with a strong in-group collectivism, high power distance, a high male (materialistic) orientation and low uncertainty avoidance (Javadian & Dastmalchian, 2003). Apart from the high in-group collectivism, these values align to a large extent with entrepreneurial values as found by McGrath e.a. (1992). An interesting next step would be to investigate the nature of the businesses rural indigenous women established.

**Individual Values and Success Criteria**

Research on a cultural level has indicated that, on the one hand, a typical “entrepreneurial values profile” may exist (McGrath e.a., 1992). In the other
hand, a completely different values profile has been found among a typical sub group of indigenous female rural business owners (Zarafshani e.a., 2007). Looking more closely on the individual level at the way values relate to entrepreneurs’ goals and the characteristics of the business is another interesting avenue to gain insight into this relationship. Results of Gorgievski & Ascalon (2005) have shown that whether business owners value certain criteria for entrepreneurial success as more or less important, such as owning a large organization versus a balanced personal life, depends on their personal values. Most importantly, the traditional success criteria, making a profit, growth, and innovation have been shown to relate positively to self-enhancing (power, achievement) and change oriented (stimulation) value orientations. In line with value theory, conflicting goals fit contrasting value orientations. The self-transcendent (universalism, benevolence) and conservative counterparts related to lower rankings of the traditional success criteria growth and making a profit. In contrast, universalism promoted “making a social contribution”, whereas benevolence was associated with having satisfied clients and employees as well as personal satisfaction. These more socially oriented criteria related to lower rankings by their self-enhancing counterparts in the value domain. Likewise, the conservative value orientations related to a lower ranking of innovation. This may have important consequences for their businesses. According to Miner (1997), “the type of person an individual is determines the route he or she should follow” (p. 55). Striving for business growth may make an entrepreneur who places high value on benevolence feel unhappy. On the other hand, adjusting business activities to fit with family obligations may jeopardize the future of the business. It is important to realize such internal conflicts, and handle them in a satisfactory way.

CONCLUSIONS

We argue that entrepreneurial success cannot only be measured using hard criteria on the business level, but it is also necessary to include softer criteria on the personal level. Moreover, different success criteria can be in conflict, so striving for success on only one dimension has tradeoffs on other dimensions. For example, striving for better financial performance and growth may conflict with softer personal success criteria, such as being able to balance work and private life.
Based on their personal values, different types of entrepreneurs weigh those trade-offs differently. For starting entrepreneurs it is important to gain a holistic view of entrepreneurial success. In addition it is important they are aware of their own personal values that serve as guiding principles in their lives. Knowing what factors are internally motivating will help recognize possible pitfalls that may cause people to either fail as entrepreneurs, or to get captured in an unsatisfactory enterprise. Knowing what is really important in his or her life will more likely keep the entrepreneur focused towards accomplishing his/her goals, while at the same time keeping the business solvent.

Finally, we recognize peoples’ value systems are not just personal difference constructs. People are part of groups and societies, which share certain values. These cultural values may comprise an important element of the individual values of the entrepreneur and the culture of his or her organisation. We have given two examples of studies on entrepreneurs’ values and success criteria, from two samples in two different cultures, which provide an illustration of differences in entrepreneurs’ value orientation. These differences challenge the idea of a universal “entrepreneurial cultural profile”. Rather it shows that entrepreneurs need to be artists in lining up different values and create some form of synergy between personal, group, and national values.
RELATED IN-CLASS ACTIVITIES

1. Lecture

This course could start with a lecture on values systems on personal and cultural level, and the way individual and cultural values influence human behavior.

2. Group discussion

In a group discussion students can discuss their opinions, and also prior knowledge of what they have already learnt about entrepreneurial success. To help students formulate their ideas, they can start by thinking which one of the three entrepreneurs in Appendix 1 they find most successful and why. Another question that might help students is “when would I consider myself to be successful?”

3. Success and values exercise

For this exercise, students fill in a questionnaire based on which they will be able to create their own values profile (e.g. the PVQ of Schwartz). Next they will split into small groups based on these profiles. Each small group will be required to identify personal strengths and weaknesses when starting up a business related to these values.

4. In depth interviews

Students can interview different types of entrepreneurs about their personal goals and values, in addition to their business goals and mission, the structure and culture of their business and business performance. To be of value, the interview must be done in a highly professional and systematic manner, not casually. See Appendix 2 of this Chapter for more detailed instructions written by Martin Lukeš, based on notes of Michael Morris, Witting Chair in Entrepreneurship, Syracuse University, NY, 2004.
APPENDIX 1. ALL SUCCESSFUL ENTREPRENEURS?

**Senna 1**: “I feel that starting a business after having been on sick benefit for more than a year is a great victory”. Senna and his wife Janet own a soil sanitation company. They clean soil without using chemical processes. It was a deliberate choice to run the business in an environmental friendly way. Both he and Janet have a medical background, because of which both of them lost their former jobs. The three people they hired to work for them all have medical backgrounds. They claim that people who do not have experience with disablement for work do not fit into their companies’ culture, which they describe as striving for understanding and welfare of all people and for nature. The company has many clients, and they have received a permit from the local government to expand their business on the current location next year.

**Senna 2** is running a florist business. She is famous for her artistic and classy flower arrangements. Being very successful is important to her. She likes to stand out and to impress other people. Shortly after she had opened a small flower shop, the demand for flower arrangements grew exponentially. Soon she had to disappoint a large number of potential customers. She hired personnel to support her, both with the administration and with creating bouquets. However, she was never satisfied with the artistic quality of her assistants, and she was afraid that they would damage her reputation. After a few months she closed her shop and fired all her employees. She now only accepts orders by fax, and she produces a maximum of three flower arrangements per week for prohibited large sums of money.

**Senna 3** is 25 years old. He started his own clothes company a year ago. At that time he had worked for a large retail company for five years, and he had worked himself up from shop floor to top management. Senna operates in a niche market. He sells trendy casual wear at low prices for children from 6 to 16 years old. His formula turned out to be a success. He opened his second shop six months after the first, and now owns three shops (Rotterdam, The Hague and Utrecht). Senna is planning to own about 30 shops 5 years from now, and to control the niche market for children’s casual wear. In order to keep costs down
he buys his products in Asia. In addition he hires very young people to work in his shops. He confesses that he is not very good for his employees. They work long hours for small salaries. They hardly get any extra benefits. Senna wants to give them more in return once the business is large enough. However, at this point it does not seem necessary, because everyone is in a flush of victory.
APPENDIX 2. INTERVIEWING AN ENTREPRENEUR

(By Martin Lukeš, based on notes of Michael Morris, Witting Chair in Entrepreneurship, Syracuse University, NY, 2004)

Overview

One of the most valuable learning experiences students interested in the field of entrepreneurship can have involves conducting a field interview of a successful entrepreneur. However, to be of value, the interview must be done in a highly professional and systematic manner, not casually. The student must prepare questions in advance. It can be helpful to first go through the questions in a mock interview with a friend who can provide valuable feedback. The student should develop an efficient means for taking notes and capturing all the important points made by the entrepreneur. When actually with the entrepreneur, the student must attempt to establish a personal rapport (e.g. taking the entrepreneur to lunch for the interview might help). It is critical that the student does not just deal with superficial questions and answers. The key is to probe, to ask why, to delve beneath the surface to get at what the entrepreneur is really all about, to find out what makes the entrepreneur „tick“.

Requirements

1. The entrepreneur must have a venture that is at least two years old. He/she must have started the venture. The venture must have at least ten employees (can be full-time or part-time).
2. The interview of the entrepreneur must be conducted in person (or using a video-conference if necessary).
3. Plan for the interview to take at least an hour. Given the schedules of successful entrepreneurs, this may mean more than one meeting.
4. Interviews have to be done alone, not in teams.
5. The final written report of the insights developed during the interview should have at least 4 – 5 pages in length and be in a format of a case study or an essay about the entrepreneur.
Core Issues to be Addressed and a Way to Structure the Interview

The interview should not focus on the venture, but instead on the entrepreneur. Thus, when the student writes up the interview, it should not be a case study of the venture. The entrepreneur will want to talk about the venture, and you must let some of that happen, but keep bringing it back to the person herself or himself. There should be just a relatively small space devoted to the venture both in the interview and in the report. It may be necessary to discuss specific events that happened as the business evolved, but only because such events provide insights regarding the entrepreneur herself of herself. The main aim of the interview should be to get so many insights to the personality of the entrepreneur as possible. Some of these personal issues need to be approached subtly; other ones can be approached directly. It is useful to organize your questions around issues pertaining to the entrepreneur:

1. before he/she started the venture,
2. at the time he/she started the venture,
3. as he/she grew the venture,
4. today and tomorrow.
Examples of Questions and Issues in Each Area

(These are examples, not a comprehensive list):

Ad 1) The entrepreneur before he/she started the venture

- Did the entrepreneur have parents that were entrepreneurial?
- What is the entrepreneur’s educational background?
- What is the entrepreneur’s previous work experience (before starting the venture)?
- Did the entrepreneur have any positive role models when growing up? Which ones?
- Did the entrepreneur do entrepreneurial things as a youth?
- When did the entrepreneur know he/she wanted to be an entrepreneur?
- What values did entrepreneur have before starting the venture?

Ad 2) The entrepreneur at the time he/she started the venture

- What was the entrepreneur’s primary motivation for starting a business?
- What were the factors that led him/her to start the venture?
- Did he/she prefer to start the venture alone or with somebody? Why?
- What were the entrepreneur’s goals at the time he/she started the venture?
- What sort of beliefs did the entrepreneur have (e.g. about employees, business partners, debt)?
- Did the entrepreneur seek to establish a lifestyle business, a high growth business or something else?
- What sort of resources (not just financial) did the entrepreneur have when he/she started the venture?
- What sort of social network did he/she have?
- Were there any especially creative things he/she did to come up with the resources needed?
- How concerned was the entrepreneur with control when starting the venture (of the venture, of employees, of co-owners, of decision making)?
- What was the entrepreneur’s risk orientation when he/she started the venture?
- Did the entrepreneur write a business plan?
- Did the entrepreneur feel prepared to start the venture at the time he/she started it?
- How many hours per day and per week the entrepreneur worked?

Ad 3) The entrepreneur as he/she grew the venture
- How have entrepreneur’s goals and values changed since he/she started the venture?
- Did the entrepreneur’s risk orientation change as the venture grew?
- Did the entrepreneur’s need for control changed as the venture grew?
- Did his/her typical work week change? How many hours did he/she work and how was his/her time allocated?
- Was he/she successful in maintaining work-life balance?
- Did the entrepreneur make assumptions when he/she first started out that subsequently proved to be wrong? What sort of insights was gained?
- What key mistakes did the entrepreneur make along the way? What were some of the key lessons learned? What were their greatest and worst moments?
- Were there some critical points in the development of the venture when the venture almost failed?
Ad 4) The entrepreneur Today and Tomorrow

- What would the entrepreneur do differently if they had it all to do over again?
- What key personal characteristics does the entrepreneur see in himself or herself that were especially critical for achieving success with this particular venture?
- What are the entrepreneur’s plans for the future in terms of the venture?
- What is the entrepreneur’s exit strategy (e.g. sale, finding successor) or do they have one?
- What advice does the entrepreneur have for a student interested in starting a venture today?

Some Other Important Points

Another useful idea is to structure your interview with the easier questions up front. Build up to the more threatening or personal questions, and then end with some questions that are more reflective and future looking. Don’t accept superficial answers. Don’t accept the politically correct response if you feel that they do not correspond with the reality. It is critical that you probe. Ask entrepreneurs to elaborate, to explain what they mean and ask why. The important thing is to get a deeper insight.

You should not just dwell on the positive. While entrepreneurs often do not like to admit weaknesses or mistakes, both represent important aspects of who they are and how they got where they are today. You should ask them about their biggest weakness or shortcoming when starting the business, how they have addressed or dealt with that shortcoming over time, the biggest mistakes they made over the course of starting and growing their venture, things they would have done differently if they had them to do again, and so forth. Also, try to cut through the bias or propaganda – there is a natural tendency for people to make themselves and events sound better, more planned, more logical, and more successful than they necessarily were.

Be sure to examine the effect of the venture on the person’s total life. Did it mean sacrifices for the entrepreneur’s family? Did it lead to divorce or
resentment from children? Did it lead to imbalances between a person’s work life, family life and personal life?
REFERENCES


Suggested further readings

(Articles relevant to criterion construction)


LEARNING GOALS

In this chapter, students will learn:

1) About stress versus activation from a Conservation of Resources perspective,
2) About typical entrepreneurial demands and resources
3) The idea of positive psychological capital, and it’s role in entrepreneurship from a positive psychological perspective,
4) Ways to augment entrepreneurs’ psychological capital.
INTRODUCTION

Economic, social, and political factors create the overall climate for new economic initiatives, which plays an important role in the development of entrepreneurship. However, at the end, the emergence of a new firm depends on the decision of an individual to undertake the task. In Europe, relatively few individuals take this decision. In addition, many new firms collapse (Blanchflower, 2000). Because the person and the business are closely intertwined during launch phase (Rauch & Frese, 2007), the entrepreneur’s actions can be of crucial importance for business survival and success, especially in these first stages of a young business. Vice versa, how well an organization functions can be expected to affect the entrepreneur personally.

Despite the development of psychological research on the entrepreneurial process to date, we still know little about the interaction between business success and the individual strengths, growth and well-being of entrepreneurs (Sarasvathy, 2004). One of the reasons is that psychological studies have chosen a static approach, aiming to identify entrepreneurial characteristics predictive of entrepreneurial intentions and business success, without paying much attention to the dynamic processes that might explain such relationships (Rauch & Frese, 2007). In addition, research to date has treated the entrepreneur as a crucial resource for firm survival, but little attention has been paid to a possible reversed relationship: how does the firm serve firm owner’s well-being (c.f. Sarasvathy, 2004).

This chapter aims to fill this gap from a positive psychological perspective. Positive psychology, which found expression in the publications of Seligman and Csikszentmihalyi (2000), caused a large scale shift in researchers’ attention away from peoples’ deficits and pathologies, toward studying human potential, strengths and talents. This lines up with common research practice in management and entrepreneurship, which identifies human capital, such as knowledge and competencies, or social capital, including social networks, trust and reputation, alongside the traditional financial, physical, or technological resources as crucial predictors of business success (e.g., Luthans & Youssef, 2004; Vecchio, 2003). The new proposal put forward by Luthans and his research team (Jensen & Luthans, 2006; Luthans & Youssef, 2004) is to take into consideration the so-called “positive psychological capital”, which refers to employees’ personal resources, first of all, their positive beliefs. Although there are studies that point to the significance of peoples’ positive convictions to the
success of the organization (cf. Jensen & Luthans, 2006), they have seldom been taken into account in research on entrepreneurship to date.

In this chapter, the emphasis on positive psychological capital will be integrated with the basic ideas of Conservation of Resources (COR–) Theory (Hobfoll, 1989). Instead of analyzing positive and negative aspects separately (Gorgievski, 2007; Laguna, 2007), we will explain two fundamental processes related to entrepreneurs’ job content and their personal and job–resources. First is a stressful downward spiral of resource loss, and second is an upward, motivational spiral of resource gain. Most importantly, we will take a closer look at the role of positive psychological capital in these processes.

**CONSERVATION OF RESOURCES**

COR Theory (Hobfoll, 1989) is a motivational stress theory, according to which people strive to protect, maintain and increase their resources. Resources can be any objects, conditions, social and personal resources, and energies (e.g. time, money), that have intrinsic or instrumental value. When people experience a threat to their resources, or when they loose resources, they are expected to experience distress. When they perceive a (potential) gain, they are expected to experience positive emotions and get motivated.

According to COR Theory, people aim to counteract (potential) losses and strive for perceived opportunities of resource gain, by investing other resources they posses. However, there is a risk that the investment of resources causes these resources to get lost as well. When the investment of resources does not lead to the expected gains, this will also be stressful.

In the occupational setting, work can provide both opportunities and demands. Job demands refer to physical, social, or organizational characteristics of the job that require sustained physical and/or mental effort and that are thus associated with certain physiological and psychological costs. Empirical evidence exists that the core resources that are depleted as a consequence of high work demands are intrinsic energetic resources, such as vigor, emotional stability and cognitive abilities (e.g. Demerouti, Nachreiner, Bakker, & Schaufeli, 2001; Hobfoll & Shirom, 2001). In other words, people get tired, irritable and start making mistakes if they work for a longer period of time, especially if they are performing difficult tasks that exceed their cognitive and emotional capacities.
Furthermore, loss of other resources may occur as secondary losses, resulting from peoples’ attempts to deal with their demands. Most common are diminished sense of personal competency and erosion of social support networks (Hobfoll & Shirom, 2001). In the long run this will even lead to health impairment, for example burnout and coronary heart disease (Demerouti et al., 2001).

Next to this loss spiral of resources, also motivational gain spirals have been identified. A good balance between job-demands and job-resources predicts whether job incumbents will be caught in either a positive gain spiral of resources, leading to motivation for the job, work engagement and high performance, or a negative, resource depleting loss spiral resulting in poor well-being and performance (Demerouti et al., 2001). Job resources refer to physical, social, or organizational aspects of the job that are functional in achieving work goals, reducing job demands, or stimulating personal growth, learning, and development. Job-resources can either foster intrinsic motivation by growth, learning and development, or extrinsic motivation by achieving work goals. Resources are expected to motivate especially if demands are high, and even if people are tired and exhausted. Individuals do not completely depend on the resources their jobs provide. They also have their own personal resources. Resource rich individuals are less likely to get caught into a loss spiral, and more likely to enter gain spirals of resources (Gorgievski & Hobfoll, 2008; Hobfoll, 1989).

ENTREPRENEURS AS AN OCCUPATIONAL GROUP

Each job has its own specific demands and provides its own specific resources. One can wonder whether it is legitimate to focus on entrepreneurs as an occupational group, because a large diversity exists between one type of entrepreneur and another (e.g., Carland, Hoy, Boulton, & Carland, 1984; Gartner, Mitchell, & Vesper, 1989). Without saying that entrepreneurs constitute a distinct “species” (cf. Sarasvathy, 2004), we focus on self-employed individuals who are engaged in activities that are distinctively entrepreneurial in nature, rather than people who run an existing small business or a professional practice. Various studies have shown that entrepreneurial activities can be identified, and distinguished from, for example, managerial activities (Kunkel,
There are some specific features that are common to entrepreneurial activity in different areas and branches.

