

Psychology of Entrepreneurship

Research and Education

Juan Antonio Moriano León
and Marjan Gorgievski (coordinators)

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PSYCHOLOGY OF ENTREPRENEURSHIP: RESEARCH AND EDUCATION

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CHAPTER 1

ERASMUS INTENSIVE PROGRAMME

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UNED

1. BACKGROUND

The European Commission and national governments world-wide are calling for an increase in Entrepreneurship (e.g. Reynolds, Bygrave, & Autio, 2004, Observatory of European SMEs, 2004). They have recognized the impact of entrepreneurship on: economic growth, a reduction of unemployment, regional development, innovation, and individual growth. These calls for entrepreneurship include the study, promotion, and development of both the entrepreneurial business and the entrepreneur. As a result, it is one of the fastest growing fields in the social sciences (Katz, 2003).

While there are many different career options, few offer as much potential for personal achievement and independent wealth creation as starting or running a new business. However, compared to the US, significantly fewer EU citizens prefer to be self-employed (Flash Eurobarometer 160, Entrepreneurship), furthermore new businesses in the EU grow significantly slower than those in the US. Furthermore, the Global Entrepreneurship Monitor (GEM, who identifies entrepreneurship needs of countries across the world) reports that the level of entrepreneurial activity is low in the EU (approx. 6%), and even lower in Central Europe (approx. 4%), especially compared to the U.S. (more than 10%). According to GEM experts, better education and training are important tools that can strongly motivate entrepreneurial activity. This indicates a strong need for increasing the quality of entrepreneurship education and training in EU countries (EU final report Education for Entrepreneurship, 2004).

With the objective to study entrepreneurship from the Social Sciences perspective (Psychology, Education and Management and Business Administration), researchers/educators from 6 European countries founded in 2005 the International Network for Psychology of Entrepreneurship Research and Education (INPERE, www.inpere.org). Its main goal is to conduct research that will advance the field of psychology of entrepreneurship and to apply the findings to practical use, most importantly for use in education and training.

The European universities that are part of INPERE are the following: 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).

The EU definition of entrepreneurship starts with “entrepreneurship is a mindset...” (Green Paper on Entrepreneurship, 2003, p. 6). However, most educational approaches to entrepreneurship focus on developing technical skills (e.g., entrepreneurial finance). The first step to development, to enhance the motivation and drive of the students, is often underestimated. This clearly indicates a deficiency in the current entrepreneurial education. INPERE intends to help the creation of an entrepreneurial mindset through the development of psychological approaches within the interdisciplinary field of entrepreneurship. This goal is in-line with the findings of the EFER survey on Entrepreneurship education in Europe (Wilson, 2004). They recommend that more attention should be devoted to culture, attitudes, skills, growth, success and intrapreneurship.

In order to advance academic research, to facilitate the sharing of knowledge between the European member countries and to get the useful results for helping entrepreneurs through training and education, INPERE strives to create this Erasmus Intensive Programme, Psychology of Entrepreneurship Research and Education.

2. AIMS AND OBJECTIVES OF THE PROGRAMME

The main objective of this project is to bring together professors, researchers, lecturers and university students from various European countries to share the

knowledge of how to educate, guide and promote entrepreneurship in Europe through the use of psychological approaches.

The specific aims are the following:

1. Provide students an overview of entrepreneurship and develop an understanding of specific entrepreneurial challenges and opportunities.
2. Offer methods and techniques to develop the skills required to become an entrepreneur and to elaborate an entrepreneurial approach.
3. Teach students the latest research in Entrepreneurship from social sciences and show them how to apply the findings to practice.
4. Transfer of know-how in entrepreneurship training and education for graduates, and higher education students between EU universities.
5. Promote interdisciplinary teamwork and self-starting behaviour among participants as well as the creation of multidisciplinary research groups between participants in the intensive program for entrepreneurship. For example, the students from different universities will be encouraged to work on the common research topics in their thesis following the intensive program.
6. Creation of new educational and training programs, and development of quality training materials (in the form of printed materials, a CD-ROM and a practical handbook).
7. Dissemination of the products to target groups (e.g., potential and current entrepreneurs, entrepreneurial trainers) to be used to develop entrepreneurs. The final products of the Intensive Program (a handbook, a web page and CD-ROM) will be promoted and distributed to as many individuals from the project target groups as possible via advertisements and active distribution by all the project members.