Most authors agree that entrepreneurship is a process in which the entrepreneur and his or her venture are closely intertwined (see Rauch & Frese, 2007). Important feature of this process is the creation of new value. Creating new value does not necessarily refer to creating a new venture. It refers to creating and gaining resources on the one hand, and on the other hand shaping through rearranging resources in a new way, which are commonly understood to be the main entrepreneurial tasks (Morris, 2001). Note that in this context, resources are defined as assets, capabilities, routines and knowledge that are tied to or controlled by the organization the entrepreneur is operating. This contrasts COR theory, which defines resources much broader as to include primary resources that are essential for peoples’ survival (e.g., food, housing, being a member of primary social groups), and secondary resources that help individuals gain primary resources (Gorgievski & Hobfoll, 2008). An organization’s resources would in COR-theory be classified under the latter type of resources.

Another general feature is that entrepreneurs take on assignments with certain levels of risk. More specifically the entrepreneurial activities include, but are not restricted to (Shane, Locke, & Collins, 2003): (1) entrepreneurial opportunity recognition; (2) formulating ideas of how to exploit these opportunities; (3) product or service development; (4) resource acquisition, such as financial, human, and personal resources (knowledge, skills, attitudes); (5) organizational design, starting-up, (re)organizing social and economic mechanisms (new ventures, new departments within existing organizations, etc.); (6) formulating and communicating long-term vision, to have a visualization of what you aim to accomplish in the future; (7) evaluating ideas and performance. Entrepreneurs may also be performing tasks that are similar to other occupational groups, such as managerial tasks, inter-personal and relational tasks (sales), leadership tasks, or administrative tasks, but they typically perform these tasks in a different context than people working on payroll.
ENTREPRENEURIAL LOSS SPIRALS, THE STRESS PROCESS

Under what conditions will entrepreneurship be experienced as stressful? Entrepreneurial tasks require sustained effort and the investment of resources, and as such would fit our definition of demands. Returns on these investments may often be unsure. We need to keep in mind that demands become stressors if they lead to real or expected resource loss cycles (Hobfoll, 1989). Stress ensues in particular when individuals’ primary resources are threatened or lost. The question is, what entrepreneurial demands may set a loss cycle into motion? Unfortunately, previous entrepreneurial stress studies did not provide much insight into the entrepreneurial stress as a process of resource loss. A recent review of the mostly qualitative and cross-sectional studies on this topic (Gorgievski, 2007) produced the following “laundry-list” of entrepreneurial stressors.

The most often reported entrepreneurial stressor is work overload, especially quantitative work overload. Working with deadlines causes time pressure and a feeling of having too much to do in too little time. Another form of work overload is qualitative overload, which relates to a lack of skills and abilities to perform a given task. Qualitative overload may especially occur among starting entrepreneurs who meet new and unexpected challenges, and who need to learn how to deal with those new challenging tasks on the job. One of such tasks is dealing with people. This includes finding and selecting new employees as the business grows, moving employees into a new direction or mission, and properly defining relationships with employees, which includes delegating the right tasks and finding the right balance between delegating and controlling.

Secondly, two potentially stressful task-related challenges can be identified. One task in this respect is “decision making in uncertain situations”. In the case an entrepreneur does not have sufficient information, needs to act quickly, knowing his or her decision can have large consequences, this can be quite stressful. The other one relates to boundary spanning activities. These are activities related to communication between the organization and the external environment the organization is part of. These include communication problems with customers and suppliers, for example related to closing deals, and dealing with debtors. A third task related challenge is changing the products or services that are being delivered. Self-employed individuals have been found to feel more comfortable delivering well-known products and services than occasional or new ones.
A third type of stressor is frustration and disappointment experienced in relationship with business partners. This includes acquiring new partners as well as terminating from a partner. Frustration may not only arise from differences in personality but also from differences in expectations, abilities and contributions to the firm. In family businesses, stressors between business partners may take on a special form, such as intergenerational conflicts and rivalries between parents and children.

Finally, one of the main challenges entrepreneurs experience is finding the right balance between work and private life. Entrepreneurs may face overwhelming dominance of professional life and personal sacrifices, because of the long hours they make. Entrepreneurs reported they barely have time for family, recreation or further education.

The entrepreneurial stressors described above mainly appear to center around loss of energetic resources, which can be both external (finances, loss of which may pose a threat to continuity of the business) and internal (physical vigor, mental well-being). In addition, entrepreneurial stressors may lead to erosion of social networks, and threats to valued personal resources, such as autonomy. These losses spill from the professional domain into entrepreneurs’ private life. Loss of these resources may render people more vulnerable to experiencing further loss. For example, research has shown that business owners experience less social support in the working environment than employees do. Social support is a factor reducing perceived stress in the working situation. Social support improves well-being directly, and moderates the effect of overwork typical for this group. In addition, for individuals with a high level of perceived support, even considerable overwork decreases self-esteem to a lesser extent. Erosion of social networks and experiencing little social support, together with overwork, may lead to the decrease of self-esteem and well-being.

ENTREPRENEURIAL GAIN SPIRALS, THE ACTIVATING PROCESS

When is the entrepreneurial process motivating, when does it lead to the deep work engagement so characteristic of many self-employed (Shane, Locke and Collins, 2003)? As we described before, the focus of the entrepreneurial process is by definition on resource gain. This may be the reason that overall, entrepreneurship is perceived as an active, motivating job, rather than a stressful one (c.f., Gorgievski & Hobfoll, 2008). According to Brockhaus (1980), the
propensity of the entrepreneur, too, would be to focus on gains, rather than losses, which would explain why entrepreneurs chose other options than non-entrepreneurs do. They see gains in situations where other people only perceive losses.

Thinking of the resources entrepreneurs aim to gain, the first resources that come to mind are of course business resources. Business resources can be tangible or intangible representing organizational capabilities (Morris, 2001). In addition, there are also personal gains. One needs to know what entrepreneurs value in order to understand what they want to gain. Research on the reasons why people want to start their own business (Kuratko, Hornsby, & Naffziger, 1997) and research on rewarding aspects of entrepreneurship (e.g. Lewin-Epstein & Yuchtman-Yaar, 1991) showed that people seek freedom, autonomy, a higher income than they could possibly get working on payroll, status, and social recognition. A positive entrepreneurial gain spiral would ideally lead to business growth (gain of business resources) and personal growth (gain of private resources).

Resource rich individuals are more likely to experience resource gain cycles. The job can provide resources, in particular decision latitude (schedule flexibility, job variety, skill utilization and autonomy). On the other hand, the entrepreneurial job generally also lacks some resources, such as supervisors and peers in the organization who can provide feedback and social support (Tetrick, Slack, Da Silva, & Sinclair, 2000). In addition, the entrepreneur possesses personal resources as well. Research on entrepreneurial success has identified a list of personality characteristics and competencies predictive of entrepreneurial success. These include independence, risk taking propensity, tolerance of ambiguity, entrepreneurial self-efficacy, creativity, market orientation and leadership skills. Hope, optimism, and self-efficacy, as well as resiliency, were recognized as important positive resources for the organization that may increase its competitiveness in the marketplace (Jensen & Luthans, 2006). In the following section, we will describe the role of positive psychological capital, in specific self-referent beliefs.
THE ROLE OF POSITIVE PSYCHOLOGICAL CAPITAL

In COR theory, self-referent beliefs are considered “management resources”, resources that help people to better allocate (manage) other resources in order to offset resource loss and effectuate resource gain (Hobfoll, 2002). In socio-cognitive approaches and positive psychology, self-referent beliefs are treated as important behavior regulators (Bandura, 2001). Entrepreneurship research has shown that self-referent beliefs and convictions regarding the world constitute an important determinant of entrepreneurial success (Markman, Baron & Balkin, 2005; Shook, Priem & McGee, 2003), and hence entrepreneurial gain spirals. One possible mechanism may be through better entrepreneurial leadership. Jensen and Luthans (2006) have shown that positive psychological capital and effective leadership were connected in a sample of business founders.

The self-referent belief most frequently addressed in entrepreneurship research to date is self-efficacy, which can be defined as the subjective conviction that one is capable of acting in a given situation or coping with a certain task (Bandura, 1997). Two forms of self-efficacy can be distinguished. First is general self-efficacy. General self-efficacy is particularly important in the face of complex, multidimensional tasks such as becoming or being an entrepreneur. Ample evidence exists showing that general self-efficacy is an important resource for coping with stress. The second form of self-efficacy is specific, or in the context of entrepreneurship, entrepreneurial self-efficacy (Chen, Greene & Crick, 1998). Entrepreneurial research on self-efficacy has shown that entrepreneurs score higher on entrepreneurial self-efficacy than other samples, such as managers (Chen, et al., 1998), and individuals who have created their own ventures feel more self-efficacious than those who have not decided to do so (Markman, Balkin & Baron, 2002; Markman, Baron & Balkin, 2005). Self-efficacy, general as well as specific, have been found predictive of entrepreneurial intention in unemployed individuals (Laguna, 2006). Some evidenced relates self-efficacy to entrepreneurial gain spirals. High self-efficacy correlated with financial resource gain, namely a high annual income, in a study by Markman, Balkin & Baron (2002).

The second important personal capital resource in the context of entrepreneurial action is optimism. Optimism is understood as a general expectancy of positive events in the future (Scheier & Carver, 1985). Entrepreneurial leaders who are more optimistic can motivate co-workers better, induce a stronger orientation toward the future, and create stronger
commitment in them than less optimistic leaders (cf. Jensen & Luthans, 2006). Expecting positive results, an optimistic person puts greater effort into his or her activities. Optimists are more strongly convinced than pessimists that the obstacles encountered can be overcome. Because of this conviction, they persist in their actions, which enables them to succeed more often (Scheier & Carver, 1985). Optimistic thinking about the future is connected with setting high standards and aspirations as well as with success in problem solving. It also favors the application of more adaptive strategies of handling difficult situations. In the context of taking entrepreneurial action, optimism seems to be one of the important characteristics of individuals who start their own firms (Markman & Baron, 2003; Shook, Priem & McGee, 2003).

Hope is another positive belief supporting people in attaining their goals. In Snyder’s conception (2002), hope is defined as two interrelated thought processes: agentic thoughts and pathway thoughts. For people with a high level of hope, clear goal formulation is expected to be accompanied by the conviction that one can initiate and sustain movement toward the goal (agentic thoughts). This conviction gives people energy, which enables one not to be discouraged even when difficulties and obstacles emerge. The other component of hope is the perception of oneself as a person who is capable of inventing several alternative effective pathways (pathway thoughts) leading to goal attainment. Together, pathway and agentic goal-directed thinking define hope, which can be described as a confidence in one’s own success in a process of goal realization. Research has shown that individuals with a high level of hope approach goals as a challenge, concentrate on the possibilities of success rather than failure, and assess highly the probability of goal attainment. At the same time they generate more goals, because of which they are capable of turning to a new goal more easily when the initial one proves to be unattainable (Snyder, 2002). Some empirical evidence among entrepreneurs exist showing a relationship between hope and satisfaction from running one’s own firm (e.g., Jensen & Luthans, 2006).
INCREASING PERSONAL RESOURCES AND INDUCING GAIN SPIRALS OF RESOURCES

Although positive psychological capital, such as self-efficacy, hope, and optimism, are generally considered to refer to management resources or behavior regulators (Hobfoll, 2002), these resources are not as constant as, for instance, personality traits described in the Big-Five model (McCrae, 1992). This means that they can change, either in the long run as a consequence of long-term loss spirals that cause people to lose faith, belief in themselves and belief in positive outcomes, or as a consequence of gain spirals, which have been shown to increase self-referent beliefs (Xanthopoulou, Bakker, Demerouti & Schaufeli, 2006). In addition, they can be improved by training (Luthans & Youssef, 2004).

The best way to develop a sense of self-efficacy is by allowing people to experience success (Bandura, 1997; Luthans & Youssef, 2004). This can be achieved by guided mastery principles, which consists of three components. First, students learn the basic rules and strategies necessary to perform a task or job, and appropriate skills are modeled. Second, learners receive guided practice under conditions simulating real life situations, for example by role play exercises or simulator training, which allows them to develop proficiency in the new skills. When doing so, students need to receive informative feedback about how they are doing (e.g. videotapes). Their attention needs to be directed to the corrective changes that need to be made. Third, learners are provided with a graduated transfer program that helps them to use their new skills in real work or life situations. During this final phase, self-directed mastery experiences are arranged that give the learners the opportunities to succeed on their own to strengthen and generalize their perceived self-efficacy. In order to maintain self-efficacy in the long run, self-regulatory competencies need to be developed and cultivated. This means students need to learn how to set clear and explicit personal goals, and how to use self-monitoring processes to develop effective self-management strategies. These include experiencing their own successes, but also observing successful behaviours of other people, generating positive or constructive corrective feedback allowing oneself to improve, and also paying attention to the positive emotional and somatic states related to successful behaviour.

Three approaches have been offered to increase people’s optimism (Luthans & Youssef, 2004). These include “leniency for the past”, an accepting and forgiving attitude towards failures people themselves have made in the past, and
that cannot be changed. Second is “appreciation of the present”, being thankful and seeking gratification in the positive sides of the current life. Third is “seeking opportunities for the future”. Core ingredient of a training aimed at increasing optimism is changing peoples’ explanatory style. Ideally, students learn to develop realistic and flexible optimism, which means that they do not attribute failures only externally, failing to see other peoples’ contributions to their success. Instead, people need to be encouraged to switch flexibly between optimistic and pessimistic explanatory styles, depending on the situation at hand.

Finally, in order to develop hope, goal setting is vital. Ingredients for a training program aimed at increasing peoples’ hope typically are (1) helping people to set specific, realistic but also challenging goals, (2) breaking long-term goals down into smaller sub steps (stepping), (3) planning several routes in case one route gets blocked, (4) accentuating strengths and positive movement toward a goal and (5) helping people to perceive barriers as challenges and a normal part of life rather than failures (Snyder et al., 2000).

CONCLUSIONS

In this contribution we focused on typical demands and resources of entrepreneurs that play an important role in setting into motion either a motivating spiral of resource gain or a stressful and health impairing spiral of resource loss as two interrelated sides of the entrepreneurial activity. Putting together both the positive and the negative perspective of the entrepreneurial process, we avoid exclusive concentration on the negative side, connected with weaknesses, or the positive perspective of understanding human functioning, focusing on individual strengths and resilience, both of which may be too colored (Held, 2005).

Based on an overview of the entrepreneurial stress literature, we have identified four important groups of stressful entrepreneurial demands. We need to bear in mind that these demands are experienced as stressful, because they set into motion a loss cycle of resources. Reason why people get entangled in loss spirals is because they lack resources to deal with certain demands. These include competencies such as time management skills, marketing skills, managerial competencies, and social competencies. Understanding this resources loss process may help to explain why many entrepreneurs do not extend growth of their firms and why many firms collapse (Blanchflower, 2000).
We also described entrepreneurial resource gain processes and the role of positive psychological capital. High demands do not need to lead to stressful loss spiral, in case a person is resource rich. Having high level of positive psychological resources, such as self-efficacy, optimism and hope, the entrepreneur may be more able to focus on gains, to persist in the face of adversities, and to successfully move on through the phases of the entrepreneurial process. With our contribution based on the Conservation of Resources theory, explaining gain and loss cycles of resources we can better understand the process of new venture creation and venture growth.
RELATED IN CLASS ACTIVITIES

1. Lecture

This course could start with a lecture on entrepreneurial stress and motivation from a Conservation of Resources perspective, and the role of job resources and personal resources in effectuating and maintaining gain spirals of resources.

2. Group discussion.

In a brainstorm session, followed by a group discussion, students can be invited to generate ideas on how to improve entrepreneurs' psychological capital. For example, they can discuss what specific dimensions of self-efficacy would fit the tasks of starting up an enterprise. These relate to the knowledge, skills and abilities necessary for starting a business. Task related entrepreneurial stressors that have been identified in the literature may also be helpful identifying specific dimension of “business starters” self-efficacy. After students have formulated their own ideas, they can be invited to criticize existing measures of entrepreneurial self-efficacy, such as the instrument developed by Chen et al. (1998). How would they improve this measure? Finally, students can discuss ways to develop self-efficacy, hope and optimism in the context of entrepreneurship in a training program for potential entrepreneurs. The results of this discussion could be used in the next exercise.

3. Create-your-own-course exercise.

Working as a group, students are encouraged to develop their own exercises and activities with the purpose of enhancing self-efficacy, hope and optimism in a training program for potential entrepreneurs. These exercises can include role-plays and small case studies. Students need to work through the following steps:

a) Define who will be the potential participants of the course (e.g. job-seekers, students).

b) Define the aim of the course. Will this course focus on developing situation specific self-efficacy, optimism or hope in the context of
entrepreneurship?earning objectives. What will the participants be able to do as a result of the learning activities in this plan? Several learning objectives can be defined for the overall training goal. The learning objectives need to be defined as “SMART” objectives (specific, measurable, ambitious, realistic and time bound) if possible.

c) Define the learning methods / activities. What activities will the students be doing in order to achieve the learning objectives? Note that learning activities may not match learning objectives on a one-to-one basis.

d) Set a time frame. How much time will the learners have to learn the new knowledge and skills?

e) Describe the total course content.

f) Plan the course evaluation.

4. **How-to-create-balance exercise.**

In this exercise, students learn how to increase skills directly aimed at maintaining energetic resources. The exercise can focus on several aspects (see, for example, Haddock, 2001). First is time management skills, which can help conquer quantitative workload. Students can assess their current lives, and identify areas in which time and energy are spent ineffectively. These can, for example, be a disorganized environment, information overload (email, internet, brochures) or too much socializing during working hours. The exercise can also focus on setting SMART goals at work. Second, students can more broadly gain skills for creating balance in life. Students can start by making their own life balance assessment across different life domains (e.g. career, relationships, money matters, health and wellness, physical environment, recreation, spiritual and personal growth). Next, they can be encouraged to set smart goals for achieving (even) better balance in life.
REFERENCES


PART III

NEW BUSINESS CREATION AND GROWTH
CHAPTER IX
OPPORTUNITY RECOGNITION AND DEVELOPMENT

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„When one door closes another door opens; but we often look so long and so regretfully upon the closed door, that we do not see the ones which open for us. “

Alexander Graham Bell

„Opportunity is missed by most people, because it is dressed in overalls and looks like work. “

Thomas Alva Edison

LEARNING GOALS

The aim of this chapter is to help students:

1) Understand what entrepreneurial opportunities are, what their origin is and why some people recognize certain opportunities and others don't.

2) Learn how to recognize opportunities and how to develop business ideas.

3) Learn how to develop business ideas into business concepts and models.
Real-@uction

Changing the Real Estate market…

In the last year, a group of students presented their business model in our entrepreneurship class. Their main idea was to improve the matching mechanism in the housing and office rental market in the Czech Republic, by introducing an auction system.

Their customers were: 1) People searching flats or offices for rent (demand side customers) and 2) People willing to rent flats or offices (supply side customers). The customers would meet on an internet based auction platform. People willing to rent flats or buildings would set up an entry in the database via Internet. They would be asked to fulfill some requisites as property information, pictures and preferences, so that all information is standardized. Additional services, such as 360° pictures or virtual tours that might help to attract further customers, would be provided at a later stage. In an auction similar to those known from eBay, the supply side customer would set a minimum price, and the demand side customers might place their bids during a preset time period. Initial prices would be between the reservation price of the supply side customer and the market price. Consumers would be attracted by offers starting below the market price. The demand side client with the highest bid at the end of the auction period would receive the contract. The firm would also act at a later stage as a broker for services related to the renting of flats and houses such as reallocation services, cleaning services and other. The revenue model was based on registration fees from “sellers” (approx. 28 EUR for every new customer), percentage of the rent above the minimum price (30% from the difference) and selling information from the customer database upon agreement. Possible fees in the future might also include commission on the monthly rent, payments for costly services such as 360° pictures or solvency checks, etc.

Andreas Kaepelli, Tomasz Luszak, Humberto Chávez

What do you think of this business concept? Is it a good opportunity? Is it a good business idea?
THEORETICAL BACKGROUND

Opportunity recognition, opportunity development and the final selection of the right opportunities are among the key competencies of a successful entrepreneur. They relate to a difficult task. The entrepreneur needs to be alert, sensitive to market needs and inefficiently used resources, and sometimes search systematically for additional information. Opportunity recognition, selection and development mark the start of the entrepreneurial process, but are also recurring, as entrepreneurial opportunities need to be developed, evaluated, further developed and modified and again evaluated repeatedly in a cyclic manner. The efforts may result in new venture creation (Ardichvili, Cardozo & Ray, 2003), but also in creation of new value within an existing organization, such as new products and new production methods (Shane, Locke & Collins, 2003). The current chapter will use a five stage model of opportunity development, leading from opportunity recognition to sequentially formulating a business idea, a business concept, a business model, a business plan, and finally business foundation (see Figure 1).

![Figure 1: The process of opportunity development](image)

Business opportunity

In general, a business opportunity can be defined as a possibility to satisfy market needs through a new combination of resources that will offer added value (Kirzner, 1973). Alternatively, Shane and Venkataraman (2000) define opportunity as a „situation in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater price than their cost of production“ (p. 220). Many other definitions have been put forward. Baron (2004) therefore summarized that opportunities have three central characteristics:

- potential economic value (i.e. potential to generate profit),
- newness (i.e. something what did not exist previously), and
- perceived desirability (of the new product or service in society).

Opportunities start as initial ideas and simple concepts that are further developed by entrepreneurs. Opportunities emerge from the complex of changing technological, economic, legal, social and demographic conditions (Baron, 2004). According to Kirzner (1973), opportunity starts when the entrepreneur recognizes a commercial value of his or her idea. The question is whether opportunities exist and they just need to be recognized (Kirzner, 1973), or whether it is necessary to create them actively by an entrepreneur (Hills, Hansen & Hultman, 2004). An interesting view is provided by Sarasvathy, Venkataraman, Dew and Velamuri (2002). These scholars identify opportunity recognition, opportunity discovery and opportunity creation. Opportunity recognition is the case when both sources of supply and demand exist rather obviously. Only the opportunity for bringing them together has to be "recognized" and then implemented. An example of opportunity recognition is franchising. In the case of opportunity discovery, only one side (either demand or supply) exists. In this case, the nonexistent side has to be "discovered" before the match-up can be implemented. Examples include cures for diseases (the market demand exists; supply has to be discovered) and better use of inefficiently used resources (e.g. dairy farms may decide not only to produce milk, meat and other animal products, but also open up their gates for agro-tourism). Finally, opportunity creation is the most difficult situation when neither supply nor demand exist in an obvious manner. In this case, both demands and supplies have to be "created", and several inventions in marketing, financing etc. have to be made before the opportunity can come into existence. Examples include Edison’s General Electric or Google.

Generally, opportunities always involve either unfulfilled market needs (queues at state offices; bad can openers; wireless connections), unused or inefficiently used resources (possibilities for advertisement: bench, own forehead; brownfields; ideas of university researchers that are not commercialized) or the possibility to connect specific market needs with specific resources. Opportunities are also situational. The window of opportunity must be open long enough to enter, but narrow enough to keep others out.
Factors influencing opportunity recognition

The process of opportunity development starts when entrepreneurial alertness exceeds some threshold level and the entrepreneur realizes that the idea might be a good one. The alertness is higher when the potential entrepreneur is optimistic and creative, has prior knowledge and experience and has supportive social networks. Also culture and national conditions play an important role in opportunity recognition. These elements will be described below.

**Entrepreneurial alertness.** Entrepreneurial alertness can be defined as a propensity to notice and be sensitive to information about objects, incidents, and patterns of behavior in the environment, with special sensitivity to maker and user problems, unmet needs and interests, and novel combinations (Ardichvili, Cardozo & Ray, 1996). Higher alertness is related to higher likelihood to recognize an opportunity. Hills, Hansen and Hultman (2004) suggest that entrepreneurs recognize, not actively search for the opportunities. In this sense, entrepreneurial alertness can be understood as a “passive search”. This means that entrepreneurs need to be prepared to recognize the value of new information.

**Prior knowledge.** Another factor that plays an important role is information asymmetry and prior knowledge. People have the tendency to notice information that is related to something they already know. Prior knowledge creates a „knowledge corridor“ and triggers recognition of the value of the new information. Key areas of prior knowledge are prior knowledge of markets, prior knowledge of ways to serve markets, and prior knowledge of customer problems (Ardichvili, Cardozo & Ray, 2003).

**Social networks.** Hills, Lumpkin and Singh (1997) found that entrepreneurs with extended networks of different types of social contacts were able to identify more opportunities. Four types of social networks can be distinguished:

1. The inner circle, also called strong ties, which consists of long-term, stable relationships with close people, such as friends and relatives,
2. The “action set”, including employees,
3. Partnerships, which includes the start-up team members,
4. Weak ties, referring to acquaintances and distant friends.
Strong ties, including close relatives and friends, serve as a perfect support and source of financing or cheap labor. In contrast, weak ties often play the role of bridges to key information. However, to use his or her social networks, the entrepreneur cannot be just passive. De Koning (1999) identified three cognitive activities (information gathering, thinking through talking, and resource assessing) that entrepreneurs use when talking to their social networks in order to recognize an opportunity.

**National culture and framework conditions.** Opportunity recognition differs across various national cultures. In the Global Entrepreneurship Monitor (GEM) project, representative samples of adult populations in 42 countries were asked whether they perceive good business opportunities for starting a business in their place of living in the next six months (Lukeš & Jakl, 2007). Results are shown in Table 1. Japan was the country with the lowest opportunity recognition (less than ten percent). The highest opportunity recognition was in Peru (almost seventy percent). In Europe, the lowest opportunity recognition was in Belgium, Hungary, Germany, and France, the highest in Denmark, Iceland, Sweden, Norway, and Finland. Overall, more opportunities were perceived more by younger men, people with university education, people living in bigger cities, and people with higher household income.

**Table 1.** Percentage of the population in different countries who believe that there will be good business opportunities in the next 6 months.
Countries also differ in whether people start a business out of necessity or because they perceive good business opportunity. For example, in the Czech Republic 5.5 percent of the adult population is involved in new entrepreneurial activity, because people perceive good opportunities. On the other hand, 2.4 percent start because they do not have any better job alternative. In Germany, the difference between opportunity and necessity entrepreneurship is smaller (more people start out of necessity), whereas in Italy, Spain and the Netherlands the opportunity entrepreneurship is strongly prevalent. In the case of the Netherlands, only 0.3 percent of the adult population start because there are no better job opportunities.

Sources of new ideas

Regardless of culture, many general sources of new ideas can be used.

- Listen to customers. Nascent entrepreneurs may search for information from other companies’ customers that indicates gaps in the market concerning services and products. Examples are customers who say: „it would be good, if such a service ...“, and „we looked for this product, but nobody ...“. This information can be informally mapped (what is needed?), and more formally surveyed (how much demand exists?).

- Analyze strengths and weaknesses of the products and services that existing companies offer

- Find those individuals who come up with different gadgets and refinements that might be improved and sold to a wider audience with similar needs as the inventors had

- Monitor the distribution channels and production processes for problems. Different players in the distribution channel may have unmet needs. For example wholesale can have problems with the quality of products, retail with wholesale logistics, etc.

- Monitor macro economic developments. Government regulations can sometimes create large and certain demand, e.g. the new law prescribing that reflex vests are obligatory for drivers on business trips created a large demand in these vests.
- Pay attention to research and development at universities and research institutes that is not commercialized

- Engage in different creative techniques, such as brainwriting or brainstorming, which may spark the idea.

**Opportunity development**

Between the initial business idea and a real firm foundation is usually a long process of idea development and evaluation. When the idea is first developed, potential advantages and values for specific users start to emerge and also resources needed to develop the plan start to be better defined. At first, the idea is evaluated rather informally and inexplicitly. When the idea passes this first evaluation, it needs to be developed to a business concept. The business concept consists of the answers to three basic questions:

- what products and/or services will be offered,
- to whom the products and/or services will be offered, and what specific customer needs will be satisfied, and
- how the products and/or services will be delivered to the market (i.e. the concept of production, sales, marketing and logistics)?

Appendix 1 provides more specific elevator pitch guidelines that will help to precise a new business concept.

After further work on developing the opportunity, the potential entrepreneur gets from a business concept to the stage of a business model. Business models have to be simple, logical and measurable, but yet on the other hand comprehensive and meaningful. The aim of the model is to present viability of a business and therefore it must clearly answer the question as to how the products and services will be sold to customers in order to get higher revenues than costs and expected returns of investment. Morris (2004) recommends elaborating six main areas:

1. How will the firm create value?
2. For whom will the firm create value?
3. What is the firm’s internal source of advantage?
4. How will the firm differentiate itself?
5. How will the firm make money?
6. What are the entrepreneur’s time, scope and size ambitions?

Appendix 2 provides more specific business model presentation guidelines, and Appendix 3 presents 50 questions that may help to improve the quality of a business model.

Opportunity Evaluation

Opportunities are evaluated on each stage of their development (see Figure 1).

![Figure 1: The process of opportunity development](image)

The suggested process is illustrative; entrepreneurs do not always go through all the stages. In practice, entrepreneurs often do not prepare a formal business plan which is needed mainly when external financing is required. However, the key moment is to judge well whether the idea has a potential to create an expected profit. Entrepreneurs would need to focus on the following criteria (Timmons, 1990):

- Market criteria (e.g. are customers loyal to competition or sensitive to potential new offers? Is the market quickly growing?),
- Economic criteria (e.g. will the break even point be within two years? Are capital requirements low?),
- Competitive advantage (e.g. is it possible to patent the product? Do we have a clear time advantage?),
- Entrepreneurial team (e.g. is the team experienced, what are the results so far?),
  and
- Risk issues (e.g. are risks low or high?)

CONCLUSIONS

In this chapter we first discussed what the business opportunities are and that they can be characterized by potential economic value, newness, and perceived desirability. Then we described factors that influence opportunity recognition, namely entrepreneurial alertness, prior knowledge, social networks, and national and framework conditions. Subsequently, potential sources of new ideas were identified. More focus was laid on opportunity development – how to develop opportunity into sound business concepts and models. Furthermore, there are many useful questions to be found in the appendices that serve as a guideline for improvement of potential elevator pitches and business model presentations.
RELATED IN-CLASS ACTIVITIES

1. **Discussion about the case in the introduction.**

   Students will discuss whether there is an opportunity and whether the presented business model is good. The teacher will provide comments on how the different parts of the presented business model were evaluated and why. Specifically, how innovative was the idea (transfer of known business model to a new market segment), whether competitive advantage can be perceived (willingness of sellers to participate, willingness of tenants to pay for something they did not see, critical mass issues), and rentability of the business model (whether there are gaps or not).

2. **Dragon's Den.**

   Students will see two scenes from Dragon's Den. Dragon's Den is a BBC show in which nascent / young entrepreneurs come to give an elevator pitch about their idea to potential investors - experienced business angels. Behavior and elevator pitches of the entrepreneurs will be discussed, with a special focus on both verbal and non-verbal communication of entrepreneurs, investors’ comments, and the ways of dealing with investors. Based on these observations, recommendations for an elevator pitch and effective reasoning will be formulated.

3. **Country specific opportunities.**

   Students will be divided into groups according to their nationalities (universities they are from). Their task will be to discuss in 15 minutes what specific opportunities exist in their country, according to their opinion. These opportunities will be then presented to other students. The differences in suggested opportunities will be discussed based on national and cultural conditions in the particular countries.
4. **Business Ideas development.**

   Step 1: Individual students will generate a list of so many new venture ideas as possible and present them shortly. The meaning of this activity is to encourage students to generate ideas, and enable mutual learning experience and idea development.

   Step 2: Students will create teams in which they will discuss the ideas of their members and select the best ones. The meaning is to learn how to develop ideas by identifying what, how and for whom should be offered. That leads to first selection between ideas that are good and not so good.

5. **Elevator pitches.**

   See Appendix 1: Elevator pitch guidelines for detailed information. Students will receive feedback from the teacher and from other students. Individual consulting of business concepts will take place afterwards in the workshop.

6. **Business model presentations.**

   See Appendix 2: Business model presentation guidelines and Appendix 3: 50 questions that may help to improve the quality of your business model for detailed information.
APPENDIX 1: ELEVATOR PITCH GUIDELINES

Describe simply the core of your idea. You must sell your idea to the investors. You have max. 3 minutes for the presentation. You can use the following structure:

1. What products and/or services do you offer?
2. Who are your customers? What their needs do you satisfy?
3. How big is your market? How will the market develop in the future?
4. What is current domestic and international competition and what is your advantage (your unique selling point) against this competition?
5. How will you make money in this business?
6. How will your customers get to know you? What marketing strategies will you use?
7. How do you plan to sustain your competitive advantage for the future?
8. How much money do you need and for what they will be used?
9. How profitable is your business? What returns on investment do you expect?
10. Who are the members of your team and what are its strengths?

Some further recommendations:

- Use a hook in the beginning. A hook is something what will interest the audience and attract their attention.
- Elevator pitch is usually your only chance to attract an investor. Be persuasive and enthusiastic. Investors usually recognize when you don't believe in what you are saying.
- Specify your customers well. Prefer to solve urgent problems of a small growing market to improving already solved problems of a large stable market.
- Avoid using "fancy" adjectives and terms as dynamic, intelligent, next generation, etc.

- Present your competitive advantage in a positive way (i.e. what you can, not what your competition cannot).

- Being first on the market is only a temporary advantage. How will you prolong it?

- Tell the concrete names of your team members. Avoid saying "I". Always say "we". You need to demonstrate that you are a good team.

- Don't focus on details of your products and services, but on the value it brings to your customers.

- In case it is possible, you can show a model or picture of your product. It is illustrative and it usually helps.

- Don't underestimate marketing. Think about guerilla strategies, i.e. how can you do something cheaply and with a large impact on customers?

- Be ambitious and realistic! For one small bakery you don't need investors. For development of a multi-billion office building you probably do not have enough experience yet.
APPENDIX 2: BUSINESS MODEL PRESENTATION GUIDELINES

This assignment consists of two main parts: 1: presentation of the business model and 2: writing an extended version of the executive summary of the business model in approx. 3 pages.

Presentation part: business model

- Each team has a maximum of 15 minutes for presentation and must be prepared for 10–15 minutes questions and answers session based on the presentation and the extended summary.
- Each team can choose the form of presentation, which seems most appropriate for them (Overhead, beamer, …)

Key points:

- create teams of 4 to max. 5 students
- from 1 university there can be only 1 person in 1 team, i.e. teams will be always created by people from as many different universities as possible
- duration of the presentation: 15 minutes
- questions and answers: 10–15 minutes
- aids are up to you: overhead projector, beamer, whiteboard, free speech...
- to give you some other ideas for your pitch:
http://www.mootcorp.org/plansandvideos/plansvideoslist.asp
(click on Video links, not on Business Plan links)

2. Written part: executive summary.

We don’t expect a fully written business plan, but an extended version of the executive summary in about three pages length. The executive summary will be provided at 7.00 a.m. on the day of presentation at the latest.
What’s the purpose of such a summary? After having read your summary, a potential investor or partner should be interested in knowing more about your business idea and your company and invite you for a more thorough personal presentation.

Evaluation criteria:

- innovativeness of the idea (newness, own original idea),
- competitive advantage of the business model (unique, defendable, sustainable),
- profitability of the business model (market attractiveness, market volume, market growth, profit margin),
- realism (can be realized, internally consistent concept),
- overall quality of the presentation (interesting, time well used, team cooperation, original, examples provided).

APPENDIX 3: 50 QUESTIONS THAT MAY HELP TO IMPROVE THE QUALITY OF YOUR BUSINESS MODEL

Products and Services

1. What products and/or services do you offer?
2. Why is it unique?
3. What specific need of your customers your product/service solves?
4. How is this need satisfied in the present?
5. What are the disadvantages of current solutions that are available on the market?
6. In what steps will you develop your product/service in the future?
7. Describe the production of your product/service?
8. How will you protect your intellectual property related to your product/service?

Team
9. Who are the team members?
10. What experiences your team has with the market of your product/service?
11. What are responsibilities and authorities of particular team members?
12. What knowledge, experiences and skills are missing in your team? How will you solve the issue?