2.1. The project contributes to the aims and priorities described in the European Policy Statement

The development of the Educational European Space is a major part of the European Policy Statement of Spanish National Distance University (UNED). The project involves the establishment of international agreements with multiple

European universities. The contributions of the project include bringing together premier entrepreneurial researchers and educators to educate students on the latest developments in entrepreneurship research and the stimulation of discussion among an international group of students and scholars.

2.2. The IP ties in with the existing teaching programs of the participating institutions

This IP about Psychology of Entrepreneurship Research and Education is innovative in its interdisciplinary and international character. The professors who participate in the IP come from different European countries and have diverse backgrounds ranging from Work and Organizational Psychology, HR Management and Organizational Behaviour to Management and Business Administration. Therefore, the content of the program will be very interdisciplinary, starting with psychosocial variables, such as motivations, personality traits, attitudes, abilities, cognitions, and including opportunity recognition and development, entrepreneurial team selection, encouraging company growth, self-development, and health issues.

This programs ties with the following 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).

3. MAIN PEDAGOGICAL AND DIDACTICAL APPROACHES

The learning method is explicitly ‘student-centred’ rather than ‘teacher-centred’. This means that the students will first spend time exploring and discussing what they already know about particular topics, which will enable them to recognize where and how the new material fits into their current knowledge base. We will stimulate the students to have an active role in the

learning process, and they will be trained to apply what they have learned to practice. The student learns to learn, analyse and solve problems. The advantage of this method is that it increases retention, because the student acquires knowledge that is directly useable and applicable.

During the intensive program, students experience the importance of interdisciplinary knowledge for solving problems. They learn 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 develops cumulatively throughout the study program through progressive acquisition of new information.

Additionally, the program also pays attention to the development of attitudes with concomitant knowledge of culture-related values and norms. They will work in small teams, which will stimulate discussion and force 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 will be used. The lectures will be combined with role plays, group discussions, team work, case studies, self-analysis (of own strengths and weaknesses related to entrepreneurship), elevator pitches, problem-based learning, and discussion with a successful entrepreneur. Finally, a web page will be further used to enhance the learning process.

The IP program is designed for Master and PhD Social Science and Management students, because of their future involvement in research activities and in teaching and guiding entrepreneurship students. Moreover, the IP will benefit the student's entrepreneurial capabilities themselves, so that they can become effective role models for the students they will teach and/or become interested in an entrepreneurial career themselves.

The results of this project will be used to develop and/or improve study programmes at the participating institutions. A new PhD course will be developed in the Department of Social and Organizational Psychology of Spanish National Distance University (UNED). At Prague University of Economics, this project will help to innovate the current "Psychology of Entrepreneurship" course taught in Czech and will be a basis for teaching "Psychology of Entrepreneurship" in English. Similarly, the experience with the course will be fed back to re-design the course 'Psychology of Successful Entrepreneurship' taught at the Philipps-University Marburg and prepare its teaching in English (Master-level courses). At

the University of Verona this project will be used to design a Master in “Entrepreneurship: psychological, sociological and economic perspectives”.

4. PARTNERSHIP COMPOSITION

The **Spanish National Distance University (UNED)**, is similar to other Spanish public Universities. It awards the same qualifications, which are equally valid and it is run under the same general legislation. However, the special features of UNED make it different from most other Spanish Universities. This is due to the fact that it is nationwide in scope, uses different methodology, and has a wide social influence. It is UNED's teaching methodology, what actually makes it special within the spectrum of Spanish higher education. The keystones of this methodology are printed and audiovisual teaching material, tutorial teaching, and an ever-increasing use of new information and communications technologies.

At present, the Spanish National Distance University (UNED) also coordinates and participates in the following European projects: E-Learning: “E-xcellence, creating a standard of excellence for e-learning” (2004-3536/001-001ELE-ELEB14.), Leonardo: “Proyecto Parmenide (Promoting Advanced Resources and Methodologies for New Teaching and Learning solutions in Digital Education)” (2005-I/05/I/PP-154064), Erasmus Mundus: “Red ACTIVE: AIESAD-EADTU Credit Transfer in Virtual and distance Education” (2005-3263/001-001MUN-MUNB41), Erasmus Mundus: “EDU-CONTACT”, EUMEDIS – “Avicenna Virtual Campus” (B7-4100/2000/2165-084-P510), Sócrates – Comenius “A practical guide to implement intercultural communication” (106223-CP-1-2002-1-ES-COMENIUS-C21), Sócrates – Comenius – “Dimensión Europea de los problemas de convivencia escolar: prevención, diagnóstico e intervención” (106377-CP-1-ES-COMENIUS-C21), Leonardo “International comparative studies and course development on SME-s” (2003-3448001-001-LE2-51OREF) and Sócrates - Grundtvig: Los programas de Educación Superior en Instituciones penitenciarias: Diagnóstico europeo y propuestas de mejora” (225396-CP-1-2005-1-ES-GRUNDTVIG-GI).