Customer
13. Who is your customer? Be as specific as possible.
14. How many potential customers exist? How will their number develop in the future?
15. How many of these potential customers you want to serve in the beginning and in the future?
16. How will behavior of your customers change in the future?

Competition
17. What companies are your today's competition?
18. What are strengths and weaknesses of your competition?
19. What is their market share and what development can be expected?
20. What new competition can come to your market?

Competing products/services
21. What competing products/services exist on the market today?
22. What is their price, quality, added value, history?
23. What are the strengths and weaknesses of these products/services?
24. What are the substitutes of your products/services on the market?
25. What will be the price, quality, and added value of your products/services?

**Suppliers and key clients**

26. Who are your suppliers (e.g. for production)?
27. Who are the key ones and why?
28. How will you ensure cooperation with these key suppliers?
29. Who are your potential key clients?
30. How will you ensure cooperation with these key clients?

**Sales**

31. How will you sell your products/services? Directly or through mediators?
32. What are your sales revenues goals for the future?
33. What is your prediction of total sales revenues from your products/services for the next year?
34. Are the sales dependent on season?
35. Will you sell your products/services also in other countries? When?
36. What after-sales service do you offer to your customers?

**Marketing**

37. How specifically will you promote your product/service during the launch?
38. How much money will you need for such promotion?
39. What you need to do before you start to promote your products/services?
40. How will you analyze your competition reactions after you launch your products/services?

Firm

41. What are the goals of your firm and in what time periods?
42. What is your strategy to reach these goals?
43. Describe your firm after three years.
44. How much time are you able to devote to the firm now and in the future?
45. How long are you willing to work in the firm for free?
46. What are the major risks you can face?
47. What will you do in case these potential risks become realities?

Investor / Bank

48. How much money you need for a successful start and for what specifically they will be used?
49. How much of your own or your family money will you invest?
50. Who else besides investor/bank and you will provide financing?
REFERENCES


CHAPTER X
MANAGING BUSINESS GROWTH

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„There are three types of people in this world: those who make things happen, those who watch things happen and those who wonder what happened.“
(Mary Kay Ash, Founder of Mary Kay Cosmetics)

LEARNING GOALS
This chapter helps students to:

1) Understand criteria for selecting a good entrepreneurial team
2) Understand organizational changes that take place in the process of firm growth
3) Be able to identify barriers to organizational growth and learn how to overcome them
THE GROWTH OF RIM-TECH

(Based on interview with Mr. Vaja conducted by Helena Rezacova)

Mr. Jaromir Vaja received his degree from Prague University of Chemistry and Technology and his PhD. from Czech Academy of Science at the end of 80's. Then he started to work for the Research Institute for Rubber and Plastics where he cooperated with a Dutch company DSM using reaction injection moulding (RIM) technology. After societal changes in 1989 the Czech state just stopped to pay researchers, thus he decided he should start a business. It was a great opportunity because they were the only one organization on the East-European market that used RIM technology. The goal was to produce big plastic parts in medium-size series, mainly for bus and truck producers, e.g. Karosa, Tatra or Avia. However he had absolutely no money and for the modern production line, 1.2 million EUR was needed.

Because Mr. Jaromir Vaja lacked financial resources and also all the necessary technical know-how, he founded the company with five other former colleagues from the research institute. Dutch partners helped them to get in touch with customers and provided expert advice concerning the production process. Mr. Vaja was CEO and the main contact person, because he was the only one who had good knowledge of the English language. On the other hand, he had little economic knowledge. Thus they hired Mr. Zatloukal who became the firm’s economist. From the bankrupted research institute, they bought some devices enabling them to use RIM technology in small volumes. However no bank provided financing. Venture capital funds were not yet on the Czech market, and thus the only available resources were provided by themselves and their families, unfortunately not in amount that would enable quick growth.

After one year, Mr. Zatloukal proved himself to be very capable, therefore he became a co-owner. In the early years the owners paid themselves almost no salaries, because there was no money for that. Their manual workers earned twice as much as they did, otherwise they would leave. All earnings were reinvested and used to buy and improve machines and technologies. For the
next seven years, the firm struggled to grow financially, in order to be able to buy that envisioned expensive production line. After 5 years, in 1996, they had 20 employees and got the first loan of 100,000 EUR that enabled the company to grow further. In the beginning, Mr. Vaja controlled most activities himself. However, when he saw that some of his co-owners would be better able to perform certain tasks, he was happy to give them responsibility for those tasks.

In 1998, bus and truck producers started to go bankrupt. Fortunately, Mr. Vaja was able to see the signals on the market in time, and despite the 30% decrease they were able to survive and focus on other market segments. Because they needed money, they decided to sell 50% of shares to an investment company EPIC. Also, Mr. Vaja was able to reflect his own strengths (intuition, market understanding, visionary) and weaknesses (poor management skills, choleric personality) and came to a decision that Mr. Zatloukal would be a much better CEO than he himself is. Thus, he stepped aside and became Marketing Director responsible for company strategy, sales and technology. Mr. Zatloukal became CEO. The new focus was related to an average annual growth of 25%. The company received an award "subcontractor of the year 2003". The company served clients such as Skoda, VW, and John Deer, and grew to over a 200 employees. In December 2005, the business was successfully sold to a multinational corporation Polimoon for approximately 70 mil. EUR.

THEORETICAL BACKGROUND

Firm growth is one of the main goals of many entrepreneurs. However, large differences between entrepreneurs exist. It is possible to outline four general motivation-investment models, which refer to the motivation with which entrepreneurs start their business (Morris, Kuratko, Schindehutte, 2001):

- **Substitution model** - entrepreneurship is an alternative to unemployment and the main goal is to survive,
- **Income model** - entrepreneurship is a more attractive alternative to employment than other employment opportunities, and the goal is to reach and sustain a good standard of living,
- **Growth model** - entrepreneurs following the growth model accept a minimal income in their first years, reinvest all the profits, and look for additional
financing in order to become number one in their market and true multi-millionaires,

- Speculative model - entrepreneurs want to start a venture, demonstrate its success and viability, and sell it to the highest bid as soon as this can be obtained.

The first two models of entrepreneurship are connected with either no or small business growth, and hence lessons on how to attain growth may not be of main interest to them. However, for entrepreneurs who want to follow the growth, or the speculative model, and perhaps even entrepreneurs working according to the income model, professional growth management is a necessary skill to learn.

The purpose or goal of the entrepreneur (e.g. growth) is one of the key factors that influence the organization. The entrepreneur uses his or her vision as a future state that pulls the organization forward. The business venture sets goals and by taking actions it tries to reach these goals. Development can be seen as a cycle of goal formulation, implementation, evaluation, and modification of goals based on what was learned by the organization.

The most frequently used indicator of business growth is an increase in the number of employees. Based on empirical research (e.g. Boeker, Karichalil, 2002), an increase in number of employees is the main signal of business growth that requires important changes in business management. According to Timmons (1990), when there are less than 25 employees, running a business is about doing, when there are between 25 and 75 it is about managing, and when there are more than 75 employees, it is about managing managers. Generally, growth exhibits itself in three main dimensions, financial growth, strategic growth and organizational growth.

1. Financial growth relates to the development of the business as a commercial entity, which can be measured by sales, profit, assets, profit margin and other financial criteria

2. Strategic growth relates to the changes that take place in the way the organization interacts with its environment. It is concerned with the way the business develops its capabilities to exploit a presence in the marketplace. This can be measured by market share, reputation, number of customers, prestige of customers, new product lines etc.
3. *Organizational growth* relates to the changes that take place in the organizational structure, processes, and culture as it grows and develops. This can be measured e.g. by number of employees, number of locations, number of hierarchy levels or number of top managers.

All the three dimensions are interrelated. Financial growth enables acquisition of resources for strategic growth, and assets are used for organizational growth. On the other hand, strategic growth provides direction for organizational growth, and leads to improvements in financial performance and so on.

It is understandable that the longer a firm operates on the market, the slower is usually its growth (Davidsson et al., 2002). On the other hand, research suggests that it is possible to build a successful venture in many geographical locations and different business areas. Many current giants as Google, YouTube or Skype exploited high growth opportunities in the field of ICT. However, in the list of the quickest growing European firms (Europe's hot growth companies. BusinessWeek, European edition, October 25, 2004), the first three places were occupied by a British firm operating in facility management, a Dutch firm focusing on maternity care, and a firm from Iceland specialized in pre-prepared food. It illustrates well that it is possible to found a successful high growth business in many business areas.

There are many potential barriers that may limit firm growth. Basically, three groups of factors can be described (Lukeš, & Nový, 2005), external barriers, organizational barriers and personal barriers.

1. *External barriers* are for example high taxation, bad payment morale, and cheap Asian competition. These factors can be dealt with only partially. The entrepreneur may decide to found a branch in another country with cheaper workforce, move the seat to a country with lower taxes, or to leave the field and start in some other area of business.

2. *Organizational barriers* relate either to "hard" barriers (e.g. bad cash flow management, bad selection of location, underestimated differentiation of own products and services) or to "soft" barriers. The latter include bad company climate and low level of mutual trust, employees who are afraid of change, inefficiently used human resources, mistakes in communication,
unsolved problems in division of responsibilities and authorities or different goals and interests of stakeholders.

3. **Personal barriers** can include, for example, missing a clear vision, or having a vision that has no growth related aspects. It is also possible that the entrepreneur is overwhelmed by the operative agenda and devotes a lot of time to unimportant things. Other examples may include entrepreneurs who enjoy their own importance and are not willing to learn new things, entrepreneurs who have their firm as a hobby and prefer products to customers, entrepreneurs who are afraid of losing control, or entrepreneurs who invested too much energy to their business and are burned-out and without motivation.

Next, we will provide a framework for managing a growing venture that includes three major parts (source: Thierry Volery, presentation at HSG "Managing growth and transition", Jan 16, 2005): growth strategy, **People, Context, Deal, and Opportunities (POCD)** framework and the changing role from entrepreneur to manager.

**Growth strategy**

Most ventures begin by proving their business model in a narrowly defined market space. As the venture comes to the growth phase its business becomes more stable. There are first satisfied customers, inflow of cash, proven employees. This stability, however, does not reduce the need for critical choices. The first set of strategic choices deals with how the venture will continue to grow. It can focus on new customers, new products, new geographical locations or combination of these three options.

**International development**

Cross-cultural differences in growth orientation exist. Most important in this respect, entrepreneurs from different countries differ in their plans to run a business internationally. These plans have two major aspects: to focus on international customers, and to found branches abroad. In the Global Entrepreneurship Monitor project, entrepreneurially active people were asked how much export oriented will their business be.
We can see that the Czech Republic and Germany are among the countries with high export orientation. Spain and Italy are close to the middle. The growth directed to new geographical locations promises interesting opportunities, but on the other hand has also some specific risks.

Source: Global Entrepreneurship Monitor, Lukeš, Jakl (2007). The export-orientation index was counted based on adult population research in 42 countries within the GEM 2006 project. Values below 100 mean that companies in the particular country are, as a whole, rather locally oriented. Values over 100 imply export-orientation. The first column for each country shows the early-stage entrepreneurship prevalence rate, the latter the established business ownership.

**Figure 1.** Export orientation.

The risks can be connected to marketing mistakes. For example, it is said that Pepsi introduced their slogan "Come alive with the Pepsi Generation" into the Chinese market, but when translated into Chinese it read "Pepsi brings your ancestors back from the grave." Or when Gerber started selling baby food in Africa, they used a baby’s picture on the cover, the same way as in the U.S. Allegedly, uneducated Africans construed this as depicting babies as food, because it was a habit there to put pictures of the content on the cover to help illiterate people know what is inside.
There are also other cultural factors playing a role. Even in cultures as close as Germany and the Czech Republic, there are some typical misunderstandings in mutual cooperation between Czechs and Germans. These usually lie in the areas of improvisation vs. effort to avoid risks, orientation on social relations vs. factual orientation, conflict avoidance vs. confrontation (Nový, Schroll-Machl, 2003). In cultures with higher cultural distance, such misunderstandings can be yet a bigger barrier in developing business in the new country.

FRAMEWORK PCDO (PEOPLE, CONTEXT, DEAL, OPPORTUNITIES)

Another useful tool for understanding how the situation of the growing firm changes over time is the so called PCDO framework, which emphasizes the need for a dynamic fit between four interrelated areas of people, context, deal and opportunities (Sahlman, 1996). The entrepreneur must ensure a fit between them and flexibly adapt to changes. People are those who actively participate or bring in resources for the venture. People’s skills, attitudes, knowledge, contacts, goals, and values provide the resource mix that contributes centrally to success. Context is defined as those elements outside the control of the entrepreneur that will influence success or failure and include e.g. the economic, regulatory, and sociopolitical environment. Deal is the substance of the bargain that defines who in a venture gives and gets what, and when those transactions will take place. Opportunities are derived from the choice of the venture’s growth strategy, i.e. geographic, product line, or customer extension growth. Capitalizing on initial success often requires the rapid achievement of national or global scale in order to achieve a „temporary monopoly.“ Change in one area of the PCDO framework usually requires a quick change also in other areas. Changing people often requires a different deal. Changing context can make the skill set of current employees insufficient and make another people’s skills more important. Amending a deal may attract new players and drive away the old, etc.

CHANGE OF ROLE: FROM ENTREPRENEUR TO MANAGER

When the firm grows larger than 25 employees, it is usually time an entrepreneur recognizes the need for change from a purely entrepreneurial to a more organized managerial approach. Successful execution requires a more disciplined approach to management than is usually seen in the early phase of a
business. It requires a more hierarchical organizational structure, with clearly defined tasks and responsibilities, and brings the need for more formal and tighter control mechanisms. The entrepreneur also needs to delegate responsibilities and to develop human resources in order to create a space both for himself/herself and then to grow together with the company.

As can be inferred from RIM-Tech case, successful organizations must have both effective entrepreneurship and effective management. Whereas entrepreneurship is about exploration, setting a direction, leading change and transition, redefining and breaking constraints, management is on the other hand about exploitation, getting there, about continuity and efficiency and requires ability to work within constraints (Rob Parson).

THE STAGES OF GROWTH

Greiner (1998) describes firm growth as going through a series of developmental phases. Each phase starts with a period of evolution with steady growth and stability, and ends with crisis where revolution and change are needed. When the change is successful, the period of further stable growth starts and ends up in another type of crisis.

For example, the first phase is characterized by creativity. The founders are entrepreneurial, and all energy is devoted to making, selling, delivering, and supporting the new product or service in a creative way. Communication with the few employees is frequent and informal. Long hours are rewarded by low salaries, but high promises for the future. Control of activities comes from immediate customer feedback and fast management reaction.

However as the company grows, new problems start. New employees are not motivated by the intense dedication of the original founders, some business activities are neglected (e.g. human resource management, productivity control) and the founders still try to act as they did in the past. Therefore strong, new leadership skills are required. There is a need to add business functional expertise, and also founders often give responsibilities for day to day business decisions to newly recruited executive level officers. Firms who are successful in going through the first crisis usually adopt a functional organizational structure, accounting and controlling systems, incentives, formal communication systems, etc. Focusing the energy of employees in one direction leads to growth.
However, after some time, employees have better direct knowledge about the market and production processes than the top-management. Centralized processes lead to demotivation of capable employees on lower levels who leave the company. The crisis of autonomy starts and a new phase begins.

CONCLUSIONS

In this chapter we focused on the topic of venture growth. First, we discussed motivation of the entrepreneur to grow his/her business, because ambitious goals and brave visions of the entrepreneur can drive the organization forward. We illustrated different aspects of growth and also barriers that may hinder firm’s growth. Afterwards we described a framework for growing a business. This framework consists of the growth strategy issues, changes in the areas of people, context, deal, and opportunities (Sahlman, 1996) that influence business development, and the role change from entrepreneur to manager that is often needed if the company plans to grow. We also discussed international differences when planning business growth, cooperating with people from other nationalities or implementing marketing campaign in a foreign country). Finally, we described typical stages of firm growth (Greiner, 1998).
RELATED IN-CLASS ACTIVITIES

   What were the key decisions of Mr. Vaja that helped the firm to be successful?
   Would you be able to do the same decisions in your company?

2. Discussing potential co-ownership.
   Imagine you want to start your own business during your studies or after graduation. Also imagine, you wish to have your business in the same area (business consulting) as your neighbor sitting next to you and you both are looking for a co-owner. Discuss, whether you two would be good partners in the business based on the agreement in your business philosophy (values, growth ambitions, attitude to debts, personal time devoted to business, exit strategy)

3. Discussion on small cases - Moravia Worldwide
   Moravia Worldwide started as a small company focused on translation services in 1991 in Brno, the Czech Republic. Today it ranks between the 500 fastest growing European companies and employs 500 employees. It started to grow in Central Europe with branches in Hungary, Slovakia and then continued to the United States, and Ireland, and further to China, Japan, and Argentina. The company offers software localization, testing and development and serves clients as Microsoft, HP, IBM, Oracle and many other famous multinationals.

   Despite professionally managed growth, Arturo Quintero, co-owner and Chief Corporate Strategist, identifies several key lessons they learned in the process of growth. Three these lessons - how to be different at start-up, entering the U.S. and addressing headhunting will be discussed in class on the basis of prepared small cases on these issues.
REFERENCES


CATLIN, K., MATTHEWS, J. (2001) Leading at the speed of growth. Journey from entrepreneur to CEO.


LEARNING GOALS

The aim of this chapter is to help students:

1) Learn about the role and the consequences of self-management planning for entrepreneurs.

2) Understand the difference of planning on the level of the firm and individual planning (i.e. Self-management)

3) Understand what self-management is and how, why and when it can contribute to entrepreneurial success,

4) Get to know their own self-management skills and reflect how entrepreneurs’ self-management skills could be strengthened
INTRODUCTION

Tanja owns a small training company that offers social skills trainings along with consultancy in organizational development to local small businesses and administrations. She always feels completely overworked and stressed out. Usually she comes into the company office at 8 in the morning and does not leave before 10 in the evenings. On days she is conducting in-house trainings it is even worse. However, it is not so much the amount of time she spends in the office that bothers her, it is the feeling that she just does not get anything done. For three months now she wants to develop a new training concept for personal self-management, because a lot of her clients asked her to do so. She is afraid to loose these clients now. It seems to her that whenever she sits down to work on it something else happens such as an urgent email from another client, a request from her colleague, diverse phone calls, and so forth. Today Tanja feels especially desperate, because she met up with Christina last night. Christina is a friend of hers, who also runs a small training company and who she always envied for how much she gets done in so little time. Also her friend seems to be able to delegate work easily and efficiently to her two employees – something Tanja has always had problems with although her two employees are very competent. Christina told her last night that she is really excited, because she just signed a contract with the local city council to conduct 20 self-management trainings over the next year. The local city council used to be Tanja’s client, but Christina did not know that.

THEORETICAL BACKGROUND

1. What is planning/self-management?

Management scholars and research teach us that among other things strategic planning is key to business success – even in small enterprises (Miller & Cardinal, 1994; Schwenk & Schrader, 1993). Such kind of firm-level planning is typically required of business founders in the form of business plans in order to receive loans or state subsidies. For small, entrepreneurial businesses the individual planning habits of the entrepreneur are likely to be of high importance. These individual planning habits of the entrepreneur are referred to as self-management strategies. Self-management in general is understood as how one goes about structuring and planning ones life. This chapter will especially focus on self-management in the work context.
While firm-level planning is usually more formal and in large firms institutionalized in separate departments for strategic business development, the entrepreneurs’ self-management strategies refer to the personal, informal, everyday planning approach. For both firm- and individual-level planning content and process can be differentiated (Frese et al., in press). The content of what is being planned is not the focus of this chapter; we will look into how the planning is done, i.e. the process of planning.

2. Why are we interested in individual planning and self-management?

According to action theory (e.g. Frese, 2007; Hacker, 1986) researching personality characteristics of entrepreneurs and relating them to business success must yield relatively small effects. Our personality characteristics are but only one influence on our actions, which in turn affect business success. Thus, Frese (2007) posits that the effects of personality characteristics on business success are mediated by actions – more specifically individual action planning. Similar to how people differ in their personality, people also differ in their typical approaches to action planning.

Indeed, several studies find individual planning to be substantially related to business success in the Netherlands, Africa, Germany, Poland, and the Czech Republic (Frese et al., in press; Frese, 2007; Frese, van Gelderen, & Ombach, 2000; Stephan, Spychala & Lukes, 2006; van Gelderen, Frese & Thurik, 2000). Different kinds of planning approaches (or ‘styles’) can be differentiated. And not all of them have similarly strong associations with business success. Unsurprisingly, if the entrepreneur does not engage in planning (the so-called ‘reactive strategy’), this has negative effects on business success. Typically an entrepreneur, who does not engage in planning is driven by the situation and is busy reacting to situational demands (e.g., the entrepreneur would start working each day mainly reacting to what tasks he finds on his desk and incoming calls, requests, emails etc. rather than following through a certain task such as a customer order. He will get back to working on the order however when it becomes urgent, either because the customer reminds him or because the deadline approaches).

Furthermore, studies show elaborate, also called complete planning, to be positively associated with business success. Complete planning is characterized by a very thorough and structured planning approach with a long-term focus and
the development of fallback plans. Another, slightly less structured form of planning that is also typically positively associated with business success is critical point planning. Here the entrepreneur concentrates on the most difficult, unclear and most important point first, i.e. he sets a priority which goal is the most important to achieve. Accordingly plans are made on how to achieve this ‘critical point’, while other things are left unplanned. The fourth approach is the opportunistic one, which is similar to the reactive strategy in that the entrepreneur is mostly driven by the situation. Although the entrepreneur would start with rudimentary planning, he does deviate easily from doing so when the situation offers distracting cues, e.g. a phone call. He shows, however, more proactive behavior, i.e. he jumps on opportunities, but scarcely follows them through.

3. Is planning always useful? For everybody?

The question whether planning is always useful, i.e. under all conditions, refers to whether there are variables moderating the planning – success relationship.

Conditions in the environment (including culture): Van Gelderen et al. (2000) suggest that different kinds of individual planning approaches are differentially effective depending on the characteristics of the firm’s environment. Complete planning, e.g. would be particularly useful in complex rather than fast changing environments. While in low complexity environments, e.g. characterized by low product and service diversity or low number of competitors, opportunistic approaches are used more often. Another environmental variable are cultural characteristics. Two studies found evidence that complete planning is especially effective in high uncertainty avoidant and future orientated cultures (Rauch, Frese & Sonnentag, 2000, Stephan et al., 2006). In these cultures, planning is an effective means to reduce uncertainty and plan for the future, i.e. effectively reach future goals. Thus, planning fits these cultural contexts in that, e.g., the firms’ customers, banks and suppliers expect the firm owner to plan. The more flexible, critical-point planning approach, however, is more effective in rather uncertainty tolerant and present orientated societies (Stephan et al., 2006).

Conditions within the firm: Frese, Brantjes and Horn (2002) found that businesses owners with a complete planning approach were particularly successful, when their firm displayed a particular strategic orientation: an
entrepreneurial orientation (which consist of a firm’s striving for autonomy, innovativeness, competitive aggressiveness, and risk taking).

Conditions within the individual: Escher, Grabarkiewicz, Frese, van Steekelenburg, Lauw and Friedrich (2002) found a moderating effect for cognitive ability on the relationship between individual planning and business success. More specifically they found a compensating effect, i.e. business owners with low cognitive ability could compensate their lower cognitive ability with detailed planning and consequently were as successful as entrepreneurs with a high degree of cognitive ability. For the latter it did not matter much whether they planned very detailed or not.

CONCLUSIONS

Self-management defined as a person’s habitual approach to structuring and planning their work predicts entrepreneurs’ business success. The practical implication of these findings is to teach entrepreneurs effective self-management skills, e.g. via training. Here the advantage of a theoretical concept closely related to action becomes apparent – a person’s action and behaviour are easier trained and changed than their personality.
RELATED IN-CLASS ACTIVITIES

1. Goal-setting exercise

Setting the ‘right’ short- and long-term goals is the basis for successful self-management. Achieving goals that are personally relevant in various life domains is very satisfying experience. But one is not necessarily fully aware of what goals are important in various life domains. Use Appendix A to reflect about your own goals. This is a personal exercise, i.e. we will not discuss your personal goals in class.

2. Self-assessment and group discussion

With the questionnaire given in Appendix B you can assess your self-management behaviour. After doing this, do you have ideas how you could strengthen the self-management skills of entrepreneurs? How would you go about it? Can you think of specific exercises? How would you ‘sell’ to entrepreneurs that self-management is a useful thing to do? What other advantages besides being important for business success might self-management have for the entrepreneur?

3. Self-management into practice

Divide into four groups. Each group will be a ‘mini-enterprise’. All your enterprises compete in the same local market. You will be handed out goods, which you need to sell in the streets within the next hour. Before you leave the classroom you will receive instructions on how you should go about selling ‘your products’. Please keep to the instructions as closely as possible. The aim of the exercise is to experience how effective different kinds of self-management are.

We will compare how long it took you to sell the goods using the different self-management approaches and how much money each mini-enterprise earned. More importantly, we will reflect on the advantages and dis~ of the various self-management approaches by comparing the experiences you made.
4. Deriving hypothesis about the adequate self-management style in your culture

Below you find the cultural practices scores for uncertainty avoidance and future orientation for your countries (according to the GLOBE study, House et al., 2004). Based on the information presented in the text above, which self-management style (complete planning vs. flexible critical-point planning) would you expect to be most effective in your culture? Why? What could be potential problems?

**Table 1**: GLOBE societal practices scores for selected countries (House et al., 2004)

<table>
<thead>
<tr>
<th>Country</th>
<th>Uncertainty Avoidance Score</th>
<th>Future Orientation Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>see Note</td>
<td>see Note</td>
</tr>
<tr>
<td>Germany – West</td>
<td>5.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Germany – East</td>
<td>5.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Italy</td>
<td>3.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Poland</td>
<td>3.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Spain</td>
<td>4.0</td>
<td>3.5</td>
</tr>
</tbody>
</table>

*Note. No scores are available from House et al. (2004) for the Czech Republic. However, Koopman et al. (1999) found the Czech Republic to exhibit lower uncertainty avoidance practices when compared to West- and East-Germany and the Netherlands, but higher uncertainty avoidance when compared to Italy, Spain and Poland. Furthermore, Koopman et al. (1999) found similar scores for future orientation practices in the Czech Republic compared to Spain (but lower scores than the Netherlands, West- and East-Germany, and higher scores compared to Italy and Poland).*
APPENDIX A: GOAL-SETTING EXERCISE

A) Putting things into perspective

On the timeline below, mark

1. your current age,
2. your average life expectancy (currently men 75 years, women 81 years),
3. mark the period in time, which represents your medium-term future, i.e. the period in time in the future (seen from today) which you can oversee. Usually time frame between 1 and 5 years, e.g. becoming ‘30’, finish university.

B) Setting goals for your future

Set goals for your medium-term future in the four most important life arenas depicted in the ‘balloon’ below. Try to set two to three goals in each life arena.

When setting your goals keep the following rules for formulating goals in mind:
1. **Formulate Approach goals** (no avoidance goals): emphasize what you want to attain (not what you don’t want to attain), approach goals evoke positive feelings

2. **Formulate Action goals** (no wishful thinking): attainable through your own actions (not dependent on outside circumstances)

3. **Formulate SMART goals**
   - **S** - **specific** (who, what, where, when, which requirements & constraints, why do I want to reach the goal?)
   - **M** - **measureable** (how can you determine progress/goal attainment?)
   - **A** - **attainable** (goals become attainable by planning steps to reach them and set time aside to carry out your plans)
   - **R** - **realistic & relevant** (goals towards you are both willing & able to work, high goals!, reality test: do you believe you can accomplish it?)
   - **T** - **timely** (set a time frame for attaining the goal, else it does not exert motivational power)
APPENDIX B:

Self-Assess Your Self-Management Strategies
(by Zempel, 2003, translation by author)

The following questions pertain to your usual working habits. Please indicate, how often you employ the following strategies in your work.

Please think of your usual situation at work and chose the answer that describes best how you actually act. Please do not indicate how you ideally would like to act!

<table>
<thead>
<tr>
<th></th>
<th>very rarely/never</th>
<th>rarely</th>
<th>occasionally</th>
<th>often</th>
<th>very often/always</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I plan my work step by step <strong>in advance.</strong></td>
<td>1 very rarely</td>
<td>2 rarely</td>
<td>3 occasionally</td>
<td>4 often</td>
</tr>
<tr>
<td>2</td>
<td>I <strong>simultaneously</strong> work on the solution of several problems.</td>
<td>1 very rarely</td>
<td>2 rarely</td>
<td>3 occasionally</td>
<td>4 often</td>
</tr>
<tr>
<td>3</td>
<td>I rather let things happen/come up to me, in doing so I do <strong>not follow a certain plan.</strong></td>
<td>1 very rarely</td>
<td>2 rarely</td>
<td>3 occasionally</td>
<td>4 often</td>
</tr>
<tr>
<td>4</td>
<td>I systematically plan my next steps at work <strong>in regular intervals.</strong></td>
<td>1 very rarely</td>
<td>2 rarely</td>
<td>3 occasionally</td>
<td>4 often</td>
</tr>
<tr>
<td>5</td>
<td>I <strong>start</strong> with planning my actions at the <strong>most difficult and critical point</strong> in the work-flow.</td>
<td>1 very rarely</td>
<td>2 rarely</td>
<td>3 occasionally</td>
<td>4 often</td>
</tr>
<tr>
<td>6</td>
<td>I handle problems <strong>in the order in which they come up to me.</strong></td>
<td>1 very rarely</td>
<td>2 rarely</td>
<td>3 occasionally</td>
<td>4 often</td>
</tr>
<tr>
<td>7</td>
<td>I try to gain a <strong>detailed overview</strong>, before planning next steps in my work,</td>
<td>1 very rarely</td>
<td>2 rarely</td>
<td>3 occasionally</td>
<td>4 often</td>
</tr>
<tr>
<td>8</td>
<td>First I try to get a handle on the <strong>most critical point</strong>, the next steps then follow automatically.</td>
<td>1 very rarely</td>
<td>2 rarely</td>
<td>3 occasionally</td>
<td>4 often</td>
</tr>
<tr>
<td>9</td>
<td>I decide about next steps in the work-flow <strong>spontaneously</strong>, i.e. when they acutely have to be taken care of.</td>
<td>1 very rarely</td>
<td>2 rarely</td>
<td>3 occasionally</td>
<td>4 often</td>
</tr>
<tr>
<td>10</td>
<td>I <strong>switch to and fro</strong> between the detailed</td>
<td>1 very rarely</td>
<td>2 rarely</td>
<td>3 occasionally</td>
<td>4 often</td>
</tr>
</tbody>
</table>
### The Importance of Planning/Self-Management for Entrepreneurial Success

<table>
<thead>
<tr>
<th>Planning of single steps and the development of an overall concept for my work.</th>
<th>very rarely/never</th>
<th>rarely</th>
<th>occasionally</th>
<th>often</th>
<th>very often/always</th>
</tr>
</thead>
</table>
| 11 First I determine how to deal with the most difficult and critical point in my work and after that **I just adapt all other steps to that.** | ![1]
| ![2]
| ![3]
| ![4]
| ![5] |
| 12 I plan ahead **alternative strategies of acting** in order to handle potential weaknesses in the work-flow. | ![1]
| ![2]
| ![3]
| ![4]
| ![5] |
| 13 I do not think too much about **possible future problems at work,** because I am fully occupied with solving the current ones. | ![1]
| ![2]
| ![3]
| ![4]
| ![5] |
| 14 It happens that I **discontinue my current actions,** because I found a solution for another problem. | ![1]
| ![2]
| ![3]
| ![4]
| ![5] |
| 15 Going from the **most critical point,** I think about **possible variants** till I found the most adequate way. | ![1]
| ![2]
| ![3]
| ![4]
| ![5] |
| 16 My working habit may seem **chaotic to other people,** but **I myself** never loose the **overview.** | ![1]
| ![2]
| ![3]
| ![4]
| ![5] |

### Evaluation

Add the scores as follows:

**Complete Planning:** Item 1 + Item 4 + Item 7 + Item 12 = ___ / 4 : ____

**Reactive:** Item 3 + Item 6 + Item 9 + Item 13 = ___ / 4 : ____

**Critical Point:** Item 5 + Item 8 + Item 11 + Item 15 = ___ / 4 : ____

**Opportunistic:** Item 2 + Item 10 + Item 14 + Item 16 = ___ / 4 : ____
The final scores range between 1 and 5. Higher scores indicate that you use this self-management approach more frequently in your work. When comparing the four strategies the highest score gives you some indication about your dominant self-management approach. Enter the mean scores per approach in the following table to allow easy comparison.

<table>
<thead>
<tr>
<th>Complete Planning</th>
<th>Reactive</th>
<th>Critical Point</th>
<th>Opportunistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,6</td>
<td></td>
<td>3,3</td>
<td>3,4</td>
</tr>
<tr>
<td>2,6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Scores of a comparison group (German IT entrepreneurs, N=82)

**APPENDIX C:**

**Self-Management - 10 Rules to Gain Time**

(adapted from Seiwert, 2004, translation by author)

1. Goal-orientation “Aiming”: Use time like you would use arrow and bow: aim first! Orient your daily work and activities towards fulfilling your goals
2. Prepare: Plan your next day the evening before – in writing. Allow enough time for routine tasks (e.g., checking email), but also for the unexpected (60:40 rule).

3. Set Priorities: Tackle important things first and leave unimportant stuff. Beware of the tyranny of urgency!

4. Summarize: Allocate similar tasks (such as phone calls, mail correspondence, short meetings) to the same time slot, so you won’t be constantly interrupted by them when working on A and B tasks.

5. Simplify: Divide difficult tasks into small steps. Schedule the order you will work on these steps and set deadlines for each step.


7. Shield: You don’t have to always be available for everybody. Make appointments – also with yourself and use them!

8. Be considerate & respectful: Being late, overrunning meetings, and rescheduling appointments are taboos. Determine goals and endpoints of meetings beforehand.

More courage to use the litter bin!

<table>
<thead>
<tr>
<th>Importance</th>
<th>Urgency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B-Tasks</strong></td>
<td><strong>A-Tasks</strong></td>
</tr>
<tr>
<td>(important) schedule</td>
<td>(important and urgent) Do immediately!</td>
</tr>
<tr>
<td>(resp. delegate)</td>
<td></td>
</tr>
<tr>
<td><strong>C-Tasks</strong></td>
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<tr>
<td>(low importance, but urgent) Delegate</td>
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10. Enjoy success: Perceive settled tasks and things as success! Reward yourself and others.
REFERENCES


PART IV
ENTREPRENEURSHIP IN THE ORGANIZATION
LEARNING GOALS

In this chapter students will learn about corporate entrepreneurship. Specifically, students will learn the following topics:

1) The difference between entrepreneurship and corporate entrepreneurship,

2) The relationship between corporate entrepreneurship and innovation,

3) The various types of corporate entrepreneurial activities, and

4) The challenges faced in trying to successfully implement corporate entrepreneurial activities and how to overcome those challenges.
INTRODUCTION

The global economy is creating profound and substantial changes for organizations and industries throughout the world. In order to grow and become highly profitable, companies need entrepreneurial employees who can greatly contribute to the company’s success by developing, improving, or expanding products or services. Although companies need this type of innovation, internal structures often hinder rather than encourage Corporate Entrepreneurial Activities (CEA), which make it challenging for employees to create and venture. Fighting internal organizational factors and external market factors make the path to success doubly challenging. The employees who fight against the odds and create success are considered to be corporate entrepreneurs.

In this chapter, we will introduce the fundamental building blocks of corporate entrepreneurship. These include an examination of what corporate entrepreneurship is and is not. Differences between start-ups and corporate entrepreneurship will be explored. The profile of a corporate entrepreneur will be analyzed. Finally, the challenges of a corporate entrepreneurial venture and how to overcome them will be presented.

DEFINING THE CONCEPT

Corporate entrepreneurship is a term used to describe entrepreneurial behavior inside established midsized and large organizations. Related terms include organizational entrepreneurship, intrapreneurship, and corporate venturing. Researchers have conceptualized corporate entrepreneurship as embodying entrepreneurial efforts that require organizational sanctions and resource commitments for the purpose of carrying out innovative activities in the form of product, process, and organizational innovations (Guth & Ginsberg, 1990; Morris & Kuratko, 2002; Sathe, 2003; Sharma & Chrisman, 1999; Zahra & Covin, 1995).