The **University of Verona** was established fairly recently but its cultural background goes back in time. Since the 14th century Lectures in Law, Medicine, Literature and Philosophy were held in the cultural circles of the town. Nowadays, with 690 faculty staff and 552 administrative and technical

staff, the University educates more than 20.000 students. In spite of its steady growth, the University still retains the atmosphere of a small campus where students and teachers can meet both on and off the University premises.

The University devotes special attention to the city of Verona and its territory by implementing research projects and various forms of co-operation that increase the mutual potential for cultural and economic growth. It receives research grants by local, national, European and world-wide agencies. More than 190 co-operation agreements signed with foreign Universities and the extensive participation to international exchange and co-operative programmes both in and outside Europe involving students and researchers, show the international vocation of this University.

The University of Verona counts 8 Faculties, 35 Bachelor degrees, 29 Master degrees, 49 Postgraduate specialization courses and approximately 30 PhD courses. The new didactic system adopted by the University of Verona from the Academic Year 2001/2002 is organized in 3 study cycles: the first cycle, three years length, is characterized by a professional training type content and will conclude with the award of a Bachelor Degree (L). The second cycle, lasting two years, will lead to the award of a Master Degree (LS). The organization of the courses at the Faculty of Medicine is similar for paramedical professions, whereas the Degree in Medicine and Surgery and the Degree in Dentistry can be obtained at the end of a single cycle period of study of 5 years. The third cycle, lasting two to four years, delivers a Doctorate or a Postgraduate Specialized Degree.

The **University of Economics, Prague (UEP)** is a state funded University that was established in 1953. UEP offers the high quality business and economic education at the bachelor's, master's and doctoral levels to both Czech and international students (more than 15.000 together). UEP has a proven reputation in the field of international co-operation. It is a member of CEMS, PIM, efm, AACSB, EAIE etc. UEP provides a mix of professional academic background and high research potential. It is also highly experienced with participation in international projects (e.g. 5th FP, 6 th FP, Socrates, Leonardo, Jean Monnet). The Department of Managerial Psychology and Sociology focuses in both research and teaching activities on four broadly conceived areas - problems of managerial psychology and sociology in firms and organizations, entrepreneurial potential development, recent issues of cultural concept of a firm and its management in the environment of national and corporate cultures clashes within the integrating Europe and the development of managerial competence of firm's executives. In

2005, members of the department published a book, “Psychology of Entrepreneurship,” in the Czech language.

In its present form, the **Erasmus University Rotterdam** has been in existence since 1973. Its history, however, dates back to 1913, the year in which the Netherlands School of Commerce was established through private initiatives with broad support from the Rotterdam business community. Erasmus University Rotterdam has bundled its education and research into three domains, in which the university enjoys international recognition. The cohesion in domains is conducive to multidisciplinary collaboration in education and research. Theory driven scientific teaching and research programmes are linked to programmes driven by society's needs. The three domains are linked to the seven faculties of the EUR.

Both the Rotterdam School of Management (home of Prof. Dr. Uhlener) and the Faculty of Social Sciences (home of Dr. Gorgievski) have significant experience with participation in international projects. The Faculty of Social Sciences has much experience with student and teacher mobility programs (Erasmus, Socrates) and it has been participating in a successful annual IP programme “On the future of work” since 2003, which was a follow up of two earlier series “Social and Cultural Change in Europe”. In addition, the Institute of Psychology in particular collaborates in international programmes aimed at developing, implementing and evaluating student centred teaching methods (e-learning, problem based Learning). Most recent are a project aimed at promoting PBL-teaching in Thailand financed by Asia-Link, and the evaluation of a training programme for police officers in South Africa. The Institute of Psychology has also won several awards for the development of e-learning methods (e.g. ICT Award 2004 and the European Academic Software Award 2004).

The Technical University Dresden (Technische Universität Dresden) dates back to the 1828 and ranks among the **oldest technical-academic educational establishments** in Germany. The TU Dresden has about 35.000 students and almost 4.200 permanent employees, 419 professors among them, and, thus, is the largest **university in Saxony**, today. Having been committed to sciences and the engineering before the reunification of Germany, TU Dresden now is a multi-discipline university, also offering humanities and social sciences as well as medicine. There are only few universities in Germany which are able to match this **broad scientific spectrum**. Many degrees which can be obtained at TU Dresden are **internationally acknowledged**. At the outset of the 1990s TU Dresden was restructured and has since then consistently

turned toward competitiveness. This, of course, includes a **business-oriented way of thinking and action** as well as expanding already existing **partnerships of science with industry and economy**. Students also benefit from this **practice-oriented and interdisciplinary co-operation** as teachings and research are based on the principle of incorporating students and graduates into current research tasks as soon as possible. The faculty of Psychology at the TU Dresden is embedded in the Faculty of the Mathematics and Nature Sciences and offers Students broad Spectrum from Clinical Psychology and Psychotherapy to Cognitive Neurosciences and Human Factors. Faculty of Work and Organisational and Economical Psychology enables traditional and excellent reinforcement in this field.

CHAPTER 2

THE INTERNATIONAL NETWORK OF PSYCHOLOGY OF ENTREPRENEURSHIP RESEARCH AND EDUCATION (INPERE)

Dominika Dej

Department of Work and Organizational Psychology

University of Technology in Dresden

1. STORY OF THE NETWORK

Mutual interest to promote and foster psychological perspective of the entrepreneurship stimulated young and ambitious researches from the six EU member states to form and develop international Network valueing unity, integrity, cooperation, activity and respect. Basing on these pursuits born the idea to create common network.

The International Network of Psychology of Entrepreneurship Research and Education was finally created in May 2005 during the conference of the *European Association of Work and Organizational Psychology* in Istanbul.

Today INPERE bounds researchers and educators from the six countries: Poland, Germany, Netherlands, Czech Republic, Italy and Spain. Associated with INPERE are many further advisors and students from different countries.

2. STRUCTURE AND MEMBERS OF THE NETWORK

INPERE as a network has its own council being in charge. Senior advisors support INPERE in developing research and exchanging knowledge and skills.



2.1. Member of the council

Dr. M^a Evelina Ascalon - The Netherlands

Dr. M Evelina Ascalon is a Filipino-American who works as a post-doctoral researcher in The Netherlands. She received her Ph.D. in Industrial-Organizational Psychology from the University of Tulsa, although her dissertation was jointly completed at the Erasmus University Rotterdam. Her main areas of research include: Entrepreneurship, Leadership Development, Cross-cultural Issues, Performance Assessment, Training and Evaluation.

Prof. Dr. Adalgisa Battistelli - Italy

Prof. Dr. Adalgisa Battistelli is associate professor of Work and Organizational Psychology at the University of Verona. She received her degree in psychology at University of Padua and her Ph.D in Work and Organizational Psychology at University of Bologna. Her main areas of research include: learning, training and development in organizations; attitudes in organization; work motivation; psychology of entrepreneurship. In this last area, the research focus is on entrepreneurial process from intention to enterprise creation and the role of motivations, personality and beliefs in interaction with social, economic and cultural environment.

Mgr. Dominika Dej - Poland - Germany

Mgr. Dominika Dej is PhD Student and lecturer at the Institute of Work and Organization Psychology at the University in Dresden. She completed her study at the University of Silesia (Poland). Since 2002, she is involved in research among entrepreneurs in Poland, Germany, Czech Republic and Bulgaria. Her

research area includes the factors of entrepreneurial success and health. To her interests belongs cross- culture psychology

Dr. Marjan Gorgievski - The Netherlands

Dr. Marjan Gorgievski is assistant professor at the Institute of Psychology at the Erasmus University in Rotterdam. Her area of expertise is occupational health psychology. Her current research interest includes the bi-directional relationship between well-being and performance. Marjan has been involved in research among agricultural entrepreneurs since 1996 and research among entrepreneurs since 2002.