Entrepreneurial activities within a corporation can vary from simple improvement of products or services to creation of completely new businesses that are partially connected to the mother company (Antoncic & Hisrich, 2001). The various types of activities and ventures can be grouped into four categories (Kunkel, 2001):

1. **Enterprise level ventures** concern a change in the direction or focus of the organization.
2. **Corporate level ventures** (also known as a corporate turnaround) refer to a radical restructuring of the business units or a dramatic transformation of the organization.

3. **Business level ventures** can be further categorized depending on whether the activity occurs within an existing business unit or concerns the founding of a new business unit. The founding of a new business unit is also known as corporate venturing and is the more widely recognized type of corporate entrepreneurship. The second, the business turnaround, concerns the transformation of a business unit.

4. **Functional level ventures** refer to the development and improvement of new products, processes, technologies, etc.

Consequently, corporate entrepreneurship is not a single phenomenon; it can take a variety of different forms. A few examples are provided:

- In the 1970s, Jim Mikulski, an employee in Motorola’s corporate research division, fought against the odds when he pursued the idea of wireless communication. His proposal to the head of Motorola’s Communications division to develop the new cellular technology was rejected. Unwilling to give up, he approached the Director of Motorola’s Corporate Research Laboratory for support; he received sponsorship. Mikulski worked secretly with the research team to develop the technology. In the late 70s Motorola’s leaders finally recognized the need for cellular technology. Mikulski unveiled the new technology at this point, which was already quite advanced and ready for sale. This entrepreneurial activity gave Motorola an advantage on the market, with 45% market share in the 80s and 60% in the 90s (Corporate Leadership Council).

- Hewlett-Packard (HPQ) has made great advancements in the fight against environmental pollution and waste. It announced that it has “recycled nearly 250 million pounds of hardware and print cartridges in 2007—a 50% increase over the previous year. And it announced a new goal: to reuse 2 billion pounds of products by the end of 2010” (HP)

- TUI has its foundation in Preussag AG, which was an industrial and transportation company until 2001. Preussag was reinvented as a tourism, logistics, and shipping company. It sold its industrial areas and purchased
major travel and logistics companies to become what it is today – an international global player in the travel industry.

DIFFERENCES BETWEEN START-UP AND CORPORATE ENTREPRENEURSHIP

Morris and Kuratko (2002) argue “Entrepreneurship is Entrepreneurship” (p.60). The message is that the basics are the same in entrepreneurship and corporate entrepreneurship. Table 1 summarizes many of the basic similarities between start-up and corporate entrepreneurship. Understanding these similarities helps dispense with the notion that corporate entrepreneurship is just a popular management fad and that interest in it will fade once the consultants move on to the next new perspective, concept, or tool.

It is for the reason cited above that words such as *intrapreneurship*, coined by Pinchot (1985) to describe entrepreneurship in established companies, can be confusing. They make corporate entrepreneurship sound like either something completely unique or as if it were a stepchild of entrepreneurship, borrowing some of the name but not really constituting the real thing. Therefore, instead of using the term *intrapreneurship*, throughout this chapter we will use the term *corporate entrepreneurship* to point out that “the fundamentals do not change, only the context” (Morris & Kuratko, 2002, p. 62).

Table 1. Similarities between start-up and corporate entrepreneurship
(Morris & Kuratko, 2002)

- Both involve opportunity recognition and definition.
- Both require a unique business concept that takes the form of a product, service, or process.
- Both are predicated on value creation and accountability to a consumer.
- Both find the entrepreneur encountering resistance and obstacles, necessitating both perseverance and an ability to formulate innovative solutions.
- Both require that the entrepreneur be able to balance vision with managerial skill, passion with pragmatism, and proactiveness with patience.
- Both entail risk and require risk-management strategies.
- Both require the entrepreneur to develop creative strategies for leveraging recources.
- Both involve significant ambiguity.
At the same time, there are important differences between corporate and start-up entrepreneurship. In a start-up context, all of the risk falls on the entrepreneur, but at the same time he or she can earn unlimited rewards. Most of them do not become millionaires, but the possibility exists. With corporate entrepreneurs, most of the risks are being assumed by the organization. In fact, the major risk taken by the entrepreneur is career related. In the same way, the corporate entrepreneur generally finds real limitations to the possible rewards he or she can obtain if the new concept is successfully implemented, and most of the returns go to the organization (Morris & Kuratko, 2002).

CORPORATE ENTREPRENEURSHIP AND INNOVATION

Corporate entrepreneurship has been commonly associated with innovation. Both concepts entail processes in which resources are combined to create something new and the purpose of both is to achieve profits or avoid substantial losses. However, corporate entrepreneurship typically represents an organizational level effort to organize and manage an internally generated venture. By contrast an innovation is usually more specific in that it refers to radical or incremental changes in a product, service or process (Lumpkin, 2007). Therefore, without the presence of some form of CEA to exploit opportunities as they arise within organizations, innovation remains little more than an aspiration rather than a tangible destination (Drucker, 1985; Pinchot, 1987).

McFadzean, O'Loughlin and Shaw (2005) provided a model to illustrate the relationship between corporate entrepreneurship and innovation (See Figure 1). In this model, corporate entrepreneurship is considered as the effort of promoting innovation from an internal organizational perspective through the assessment of potential new opportunities, alignment of resources, and the exploitation and commercialization of these opportunities. Innovation is defined as a process that provides added value and a degree of novelty to the organization through the development of new procedures, solutions, products and services as well as new methods of commercialization (Covin & Slevin, 1991; Lumpkin & Dess, 1996).
A FRAMEWORK FOR UNDERSTANDING CORPORATE ENTREPRENEURSHIP

Research concerning corporate entrepreneurship has been rapidly increasing over the past few years. An array of internal and external influencing
mechanisms that drive corporate entrepreneurship has been identified such as work discretion (Hornsby, Kuratko, & Zahra, 2002; Morris & Kuratko, 2002), reward and resource availability (Kuratko, Montagno, & Hornsby, 1990), the personality characteristics of the actors (Jansen & Wees, 1994; Stevenson & Jarillo, 1990), top management support (Lyon, Lumpkin, & Dess, 2000; Morris & Kuratko, 2002), social networks (Stevenson & Jarillo, 1990), environmental hostility (Covin & Zahra, 1995), organizational structure (Kuratko et al., 1990; Miller, 1983), formal controls (Kuratko, Hornsby, Naffziger, & Montagno, 1993), and a supportive culture that reinforces the norms and values that are conducive to corporate entrepreneurship (Krueger & Brazeal, 1994).

**Figure 2.** An Interactive Model of CEA (Hornsby et al., 1993)

Consequently, a variety of frameworks have been developed that contribute to our understanding of entrepreneurial activities inside organizations (Covin & Slevin, 1991; Guth & Ginsberg, 1990; Hornsby, Naffziger, Kuratko, & Montagno, 1993). Hornsby et al. (1993) have proposed a framework for developing knowledge about corporate entrepreneurship. They focus on the
interaction of organizational factors and individual characteristics that is ignited by a precipitating event that leads to successful corporate entrepreneurship. The precipitating event could be a change in company management, a merger or acquisition, development of a new technology, etc. Figure 2. illustrates this interactive model.

**Table 2.** Means and Standard Deviations of Entrepreneurial and Intrapreneurial Competencies (Zwemstra, Ascalon, & Gorgievski, 2006)

<table>
<thead>
<tr>
<th>Competency Cluster</th>
<th>Entrepreneur</th>
<th>Intrapreneur</th>
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<tbody>
<tr>
<td></td>
<td>Importance</td>
<td>Frequency</td>
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<tr>
<td></td>
<td>M</td>
<td>SD</td>
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<td></td>
<td>N</td>
<td>M</td>
</tr>
<tr>
<td>Managerial Behavior</td>
<td>15</td>
<td>2.30</td>
</tr>
<tr>
<td>Interpersonal Behavior</td>
<td>15</td>
<td>2.69</td>
</tr>
<tr>
<td>Decisive Behavior</td>
<td>15</td>
<td>3.05</td>
</tr>
<tr>
<td>Ethical Behavior</td>
<td>15</td>
<td>3.63</td>
</tr>
<tr>
<td>Venturing Behavior</td>
<td>15</td>
<td>2.99</td>
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<tr>
<td>Enterprising Behavior</td>
<td>15</td>
<td>3.18</td>
</tr>
<tr>
<td>Learning Orientation</td>
<td>15</td>
<td>3.36</td>
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*Note.* Table presents values for the total sample. Individual values can differ because of missing values.

**PROFILE OF A CORPORATE ENTREPRENEUR**

Corporate entrepreneurs are those persons responsible for new business development and expansion. They are the driving forces behind product development or improvement and/or market penetration. Such persons have similar drives and characteristics as entrepreneurs. They are innovative, motivated to succeed, enjoy overcoming challenges and have a philosophy of learning continuously (Lumpkin & Dess, 1996). Some corporate entrepreneurs manage to become self-employed after a period of time; they first wait for the right opportunity or until they have sufficient experience. Some prefer to remain as an employee for various reasons. Employees enjoy the benefits and recognition that come with working for an established, reputable company. Additionally if the company provides the resources needed for new internal
venture creation, opportunities for creation are plentiful. Finally, companies provide a certain degree of security – however subjective that may be.

The competencies needed to be a successful corporate entrepreneur are quite similar to those of a successful entrepreneur as shown in a study by Zwemstra, Ascalon, and Gorgievski (2006). Twenty-one entrepreneurs and eighteen corporate entrepreneurs evaluated a set of competencies on their importance and frequency of use. The competencies were grouped together into meaningful clusters, which are as follows:

- Managerial behavior competencies facilitate the management of one’s own and others’ behaviour. For example, Managing cross-level relationships concerns being able to lead different individuals from different organizational levels.
- Interpersonal behaviour competencies allow for effective interaction between individuals and groups. For example, the competency Listening refers to the ability to extract the core of what has been communicated.
- Decisive behaviour competencies are important for making effective decisions. They concern the cognitive process of selecting a course of action among multiple alternatives. For example, the competency of Problem analysis refers to the ability to grasp important relationships and comprehend the outcome of decisions.
- Ethical orientation competencies include the competencies important for adherence to ethical guidelines and judicial regulations. For example, the competency of Benevolence refers to the performance of generous acts promoting society as a whole.
- Venturing behaviour competencies concern those competencies necessary for the successful start-up and operation of a company. They are essential for the long-term success of the organization. An example would be the competency Vision which refers to being able to develop and express what one aims to accomplish in the future.
- Enterprising behaviour competencies are those competencies perceived as important in selling one’s ideas and products. These competencies are important for the short-term success of the organization. For example, the
competency Initiative concerns developing strategies and implementing them.

- Learning orientation competencies are important for acquiring knowledge, skills, attitudes, or values, through study, experience, or teaching that causes a change of behaviour that is persistent and measurable. For example, Self-improvement refers to the competency of acquiring missing competencies through reading, attending courses and seeking advice from experts.

The obtained results indicated that entrepreneurs and corporate entrepreneurs perceived managerial, interpersonal, venturing and enterprise behavior competency clusters as being equally important and had applied them to a similar frequency. See Table 2 for results.

### ANTECEDENTS OF CORPORATE ENTREPRENEURIAL ACTIVITIES

In addition to the characteristics of the individual, there are two main external sets of antecedents for CEA: organizational characteristics and environmental characteristics. Kuratko et al. (1990) established Top Management Support, Autonomy/Work Discretion, Rewards/Reinforcement, Resources/Time Availability, and Organizational Boundaries as the organizational characteristics required for corporate entrepreneurial activities. Hornsby et al. (2002) developed the instrument known as the Corporate Entrepreneurship Assessment Instrument (CEAI) to measure these factors. Each of the factors are aspects of the organization over which management has some control. Each will be briefly defined, and illustrations of specific elements of a firm's environment relative to each dimension will be highlighted.

- Management support. This is the extent to which the management structure itself encourages employees to believe that innovation is, in fact, part of the role set for all members of the organization. Some of the specific conditions reflecting management support would be: quick adoption of employee ideas, recognition of people who bring ideas forward, support for small experimental projects, and seed money to get projects off the ground.

- Work discretion/autonomy. Workers have discretion to the extent that they are able to make decisions about performing their own work in the way that
they believe is most effective. Organizations should allow employees to make decisions about their work process and avoid criticizing employees for making mistakes when being innovative.

- **Rewards/reinforcement.** Rewards and reinforcement enhance the motivation of individuals to engage in innovative behavior. Organizations must be characterized by providing rewards contingent on performance, providing challenge, increasing responsibility and making the ideas of innovative people known to others in the organizational hierarchy.

- **Time availability.** The fostering of new and innovative ideas requires that individuals have time to incubate these ideas. Organizations must moderate the workload of people, avoid putting time constraints on all aspects of a person's job and allow people to work with others on long-term problem solving.

- **Organizational boundaries.** These are the boundaries, real or imagined, that prevent people from looking at problems outside their own jobs. People must be encouraged to look at the organization from a broad perspective. Organizations should avoid having standard operating procedures for all major parts of jobs, and should reduce dependence on narrow job descriptions and rigid standards of performance.

Antoncic and Hisrich (2001) researched the environmental and organizational antecedents of CEA in two contrasting economies: Slovenia and the U.S. The U.S. has a long-standing tradition in entrepreneurship, while Slovenia has a relatively new market economy. They found that organizational characteristics as a whole were highly, positively, and significantly related to CEA in both countries, although some specific characteristics differed in their relationship to CEA between the two countries. Amount and quality of communication and competition-related values were found to be positively and significantly related to CEA in Slovenia, but not in the U.S. Formal controls were positively and significantly related to CEA in the U.S., but not in Slovenia. Organizational support was found to be positively and significantly correlated in both countries.

They also found that environmental characteristics as a whole were highly, positively and significantly related to CEA in both countries. Specific environmental characteristics were found to differ between the countries.
Technological opportunities and demand for new products were found to be positively and significantly related to CEA in Slovenia, but not in the U.S. However, dynamism and industry growth were not found to be significantly related to CEA in either country.

These findings have implications for the necessity of implementing both environmental and organizational characteristics to support CEA. First, entrepreneurship can be driven and supported by organizational structures, although which ones depends on the culture of the country. These structures are established by top-management. They establish an entrepreneurial strategic vision (Ireland, Kuratko, and Covin; 2003). They implement the entrepreneurial mindset and shape the strategic context of entrepreneurial initiatives (Lovas & Goshal, 2000). Some examples of organizations who have successfully implemented such structures include Shell and Kellogg.

- Shell created an internal venture funding program similar to those which exist in the external environment. The program includes a committee which evaluates new venture plans. The program also provides training and coaching opportunities to develop entrepreneurial skills, improve business focus, and foster innovation.

- Kellogg has a moonlighting program that was initiated in 1999 by one of its former CEOs, Carlos Gutierrez. This initiative was to create a focus on innovation by allowing employees a venue to showcase their projects in a trade-show style environment. In 2006, approximately 170 ideas were presented. Using figures going up to 2005 Motorola estimated that since the start of the project, 30 of the Moonlighting projects have made it to the market and have generated over $250 million in sales.

**CHALLENGES OF A CORPORATE ENTREPRENEURIAL VENTURE**

As previously indicated, the way towards success is full of challenges. In preparing to undertake a corporate entrepreneurial activity, it is important to be aware of the challenges. Following are some challenges outlined by Sathe (2003) and Van de Ven, Polley, Garud, & Venkataraman (1999).

- Expect conflict between corporate entrepreneurs and management.
- Successful, growing businesses may not see the need for new business creation.
- Management may choose to deny needed resources.
- Product liability fears can hinder the development of new products.
- Fear that new products will harm existing products may discourage innovation.
- Suppliers may block new development.
- Customers may not accept the innovation, which can hurt the prospects for success.

There are a number of approaches an organization can take in creating corporate entrepreneurship. It is important to understand that when an entrepreneurial environment is created, the philosophy of the original organization often changes dramatically. Customs will be set aside in favor of new processes and procedures. Some people, uncomfortable with working in this environment, will leave; others will grow in a system that encourages creativity, risk taking, teamwork, and informal networking; which are all designed to increase competence and make the organization more competitive (Hornsby et al., 1993).

Pinchot & Pellman (1999), Sathe (2003), and Van de Ven, et al., (1999) outlined some rules, tips, and tricks to increase the chances of succeeding in the corporate entrepreneurial venture.

- Gain support from people with power and influence.
- Convince the company to develop a program that finances and supports new initiatives.
- Competition for financing can be fierce and a sound business plan will help.
- Choose activities that fit well with the company’s overall strategies, strengths, and values.
- Conduct the activity with a good team and outline the following roles 1) an inventor or idea generator, 2) the corporate entrepreneur, 3) the
corporate entrepreneurial team, 4) the sponsor(s), and 5) the innovation climate maker.

- Have the courage, vision, and willingness to take charge and make it happen.
- Do not talk about the idea too much too early in the process as it may scare off those who are sceptical of or threatened by change.
- Get customer input early in the process and continue to gather their feedback during product or service development.
- Be persistent, but also practical.
- Repeatedly communicate the vision of the new venture.

CONCLUSIONS

Corporate entrepreneurship has a strong foundation in entrepreneurship. Many similarities can be found between corporate entrepreneurship and start-ups (Morris & Kuratko, 2002), corporate entrepreneurship and innovation (McFadzean et al., 2005), and the competencies entrepreneurs and corporate entrepreneurs need to be successful (Zwemstra et al., 2006). However, corporate entrepreneurship should not be mistaken for entrepreneurship. There is one large difference between the two, an entrepreneur takes on the majority of the risk in the venture, which includes both reputational and monetary risk. The corporate entrepreneur takes some reputational risk, but in the end if a venture fails, it is the company who takes most of the losses – both reputational and monetary. The psychological differences which drive the two types of entrepreneurs make comparisons even more interesting. These topics will be further explored during the course. To maximize understanding and learning, case studies will be used to examine the differences between entrepreneurs and corporate entrepreneurs, the various types of corporate entrepreneurship, the antecedents of CEA, the challenges one can expect and how to overcome those challenges.
RELATED CASE STUDY

Secrets of HP's 'Muddled' Team Two Managers at a Great High-Tech Company Developed a New Way to Lead.