Martin Lukeš - Czech Republic

Martin Lukeš, born 1976, graduated in WO Psychology at Charles University, Prague and in Business Administration at University of Economics, Prague. At this university he works as a senior researcher and lecturer. His professional interest lies in the fields of entrepreneurship research and education, cross-cultural research, and managerial trainings. He published a book Psychology of Entrepreneurship. In the past he worked as a HR consultant for SIEMENS and for U.S. based Media Company. He is a member of the board of Czech Association of Work and Organizational Psychologists.

Ute Stephan - Germany

Ute Stephan is a lecturer at the Philipps-University Marburg, Unit of Work and Organizational Psychology. Her research interests lay in entrepreneurship, cross-cultural psychology and occupational health psychology. She recently completed a 3 year interdisciplinary and cross-cultural entrepreneurship research project that she co-led with Prof. Peter G. Richter at the Dresden University of Technology. She also works as consultant and trainer to companies.

Dr. Juan Antonio Moriano León - Spain

Dr. Juan Antonio Moriano León is Assistant Professor in the Department of Social and Organizational Psychology at the Spanish University for Distance Teaching (UNED). He received his University degree and Doctorate (PhD) from the Spanish University for Distance Teaching (UNED). His research focus is on the entrepreneurship from a psychosocial perspective. Juan Antonio Moriano is author of several articles in Spanish journals about Individualistic and Collectivistic Values, Self-Efficacy and Entrepreneurship.

2.2. Senior members and advisors of INPERE

Prof. Lorraine Uhlaner, Erasmus University Rotterdam,

<http://people.few.eur.nl/uhlaner/index.html>

Prof. Michael Frese, University of Giessen,

<http://www.psychol.uni-giessen.de/ma/dat/frese/>

Prof. Christian Korunka, University of Vienna,

<http://homepage.univie.ac.at/christian.korunka/>

3. INPERE MEETINGS AND COMMON ACTIVITIES

3.1. Istanbul

15th of May 2005 European Association of Work and Organizational Psychology (EAWOP) Istanbul. Organisation of Common Symposium “*Value of the Entrepreneurship*” and common interests in the area of the entrepreneurship connected future INPERE members.



3.2. Marburg & Giessen

In Marburg we met on 24.09. -25.09. 2005. We developed and established our network, decided on our goals and missions as well as on further activities and cooperation.

On 26.09.2005 we participated in the workshop led by Prof. Michael Frese at the **Justus Universität in Giessen**, targeting on how to publish in international journals and how to conceptualise good research.



3.3. Verona

In April 2006, we spent the Eastern Time working on the research proposal, integrating different perspectives and putting together our point of views into the research model. We developed common model of each stage of entrepreneurial activity.

3.4. Athens 2006

At the 26th International Congress of Applied Psychology INPERE organized following activities connecting researchers of Entrepreneurship in Europe:

1. Research Symposium: *“Entrepreneurial values and intentions across European cultures”*
2. Panel Discussion: *“The value of applying psychological perspectives to Entrepreneurship”*



3. Poster Symposium: *“Explorations of Entrepreneurship from an Entrepreneurial Psychological Perspective”*

3.5. Dresden

In Dresden we were working on a research project and we developed the first draft of the research proposal.

4. MISSION STATEMENT AND GOALS OF INPERE

The keynote goal of the group is researching undiscovered areas of the psychology of entrepreneurship and creating entrepreneurial mindset in European Countries. INPERE pursue to provide a medium in which researchers in the field of entrepreneurial psychology can learn from one another, exchange feedback, receive assistance, and work together on independent and common projects, while presenting ourselves as a unified group and to publish in international journals.

INPERE intend to conduct research of issues identified as crucial on European political and economical level and is highly embedded in European Commissions directives and policy. In addition, our network aspire to conduct research basing on multidisciplinary methods and to tights both theoretical approach and practical use. Common research and educational programs target on potential and existing entrepreneurs and aims to endow useful results supporting these groups through training and educational programmes.

5. HOW WAS BORN THE INTENSIVE PROGRAMME SOCRATES ERASMUS?

The idea to create and lead the program targeted on students interested in entrepreneurship and probbaly willing to star up in the future was born durng the first meeting of INPERE. This idea developed and finally it found its frames in the Intensive Programme Socrates Erasmus. Preparations to the program started in January 2006 with the preparations of the application, calculating costs and creating the program. Afterwards we have started with further activities, including organizational and content issues.

6. RESEARCH PROJECT PROPOSAL

After working on the research project proposal and developing the model of entrepreneurial activities from start up till the succession, we finally decided to concentrate on the entrepreneurial intention and start up phase. To our target group belongs graduated and students who are potentially successfully entrepreneurs as well as unemployed who have high intention to be self-employed.

For our theoretical frame we have chosen the Theory of Planned Behaviour (Ajzen, 1988, 1991), the Individualistic and Collectivistic Values Theory (Schwartz, 1992, 1996), the Conservation of Resources Theory (Hobfoll, 1989,2001) and the Action Theory (Hacker,1989,2003; Tomaszewski 1969,1996; Frese&Zapf, 1994)

CHAPTER 3

ENTREPRENEURSHIP AS A PROCESS

Juan A. Moriano, Aneta Zarnowska and Francisco J. Palací

Department of Social and Organizational Psychology

UNED

1. LEARNING GOALS

In this course you will learn how entrepreneurship is considered to be a process with distinct stages.

- 1) You will learn what factors influence entrepreneurs' behaviors during *pre-launch, start-up and post-launch phases*.
- 2) You will learn what *barriers* prevent people from launching a new venture.
- 3) You will learn what *trigger events* lead an entrepreneur to actually form a new venture.

2. THEORETICAL BACKGROUND

There are two distinctly different approaches to defining entrepreneurship. The first approach is to define what an entrepreneur is and then observe them. Based upon the observations, entrepreneurship would be defined inductively in terms of what the individuals do. The second approach is to propose a general definition of entrepreneurship and its related behaviors, thereby defining entrepreneurs as those who engage in entrepreneurial activity.

The study of entrepreneurship from a psychological point of view began with the first approach centering only on the analysis of individual differences between entrepreneurs and non – entrepreneurs. This approach draws the entrepreneurship as a “state of being” (Bygrave, 1989) and assumes that there are

some unique characteristics of the entrepreneur that can be separated and identified in order to build a personality profile of the typical entrepreneur. The most widely used traits are the *need for achievement* (Langan-Fox & Roth, 1995; McClelland, 1965), the *risk taking propensity* (Brockhaus, 1980; Miner & Raju, 2004), the *internal locus of control* (Furnham, 1986; Kaufmann & Welsh, 1995) and the *general self-efficacy* (Chen, Green, & Crick, 1998; Markman, Balkin, & Baron, 2002). Nevertheless, this personality perspective has been criticized for the methodological as well as theoretical (Gartner, 1988; Robinson, Stimpson, Huefner, & Hunt, 1991; Shane & Venkataraman, 2000; Shaver & Scott, 1991).

Several authors have proposed that the focus of the field of entrepreneurship change from the focus on the characteristics of the entrepreneur to the entrepreneurial process (Gartner, 1988; Shane & Venkataraman, 2000; Shaver & Scott, 1991). By focusing on the process, entrepreneurs are identified by their participation in the process, not by a unique set of characteristics. Many models of entrepreneurship as a process have been proposed (e.g. Baron, 2002; Carton, Hofer, & Meeks, 1998). In general, these models divide entrepreneurship in three distinct stages: prior to the launch of a new venture (pre-launch phase), the period following the launch of a new venture (the start-up phase), and further development beyond the initial start-up period.