(FORTUNE Magazine) – Second-rate systems can be found even at Hewlett-Packard, one of the world's best managed corporations and currently No. 9 on FORTUNE's list of Most Admired companies. But there was a problem: On average, it took a languid 26 days for a product to reach the customer. Employees shuttled information through a tangle of 70 computer systems, some decades old—and this at a leader of the high-tech industry. The job of reengineering the process fell to two seasoned managers, Mei-Lin Cheng, 44, and Julie Anderson, 46.

They came up with an extraordinary strategy. Assigned to create entirely new processes, they bought freedom from their bosses at HP by agreeing to produce significant and measurable improvements in customer satisfaction—in less than nine months. Failure would mean a cutoff of funding. They assembled a team of 35 people from HP and two other companies, explained the ground rules—and then vigorously refused to tell anyone what to do. Result: They met the deadline and achieved their goal.

FORTUNE: What was wrong with HP's business as usual?

ANDERSON: We were just cranking the wheel, taking care of this problem, satisfying that customer, making the goals for this year and then next year doing the same thing all over again. Patching things together with bubble gum didn't feel good.

This complaint is not about HP. The whole economy is changing, society is changing, and organizations are stuck in a certain way of managing. We haven't got a system that matches where we need to go.

CHENG: We were both passionate about not doing things the same old way. I was striving for a much higher level of integration of my work and personal life. I'd come home after giving someone a negative performance evaluation and escape into jogging, so I could just listen to my heartbeat and my breathing.

We talked about how to structure this project, and pretty soon we said, "Maybe we shouldn't have a structure at all?" When people are free to define their own goals and roles at work, their commitment intensifies, and the job becomes more personally meaningful. You don't feel as if you're leaving your real self in the parking lot before you come in to work. Your contribution can be richer. You're energized at the end of the day, instead of feeling I'm dead, give me a drink.

FORTUNE: Don't remind me. How do you create this miracle of integration?

ANDERSON: Let me explain the situation first. We were creating a complicated system, using millions of dollars of off-the-shelf software from an outside vendor—SAP—to create a single, unified database covering everything from the customer order through credit check, manufacturing, shipping, and warehousing to invoicing. We had to reengineer all those systems, so it was incredibly complex. We wanted everybody—including team members from
Andersen Consulting and our transportation and distribution partner, Menlo Logistics—looking at the whole system.

CHENG: Most of these complicated information-technology projects fail—the industry's failure rate is as high as 70%. You're taking too long, and you're over budget. And by the time you get it done, the business need has changed.

ANDERSON: We decided that if we couldn't get results in one year, we were probably taking the wrong approach. That's why, when we started last November, we agreed to put our heads in the noose by committing to real business results before the funding review scheduled for nine months later.

We ended up meeting that target in eight months. Our pilot program focused on one customer, an office-products distributor that accounted for a large share of the multibillion-dollar sales of this part of HP. We've consistently delivered products to them in eight days, vs. 26 days before. That enabled them to cut their inventories by nearly 20% while increasing service levels to their customers. And so we got our funding for the project's second year.

FORTUNE: Great—but what did you do to make the team so effective?

ANDERSON: We took things away: no supervisors, no hierarchy, no titles on our business cards, no job descriptions, no plans, no step-by-step milestones of progress. We located as much of the team as we could in one office, explained the time frame and the business measures, and left them to figure out what to do. The idea was to create a sense of personal ownership.

FORTUNE: And the result was complete chaos?

CHENG: Naturally.

FORTUNE: Let's hear about the chaos.

ANDERSON: When people came back from the orientation, they were anxious to start. Everyone felt the time pressure. They asked us how to organize the work, and we just said, Start. They spent the whole first month in one long meeting, trying to figure out what to do.

CHENG: Eventually they agreed that the first step should be conceptual design. So they tried out different ways of working together to do that. One approach was to have a group working on one module, let's say finance, and other teams working on other modules. But then we realized that if we worked on each piece separately, the traditional way, we'd run into the old problem of how to integrate them later.

One person told me she spent the first two months feeling
we were wasting her talents. Then she realized we weren't actually preventing her from contributing, so why not just do it?

FORTUNE: They must have had smoke coming out of their ears.

ANDERSON: Oh, yes. Some people would come up to us and say, Why don't you just tell us what to do so that we can move on? This is a big waste of time. And we'd say, If we give you an answer, it might not be the right one. This was their introduction to the idea that no one of us can see the whole system perfectly. The more people focusing on it, the better the solution will be.

CHENG: If you think I am smarter than you, you are wrong. This is your chance to try something different.

FORTUNE: How much of that was sincere and how much was theater?

ANDERSON: Well, I really didn't know what the right answer was. I could have made some suggestions. I had some ideas that might have helped...

FORTUNE: Probably some very good ideas.

ANDERSON: Yes.

FORTUNE: And yet?

ANDERSON: I sat on my hands. Chewed on my fingernails.

CHENG: I had some internal struggles about not speaking out. I sometimes woke up in the middle of the night, wondering what the next step should be.

ANDERSON: I never slept better. I felt like a burden had been taken off my shoulders. I was out of the rat race. The difficulty was that we'd all been rewarded for being able to stand up with a chart and point to results. We couldn't do that anymore. As we struggled with our new roles, we tried to make our own soul-searching visible to the team, to serve as role models of living with that vulnerability.

FORTUNE: How often were you reporting in to your masters at HP?

ANDERSON: Not very often, if we could avoid it. It was very hard to honestly represent the situation in those early days in a way that would mean anything to people from outside the team. We would meet the project's sponsors in the hallways, and they would ask how things were going. We would say, Well, fine, you know, we're still working on it.

FORTUNE: How did the team finally get out of the rut?

ANDERSON: We'd made some progress, but within a couple of months we were in a tough spot. Some people suggested that, since we already had the SAP software, we could try to execute orders on it. We had some very lengthy discussions about that. Finally somebody said, This is like the movie Groundhog Day. Bill Murray plays a character who relives one day of his life over and over. He has to figure out how to get to the next day of his life, so he tries all sorts of things. He begins by learning simple things, like remembering not to step in a puddle on the street. Eventually he learns to stop living just in his mind, to listen to his heart and soul. Each time the day began again, his clock radio played Sonny & Cher's "I Got You Babe." That story became the metaphor for our team. Every day at 8:30 a.m. we'd play that song. And every day we tried to process an order through the system.

FORTUNE: So the real secret here is dealing with bite-size problems one by one?

ANDERSON: In a way. The idea was to try things out and learn as we go along—to learn by practicing, like an orchestra or a sports team. People in business too rarely get a chance to practice.

CHENG: At first we didn't have a complete system, so we represented the various pieces
with toys. Mr. Potato Head was an HP business unit in Boise, a Lego Polynesian boat stood in for a Japanese supplier, a can of beans was Finance. The first time we put an order into the system, we couldn't even get it to the warehouse.

I remember one discussion then about whether to stop the practice. A team member said, Why do we have to be perfect right away? Imagine this as Bill Hewlett and Dave Packard starting the company. Do you think they waited until all their order-fulfillment processes were perfect before opening the door for business? The team kept at it, identifying problems and improving the system bit by bit.

The first time we successfully simulated getting an order all the way to the customer, the process took about ten days. Something would break down, and we would have to fix it. Finally we got to the point where we could do an order in a day. Then we started launching simultaneous orders, making it more and more complex.

FORTUNE: What have you learned?

ANDERSON: This idea of practicing is probably the most important idea we have introduced. Every morning there is a practice meeting where we discuss what happened yesterday, what did we learn, what are we struggling with, what are our priorities.

CHENG: Another lesson: You don't need to tackle complexity with complex solutions. Our approach is to jump in, bite off what we can chew, and learn as we go. You've got to start without knowing where the journey is going to take you.

ANDERSON: What we're trying to do is to build the capacity to learn, first in individuals and ultimately in the organization. That's the only way we know to get an organization that's nimble in responding to business needs. We're both still learning what our role as managers should be. One thing we know for sure, though, is that we don't make the decisions.
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CHAPTER XIII
THE PSYCHOLOGICAL CONTEXT OF INFORMATION AND COMMUNICATION TECHNOLOGIES (ICTS) USE IN ENTERPRISE

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LEARNING GOALS

1) To learn about Information and Communication Technologies (ICTs) functions in small and medium enterprises.

2) To learn about individual and cultural differences in ICT use.

3) To learn how to identify and overcome psychological problems with ICT adaptation and use.

4) To understand how to design ICT for a better performance in the Web 2.0 era.
Case Study 1 – Do four-person enterprises need ICTs to work?

Mainoxi Paikal Ltd of Lieto (Finland) is a four person ad agency which tapes advertisements and darkening films onto vehicles and heat and security membranes to windows and doors. ICT is crucial in this company, both in production and financial management. The company was considering making better use of technology, for example in mobile work, and therefore Enterprise ICT (a consultancy company) was commissioned to set about finding solutions.

Advised by a consultant, Mainoxi Paikal decided to invest in a method which connects workers' portable computers into an internal network for common use, ensuring much more effective cooperation, especially on work trips. Another investment involved using a web camera to monitor the long-lasting tape printouts of production machines. Supervision via web camera enables better management, control and remote operations independent of time and place.

A success story from Turku Science Park Online

(www.turkusciencepark.com)

Case Study 2 – Always listen to your customers.

Dell IdeaStorm represents a new way to listen to customers on how to build the best products and services. It is an online community where customers can post their ideas on technology and Dell products, services and operations. The community votes for the best ideas and discusses the ideas with other users. Dell shares the ideas throughout its organization to trigger new thoughts and evolve everything that is done at the company.

Based on Dell corporate site information

(www.dell.com)

[Dell] refreshed an otherwise dreary way of collecting customer feedback. Dell IdeaStorm, launched in February last year, is a cool social networking site complete with Digg-style voting and post-a-comment functions. In fact, the site is also a designated place where new product ideas are spawned - by the customer for the customer. Pre-installing the Linux operating system on Dell
notebooks, for instance, was an idea submitted online by a customer. In just two
days, more than 25,000 votes were collected from IdeaStorm visitors for pre-
installing Linux on Dell computers. One week from the launch of IdeaStorm,
the customer suggestion took flight with the PC maker announcing plans to
preload the open-source operating system on its computers.

Irene Tham, Web 2.0 lessons for SMEs on Asia One Business
(www.asiaonebusiness.com )

Questions:
1. Can you provide another examples of good ICT use?
2. For which type of businesses is ICT crucial, for which type it is not so
   necessary?

INTRODUCTION

Technological growth has fundamentally changed many aspects of our life –
the way we learn, communicate or run our business. The information and
communication technologies (ICTs) include both traditional (e.g. radio, TV or
press) and newer technologies but in this chapter we will concentrate mainly on
Internet and computers as they are more important for communication,
production and management in organizations (Andriessen & Koopman, 1996;
Clegg, 1994).

Micro, small and medium-sized enterprises (SMEs) are an important group of
ICTs users but comparing to large companies their needs and problems are
specific. Aside from innovative SMEs operating in fields of e-commerce or new
technologies there are many small businesses which we can call technologically
excluded or failing to use their full potential (Sadowski, Maitland, van Dongen,
2001). There are many factors to blame, the most important is the lack of
human, financial or knowledge resources in comparison to large organizations.
Furthermore, many software or hardware solutions are designed for large
organizations and do not meet needs and capabilities of SMEs. Since SMEs have
to find their own way to use ICT, the subsequent parts of this article will present
some basic issues of ICTs functions, web design as well as psychological
processes involved in implementing the technological change.
ICT IN AND OUTSIDE THE ORGANIZATION

Information and communication technology is an important factor facilitating the entrepreneurial growth. There are growing empirical evidence confirming the positive impact of ICTs on global performance, both in terms of productivity or market value, but also efficiency of productivity, service quality, cost savings, organizational, process flexibility, and customer satisfaction (Bayo-Moriones & Lera-López, 2007; Brynjolfsson & Yang, 1996; Melville, Kraemer & Grubanxi, 2004). In today's highly competitive environment ICT helps reduce the uncertainties surrounding production and administrative processes and sustaining competitive advantage (Dewett & Jones, 2001). For example, using ICT enterprise divests itself of unnecessary work stages, saves time and money and develops solutions in mobile working – as it happened in case of Mainoxi Paikal. Moreover numerous and global client relationships require e-commerce, electronic invoicing and the use of Internet banking. Finally, ICT allows for better on-market visibility and better level of services at a lower cost.

ICT is present on each level of business operations – from enhanced internal functions of organization, through business to business relations (B2B) to interactions with clients (B2C). Basic functions of ICT use are communication, management or enabling remote operations and they are using almost the same tools (LAN, WAN, ERP, CRM, office applications, mail services) for both internal and external areas of SMEs activity. More specific functions covered by ICTs are marketing, sales, customer service and support, product development as well as finance, warehousing or procurement (Papastathopoulou, Avlonitis & Panagopoulos, 2007; Sadowski, Maitland & van Dongen, 2001). But these are underutilised. The latest e-Business Watch report (2007) points out that in average 75% of small companies from 10 EU countries (no more than 49 employees) have broadband Internet access, whereas in larger organizations the level is 84%. The biggest differences between small and larger organizations exist in on-line orders placing, tracking production or working hours and linking with suppliers systems. There are also barriers in introducing the innovation process. As financial reasons are often blamed, the report's authors points out that outsourcing of ICT solutions, using open source (OS) software as well as building of networks by firms is the way to overcome them.
WEB PRESENCE - PSYCHOLOGICAL AND CULTURAL ISSUES

Web presence differs and extends ICT issues presented above. In this part we advice on how to fully utilize the potential of the Internet and how to cope with some psychological problems of communication in virtual worlds.

Information and communication technologies enable enterprises to operate in virtual networks of customers, suppliers, distributors, partners or service providers all over the world. Nowadays it is simply difficult to distinguish when one becomes a Web entrepreneur. Usually information about one's business are present in many online databases or there are some rumours about products or services on discussion groups or individuals can pick up firm localisation on GoogleMaps. Therefore a conscious strategy on how to present the enterprise in the online world is highly needed in the era of Web 2.0, even if one is not going to engage in e-commerce. Typical functions of commercial web presence are promotion of products and services, provision of data and information, and processing of business transactions (Ho, 1997). There are various stages of Internet adoption, from simple web presence (Web site and domain name, a stable presentation), through interactive customer services (support, newsletter) to full integration of business processes with suppliers and customers at each level of organization (Teo & Pian, 2004). Regardless of the level of Internet adoption, the website and other systems should be in line with business objectives and compatible with both entrepreneurs' needs and clients' expectations.

Successful design – content and usability

Another element of web strategy is website's success, however it can be difficult to measure (Zviran, Glezer & Avni, 2006). The most important factors influencing website success are proper use of technologies to achieve usable and accessible design and high quality content. There are many methodologies of measurement of user satisfaction. One of them is WUS measure (Website User Satisfaction), an instrument validated by Muylle and colleagues (2004) consisting of three components: information (relevance, accuracy, comprehensibility, and comprehensiveness), connection (ease-of-use, entry guidance, structure, hyperlink connotation, and speed), and layout. Authors propose that WUS can be used for assessing the effectiveness of organisational site in a standardised way and provide information about strengths and weaknesses of the site. A 34 item WUS can be used as a questionnaire or a checklist, which make this instrument...
useful on each level of website design and deployment or in comparing the websites.

Website content is a field of compromise between organisation promotional needs and customer's expectation. Web is global and therefore problems of individual assessment based upon users' previous experiences, social and demographical characteristics and cultural differences exist. All these issues are accounted for user-centered design. But first there must be established who the user is and what are his or her goals (Zviran et al, 2006). User's opinion should be taken into consideration throughout the whole life cycle of the system design – information gathering, development, evaluation, and implementation. For the existing web page the main points are to identify technologies and features which are important to customers. To do that, we have to know something more about how they use and perceive the organisation's website. Collecting and analysing site statistics, detailed information about website traffic, hits, time spent and visited pages, is a basic method to gain knowledge about users and then to improve the website performance. Simply put, we can say that what makes website successful is a balance in design and content between customer’s expectations, company marketing goals and technological features. Content design is a part of marketing strategy to launch and promote the website, but some general rules of usability should be also considered.

Usability means making products and systems easier to use in order, to help users achieve their goals quickly and easily. There are many aspects of usability like clarity and efficiency of design or accessibility – enabling alternative ways of delivering content or using the product for people with disabilities. Without basic knowledge about usability it may be hard for SMEs to design the website or to assess the design provided them by other companies. Many SMEs have moved quickly to establish a Website with little understanding of what they are trying to achieve.

The goal analysis is the first stage of planning the usable website. There is a need to specify who will be the audience and which information will be presented. Then the analysis of usability should begin. Clarity is an important factor influencing ease-of-use, thus well organised content of web page with logical system of navigation is a must. Also the quality of the graphics should be considered as graphics influence navigation, time of page load and the site impression. Last stage is usability assessment. As SMEs' resources are usually small
there is no need to order advanced test of usability by a specialised firm. It will be enough to ask some people (with different levels of skills preferably) to use the site and to gather their opinions. Easy and useful technique is also a heuristic evaluation. This evaluation is done by systematic inspection of a user interface using set of evaluators. A group of testers examine the interface and judge its compliance with recognised usability principles (heuristics). There are ten general principles of design that should be met:

1. Visibility of system status – user should be informed about what is going on and receive appropriate feedback (e.g. system message that there is an error).

2. Match between system and the real world – language, words and phrases should be as familiar to the user as possible (e.g. try to minimize complicated system oriented terms).

3. User control and freedom – a clearly marked "emergency exit" from each site to leave the unwanted state without having to go through an extended dialogue should be provided (e.g. clickable organisation logo).

4. Consistency and standards – users should not have to wonder whether different words, situations, or actions mean the same thing (e.g. follow platform conventions)

5. Error prevention – first stage is elimination of error-prone conditions and careful design which prevents problem from occurring; second stage is presenting users with a confirmation option before they commit to the action.

6. Recognition rather than recall – objects, actions, and options should be visible to minimize the user's memory effort, instructions for use of the system should be visible or easily retrievable whenever appropriate.

7. Flexibility and efficiency of use – system should be friendly for both novice and expert users, it can be done by allowing different groups of users to tailor frequent actions to their needs.