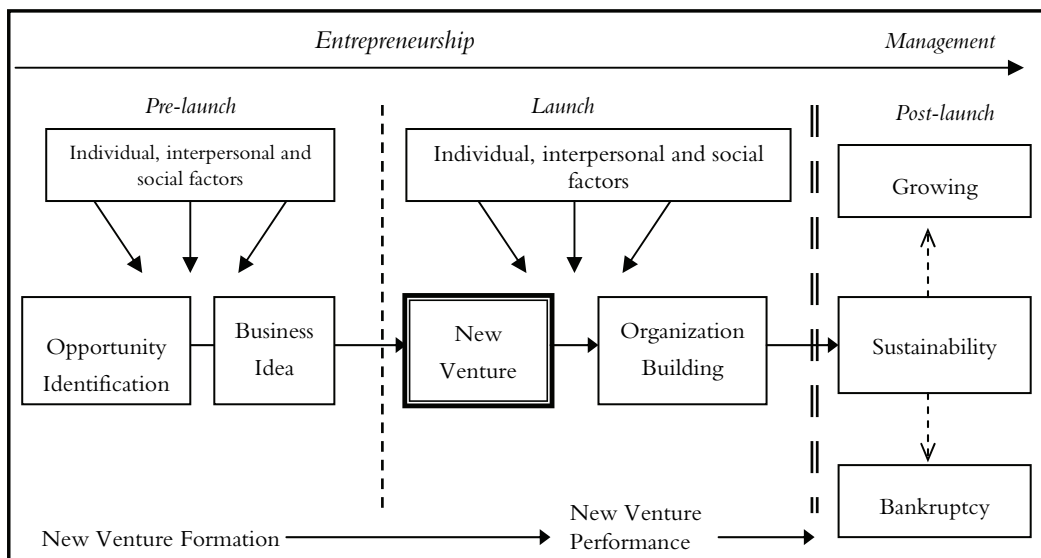


Figure 1. Entrepreneurial process

There are two primary dimensions of the entrepreneurship paradigm: 1) new venture formation and 2) new venture performance. New venture formation deals with the antecedents to the formation of a new venture and its creation (Carton, Hofer, & Meeks, 1998). The pre-launch phase of the entrepreneurial process is normally characterized as merely consisting of the psychological development of the entrepreneurial person and the cognitive processing of the anticipated entrepreneurial tasks. The psychological development of the person can be seen to build on attitudinal, motivational and self-perceptual factors of the person. The favorable attitudes towards entrepreneurship, the subjective norms, the entrepreneurial self-efficacy, etc. are necessary but not sufficient conditions for one to become an entrepreneur (Pihkala & Vesalainen, 2000).

Being committed to the start up, the nascent entrepreneur is cognitively oriented to instantly looking for opportunities and weighing between different alternative routes for carrying out the entrepreneurial trait. However, even if attitudes and motivations are in favor by the entrepreneurial decision, the personal and social barriers obstruct the choice for entrepreneurship. The Research on career behavior suggests that age, education and career dependency are examples of personal barriers to entrepreneurship. Recognizing the barriers, it is likely that entrepreneurial education be refocused in an attempt to enhance the formation of entrepreneurial intentions (Pihkala & Vesalainen, 2000).

The second element of the paradigm is new venture performance. This includes the development and implementation of new venture strategy, the nature of the external environment munificence and industry structure, the accumulation of resources, building of an organization including developing distinctive competences, establishing strategic networks, capturing customers, and establishing an organization culture and values. When a company reaches self-sustainability, it exits the entrepreneurship paradigm. At that time, the organization is generally not dependent upon the founding team, risk has been reduced, sustainable competitive advantage(s) have been created, the rate of change has been drastically reduced, and repetition in the functions of the organization have occurred. The venture must have also achieved sufficient financial success in order to fund ongoing growth (Carton, Hofer, & Meeks, 1998).

3. LITERATURE LIST

Article 1: OB and Entrepreneurship: the reciprocal benefits of closer conceptual links. Robert A. Baron (2002)

One widely accepted definition of the field by entrepreneurship (Venkataraman, 1997, 6) suggests that it is “A scholarly field that seeks to understand how opportunities to bring into existence “future” goods and services are discovered, created, and exploited, by whom, and with what consequences.” This definition indicates that entrepreneurship involves a complex process in which specific individuals recognize opportunities and then act to convert them into tangible economic benefits (e.g. by creating new ventures). It is a central thesis of this paper that entrepreneurs play a key role in this process and that because they do, OB – the branch of management science that focuses on human behavior – can contribute much to understanding the entrepreneurial process. More specifically, OB can help answer questions long addressed by entrepreneurship research such as these:

1. Why do some persons but no others choose to become entrepreneurs?
2. What factors influence entrepreneurs’ success? And
3. Why do some persons, but no others, recognize economically advantageous opportunities?

Article 2: The entrepreneur and entrepreneurship: operational definitions of their role in society. Carton, Hofer and Meeks (1998).