8. Aesthetic and minimalist design – each irrelevant or rarely needed unit of information is useless as it competes with the relevant units of information and diminishes their relative visibility.
9. Help users recognize, diagnose, and recover from errors – error messages should be expressed in plain language (e.g. no codes numbers, system messages), precisely indicate the problem, and constructively suggest a solution.

10. Help and documentation – it is better to design the system which can be used without documentation, but it may be necessary to provide help and documentation. Documentation and help should be easy to search, focused on the user's task, list concrete steps to be carried out, and not be too large (Nielsen, 2005).

Cultural-oriented website design

Another issue presented in this chapter is cultural context of website design, as e-commerce means operating globally. Web is not culturally neutral and we can observe differences in content and design of websites around the world. In many cases there is a need to design with a lot of attention to achieve culturally congruence with expectations of clients from different parts of the world. If you are going to go global you should study cultural content on existing Web sites to avoid cultural faux pas on global market. Barber and Badre (2001) provide a detailed list of cultural markers corresponding to web design elements such as color, spatial organization, fonts, shapes, icons, metaphors, geography, language, flags, sounds, motion, preferences for text vs. graphics, directionality of how language is written (left vs. right), help features and navigation tools. Singh and Matsuo (2004) propose a framework to measure cultural values embedded in Web sites which can also serve as a guide for developing pages. In their work they used Hofstede’s (1980) four cultural dimensions (individualism–collectivism, uncertainty avoidance, power distance, and masculinity – femininity) and Hall’s (1976) high- and low-context cultural dimension. Based on content analysis of over 500 websites of Japanese and US companies they identified site features (e.g. community tools, games, design and tradition appeals) which are preferred more in specific cultures. Table 1 presents the list of features related to certain cultural dimensions.

Knowledge of cultural differences is important not only to decide which technological features to choose, but also for choosing colour palette, graphical design and style of language. Besides framework form Singh and Matsuo (2004), there is also an interesting model presented by Kondratova and Goldfarb (2007),
who compiled the results of research in colour preferences by country and give some other useful hints on graphical design.

**Table 1.** Cultural categories of web sites features (source: Singh & Matsuo, 2004)

<table>
<thead>
<tr>
<th>Cultural dimension</th>
<th>Web site features</th>
</tr>
</thead>
</table>
| **Collectivism**   | Enabling community relations  
|                    | Clubs or chat rooms  
|                    | Newsletter  
|                    | Family/We theme  
|                    | Symbols and pictures of national identity  
|                    | Loyalty programs  
|                    | Links to local web sites |
| **Uncertainty avoidance** | Customer service  
|                          | Guided navigation (clear rules and directions)  
|                          | Tradition theme  
|                          | Local stores localisation  
|                          | Local terminology use  
|                          | Free trials and downloads |
| **Power distance**  | Hierarchy information and pictures of important people  
|                    | Quality assurance and awards info  
|                    | Vision statement  
|                    | Pride of ownership appeal  
|                    | Proper titles |
| **Masculinity**    | Quizzes and games  
|                    | Realism theme  
|                    | Product effectiveness info  
|                    | Clear gender |
| **High-context culture** | Politeness  
|                          | Soft-sell approach  
|                          | Aesthetics |
| **Low-context culture** | Hard-sell approach  
|                          | Rank and prestige  
|                          | Superlatives  
|                          | Terms and conditions |
Examples of symbolic colour connotations in different countries are preference of green in Islamic countries, red in China or black in US, although it has also some unfavorable connotations in Asia, Latin America and Europe. In advertising colours are also connected with feelings and blue is often pointed as used universally across the multitude of cultures. Table 2 presents colours associations in different cultures.

**Table 2.** Colours associations in different cultures (source: Barber and Badre, 2001)

<table>
<thead>
<tr>
<th>Color</th>
<th>China</th>
<th>Japan</th>
<th>Egypt</th>
<th>France</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red</td>
<td>Happiness</td>
<td>Anger</td>
<td>Death</td>
<td>Aristocracy</td>
<td>Danger</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Danger</td>
<td></td>
<td></td>
<td>Stop</td>
</tr>
<tr>
<td>Blue</td>
<td>Heavens</td>
<td>Villainy</td>
<td>Virtue</td>
<td>Freedom</td>
<td>Masculine</td>
</tr>
<tr>
<td></td>
<td>Clouds</td>
<td></td>
<td>Faith</td>
<td>Peace</td>
<td></td>
</tr>
<tr>
<td>Green</td>
<td>Ming, Dynasty, Heavens</td>
<td>Future, Youth</td>
<td>Fertility</td>
<td>Criminality</td>
<td>Safety</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Energy</td>
<td>Strength</td>
<td></td>
<td>Go</td>
</tr>
<tr>
<td>Yellow</td>
<td>Birth, Wealth, Power</td>
<td>Grace, Nobility</td>
<td>Happiness</td>
<td>Temporary</td>
<td>Cowardice</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Prosperity</td>
<td></td>
<td>Temporary</td>
</tr>
<tr>
<td>White</td>
<td>Death, Purity</td>
<td>Death</td>
<td>Joy</td>
<td>Neutrality</td>
<td>Purity</td>
</tr>
</tbody>
</table>

**Web 2.0 Entrepreneur**

Another issue somehow merging both usability and cultural differences is the potential of Web 2.0. Nowadays with buzz about Web 2.0 there are some new ways of web presence to be adopted by SMEs but there is still a bit of diffidence. For example, in report “Enterprise 2.0: The Benefits and Challenges of Adoption” (Matuszak, 2007) based on global research, most executives agree that Web 2.0 tools (blogs, wikis, social networks) would be beneficial to their employees in terms of fostering collaboration and enhancing innovation and productivity. But at once, almost half of the subjects found security concerns to be the main barrier to adoption and 45% of subjects mentioned a lack of understanding between Web 2.0 and organisation's business processes. Another survey, involving a group of over 100 professionals from all over the world, reported that almost 54% of enterprise-size organisations and more than 70% of
companies with fewer than 500 employees were using blogs, RSS feeds, social marketing and online video to reach out to consumers and declared that they had more consumer engagement and had increased brand awareness (BizReport, 2008). In fact many Web 2.0 tools can help entrepreneurs in providing information in easy, cheap and open way. The key applications are blogs, social networks and communities, bookmark systems and content aggregators. Key technologies are wikis, RSS, widgets and mash-ups; almost all provided using open-source applications and dynamic programming (Constantinides & Fountain, 2008).

Using these tools Web 2.0 is all about openness and connectedness, interactivity, collaborative work and social networking. In this context static web page seems to be a historical relict as the main trend is to create weblogs, provide customers ways to feedback using social networks building around products and managing the enterprise knowledge using wikis (Kumar, 2008). Constantinides and Fountain (2008) present detailed model of corporate options in using Web 2.0 tools. Exemplar applications are collecting information about clients, shaping PR strategy or actively engaging Web 2.0 tools for direct, personalised one-to-one marketing. It is also not very far from entering Second Life and annex new virtual markets as more and more firms do. The evidence that in Web 2.0 time pass faster is conclusion that most innovative options are today nor corporate blogs and podcasts but growing pool of corporations partnering with talented amateurs or providing customers with personalised products.

In context of Web 2.0 web presence means today being present in communities. It can be achieved by advertising in search engines or advertising on selected blogs using smart and simple text ads, creating the profiles or widgets connected with product in social networks portals or, which is most sophisticated, by reaching online opinion leaders and involve common users by microblogging. Using Web 2.0 tools makes promotion easier, cheaper and faster. Dealing with Web 2.0 needs also flexibility and openness to new ideas and suggestions. As the role of user-generated content is growing it is easier to promote the business but the price is lack of control, as firm is not the only author of information about itself. For example, for customers reviews posted in different forums or online communities, blogs and podcast becoming much more powerful source of information than expert product reviews and traditional advertisements (Gillin, 2007). From this perspective any customers
activity should be perceived as a potential way to promote the product or service. Many enterprises doing that by creating the space for interaction with customers or involving them into improving or customization of the product or service. Currently there is a strong tendency to stimulate such an activity by viral marketing or to manage social ideas in forms of crowdsourcing. The case study of Dell presented above is an example of involving general public into activity which was restricted to the group of employees. Another forms of crowdsourcing can be contests in graphical projects of logos or packages, solving problems or improving the products as well as providing ways to evaluate or recommend the new products or services.

Web 2.0 tools, services and social networks are also important for entrepreneurs not interested in operating globally. The scale effect with growing numbers of people and organisations being online and connected in social networks means that potential group of customers and business partners can always be extend by using geolocalisation services, advertisements or extending the involvement into local discussion groups.

Another issue is overcoming problems with limited resources either financial or human by Web 2.0 services. So far the typical way to reduce costs of software were open source solutions, which very often were cheaper or even free of charge. But still, there were need to hire professionals to administrate the software. Nowadays the cheapest way is to outsource software or even whole infrastructure as a service. The best example is Google collaborative applications suite including Documents, Spreadsheets, Email and Calendaring in web environment. Other examples are on-line payments (Paypal), file storages (dot Mac), image galleries (Flickr), video processing (Kaltura), raster graphics (Adobe Photoshop Express), schedules and planners (Zimbra) and knowledge management (Wikipedia). Usually they are free of charge or purchased on a recurring monthly basis.

**Diffusion and adoption of technological change**

Main factors influencing ICT diffusion and adoption are environment, organisation structural characteristics, human capital, competitive strategies, and internal organization (Bayo-Moriones & Lera-López, 2007; Papastathopoulou, Avlonitis & Panagopoulos, 2007). Their influence changes according to the phase of implementation the technological change. Usually organisation
characteristics are most important on early stages. Smaller organisations are rather opportunistic towards ICT changes with ‘wait-and-see’ attitude and profitability is main argument for them to, for example, decide whether to go online or implement an information system. During later stages of ICTs adoption when more complicated tasks are provided and the everyday work is changing diametrically human capital factors as skills and experience become more important in supporting diffusion (Sadowski, Maitland & van Dongen, 2001).

ICTs diffusion is a complex process in which employees are the most important actors. Therefore technology acceptance is not a stage but a constant process which should be planned with attention to end-users different needs, experiences and diverse capability to adopt innovations in their everyday work. Without employee's acceptance the technological change implementation will fail. Thus, the consciousness of psychological context of technology use is important to facilitate the process of change implementation and to prevent from employees' resistance.

The psychological aspects of technology adoption will be explained based on two models – Technology Acceptance Model (Davis, 1989), which explains how perception of technology influence the behavior towards them and Social Cognitive Theory (Compeau, Higgins & Huff, 1999), which concentrates on individual characteristics like self-efficacy, anxiety and attitude. Antecedent factors, like gender, age, previous experiences with technology and voluntariness of use, are also important in explaining differences in behavior towards technology (Venkatesh, Morris, Davis & Davis, 2003). Main factors that influence ICT use are presented on simplified model in Figure 1.

Based on scheme presented above we can mark some areas to assess before implementing a change (Rudnicka, 2004). First, we can predict some differences in end-users behaviour based on their socio-demographical characteristics. Although nowadays technological gender and age gap is converging, individual differences (level of self-efficacy, anxiety or attitudes) are still observed among men and women or younger and older people (Beltrán & Ursa, 2007; Castells, 2001; DiMaggio & Hargittai, 2001).

Thus, the assessment of employees’ potential in terms of skills and individual characteristics is crucial for planning the strategy of implementation. After assessment of employees’ potential is done, both promotional and educational strategies must be used. The best strategies for promoting the change should
involves as many end-users as possible in on-site demonstrations (Athaide, Meyers & Wilemon, 1996). The promotion should be oriented on reducing the anxiety and to reach positive attitudes towards ICTs and its use. Then individually adjusted training and different forms of support during the whole process are necessary to use the full potential of innovation, compensate skills based differences and strengthen the self-efficacy of users. Finally obtaining feedback from the users and responding to the needs expressed is essential (Papastathopoulou, Avlonitis & Panagopoulos, 2007; Rudnicka, 2004).

![Diagram](https://via.placeholder.com/150)

(Based on: Davis, 1989; Compeau & Higgins, 1999; Venkatesh et al., 2003)

**Figure 1.** Factors influencing ICT use

Although less visible because of growing number of ICT investments, there are some cultural differences in the field of ICT diffusion. Using a framework based on Hofstede's (1980) dimensions Erumban and De Jong (2006) provided some insights on relations between country dominating cultural values and ICT adoption. In their research the uncertainty avoidance and the power distance dimensions seemed to be the most influenced factors of ICT adoption. However, cultural differences are not only the matter of nationality. In case of each type of organisation we can always observe important influence of organisational culture, which may differ from the national one. Than, in case of small enterprises their limited resources and firm’s dependency on a few key individuals means that ICT adoption is stimulated or inhibited by values important for management or owner. With their positive or innovative attitude
and knowledge about IT there is a chance that SMEs will be likely to adopt ICTs easier.
RELATED IN-CLASS ACTIVITIES

Roadmap for ICT change in organisation

The goal of this exercise is to extend students knowledge on factors important in implementation of ICT change in organisation. First, student should discuss all aspects of change (organisational, financial, human, knowledge resources etc) and then propose some general directives for SMEs owners or managers. Students can use force field analysis, SWOT analysis or cause and effect Ishikawa diagram (Fishbone diagram) during discussion. Make sure if students know these methods and if needed provide some information about methods. The result of exercise should be visualisation, a poster or mind-map.

Instruction for students:

You will discuss factors important for successful implementation of ICT in organisation. Your task is to prepare a poster or other form of visualisation for SMEs owners, which provide them general rules of successful change implementation.

Website Evaluation

The task is to analyse and assess websites content and layout to provide improvement recommendations. The goal of this exercise is to make students aware that web user satisfaction depends on both technical factors (usability, connection speed) and content and layout compatibility with users' expectations and abilities (ease of use, information comprehensiveness or cultural convergence).

For this exercise the proper choice of website is important, the best way is to choose enterprises from the same sector in four or five culturally distinct countries. But on the other hand, looking for cultural differences on sites from countries students come from also brings some potentially interesting topics for discussion.

During this exercise students should use a WUS measure designed by Muylle and colleagues (2004) and framework of cultural categories of web sites features
provides by Singh & Matsuo (2004). The colour meaning chart by Barber and Badre (2001) may also be used (see part 2.2.1 and 2.2.2). The short description of national culture of each country may also be useful.

Instruction for students:

You will be analysing and assessing some existing websites content and layout to provide improvement recommendations. In first phase of the assessment you will be assess the level of user satisfaction for each site, then you will analyse the cultural features of website to evaluate the differences and their meaning. Your time limit is up to 45 minutes, then you will have 10 minutes to present your recommendations in public.


Web 2.0 Enterprise

The task is to create a strategy for enterprise to enable the organisation for taking advantages of Web 2.0 (see part 2.2.3). The level of exercise structuralisation depends on the amount of time and students' experience, for example the kind of business (sector, size, localisation) may be determined by you or students. Students can prepare the strategy for real life enterprise or a hypothetical business concepts they are preparing during the whole course. If you decided to determine the type of business, some information provided in Castaings and Tarantola (2007) report may be useful as they provide examples of sectors with high and low ICT adoption in 27 EU countries. For example encouraging students to provide a strategy for construction sector enterprise (lower adoption) and wholesale and retail or real estate business (higher adoption) may be helpful in discussing problems of ICT adoption in various sectors. Other proposition is to use enterprise examples which can help in better understanding of full potential of Web 2.0 tools for developing markets niches or expanding from local to global markets.

Students work in teams (5-8 persons) and finally present their strategy in public. During this exercise encourage students to think creatively and be open
for new ideas. Web 2.0 provides tools which can be used in numerous ways and more of them is to be discovered. In this exercise students should precisely mark the goals they want to achieve by using Web 2.0 tools, e.g. product or service promotion, sales, customer service, building brand awareness, outsourcing of specific processes or using software as a service. Group-wide discussion of presented ideas is highly recommended at the end of exercise.

Instruction for students:

You will be asked to imagine that you are an owner of a small enterprise. Your task will be to create a strategy to become a modern organisation using means provided by Web 2.0. Decide which goals are you going to achieve by using Web 2.0 tools and provide detailed examples of use of services and applications. Your time limit is up to 45 minutes, then you will have 10 minutes to present your ideas in public.

Useful references are Matuszak (2007), Constantinides and Fountain (2008), Gillin (2007).

Glossary

**B2B** – Business-to-business – internet services that integrate business processes between companies (e.g. automatic invoices and payments).

**B2C** – Business-to-customer – internet services for automated customer processes (e.g. internet shopping, banking).

**Blog** – see Weblog

**CRM** – Customers Relations Management – broad range of data-base applications enabling 1) restoring and management of clients information with history of business interactions, 2) conducting analysis and 3) managing client interactions in real time.

**Crowdsourcing** – using the general public to do research or other work traditionally performed by an employee or contractor.

**ERP** – Enterprise Resources Planning – computer aided production, logistics and other business processes.
ICTs – Information and Communication Technologies.

LAN – Local Area Network – small scale computer network covering office space and short distance inter-building connections.

Mash-up – aggregator of content taken from different sources into a single integrated tool, which creates a distinct web service with new and specific functions (e.g. http://www.videomashups.ca/).

Microblogging – form of blogging by SMS, e-mail, Web browser or Instant Messenger; allows to publish brief posts on a dedicated public service and/or distribute them to a private group of subscribers (e.g. Twitter, Jaiku).

Podcast – a collection of digital media files distributed over the Internet using RSS, which can be played on portable media players and personal computers.

RSS – Really Simple Syndication – standard of distribution or syndication (“feeding”) of content as blog entries, news headlines or podcasts from an online publisher to Web users.

SMEs – Small and Medium Enterprises.

VoIP – Telephony services based on Internet technology (e.g. Skype).

WAN – Wide Area Network – extremely immense computer network covering regions, countries and up to international connections.

Web 2.0 – Web portals with user-driven content, including, content creation, commenting, moderation and social networking (e.g. Flickr, Facebook, LinkedIn, Wikipedia, YouTube).

Weblog – frequently update website consists a series of regular entries of commentary, descriptions of events, or other material such as graphics or video arranged in reverse chronological order.

Widget – a simple, small application embedded on website (e.g. IM status information, dynamic playlist display)

Wiki – broad range of systems for collaborative publishing.
REFERENCES


INFORMATION AND COMMUNICATION TECHNOLOGIES (ICTs) USE IN ENTERPRISE