The role of the entrepreneur in society is difficult to establish if the concept of entrepreneurship is inadequately defined. This lack of a clear entrepreneurship paradigm poses problems for both policy makers and for academics. This paper proposes an operational definition of the entrepreneur and entrepreneurship, synthesizing past definitions into operationalizable constructs. Entrepreneurship is the pursuit of a discontinuous opportunity involving the creation of an organization (or sub-organization) with the expectation of value creation to the participants. The entrepreneur is the individual (or team) that identifies the opportunity, gathers the necessary resources, creates and is ultimately responsible for the performance of the organization. Therefore, entrepreneurship is the means by which new organizations are formed with their resultant job and

wealth creation. A critical component of the proposed definition is the necessary condition that the organization created actually provides goods and/or services to society, not merely for internal consumption. Clearly this definition favors the behavioral school of thought on entrepreneurship, but it should not be taken to discount the importance of the traits and characteristics of the entrepreneur from the perspective of their propensity to act. Although growth, innovation, and tenacity to overcome hurdles are commonly cited as elements of entrepreneurship, we argue that these are consequences, not antecedents, to entrepreneurial activity.

**Article 3: Barriers to entrepreneurship - educational opportunities.
Pihkala and Vesalainen (2000).**

The paper focuses on the prerequisites of targeting entrepreneurial education to meet the needs of people in different situations. The paper set out three main objectives: to examine, whether there are different patterns (or types) of barriers associated with entrepreneurial intention; to investigate whether the perceived barriers are associated with the personal level of education, age or career development; and whether the barriers could reflect different opportunities of offering entrepreneurial education. The analysis of a survey response provides a useful picture of the perceived barriers to entrepreneurship, and of the possibilities for entrepreneurship education to affect these perceptions.

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CHAPTER 4

ENTREPRENEURIAL INTENTIONS

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1. LEARNING GOALS

In this course you will learn how prior entrepreneurial intentions determine eventual entrepreneurial behaviors.

1. You will learn what psychosocial factors influence entrepreneurial intentions.
2. You will learn what models explain the formation of entrepreneurial intentions.
3. You will learn how entrepreneurial intentions and other unobserved variables may be measured.
4. You will learn how to use the Entrepreneurial Intentions Questionnaire (EIQ).

2. THEORETICAL BACKGROUND

Starting a new venture is, in the first place, an individual's personal decision. This is so obvious that it is quite often forgotten. Most research in entrepreneurship concentrates on analyzing the firm-creation process once the decision to create has already been taken, completely overlooking the internal process that leads people to that decision. From this viewpoint, the important thing is not which particular individuals will create a new firm. It is understood that at least some of them will take the decision to start new ventures. Taken to the extreme, ecological approaches to entrepreneurship could be an example of this view (Aldrich & Wiedenmayer, 1993). However, it does not answer why there are such important differences in regional start-up rates.

The publication of the Green Paper on Entrepreneurship in Europe (European Commission, 2003) raised an important question regarding this subject. How to improve people's inclination toward developing new entrepreneurial initiatives? Approaching entrepreneurship as an attitude, the Green Paper broadens the range of business politics, going beyond the mere elimination of the barriers that obstruct business development and growth, with the main goal being to encourage more people to become entrepreneurs and prepare them for it.

The individual's decision to become an entrepreneur is sometimes assumed to depend on personality traits: "If you have the proper personality profile, you will become an entrepreneur sooner or later". This is what Shaver & Scott (1991) call the "personological" approach, which seems to have proved largely fruitless in predicting start-up decisions by individuals (Liñán & Santos, 2007). Even though some statistically significant relationships have been found between certain personality traits and being an entrepreneur, predictive capacity has been very limited (Reynolds, 1997). In addition, this approach has been criticized for the methodological as well as theoretical aspects (Gartner, 1988; Robinson, Stimpson, Huefner, & Hunt, 1991; Shane & Venkataraman, 2000; Shaver & Scott, 1991).

A response to the limited success of the personality approach has been to study entrepreneurship as a career choice. 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, the entrepreneurial intention would be a previous and determinant element towards performing entrepreneurial behavior (Kolvereid, 1996). Keeping in mind that creating a new company requires time, involving both considerable planning and a high degree of cognitive processing, the entrepreneurial behavior could be considered as a type of planned behavior for which the intention models are ideally convenient (Bird, 1988; Katz & Gartner, 1988; Krueger et al., 2000).

Several models aiming to explain entrepreneurial intention have been developed, such as the Entrepreneurial Event Model of Shapero (1982), the Model of Implementing Entrepreneurial Ideas (Bird 1988) or Maximization of the Expected Utility (Douglas and Shepherd 2000). Although these models represent a step forward in entrepreneurial intentions research, they are individualistic in nature and do not take into the account the social factors. Therefore, several authors began focusing on Social Psychology in search of a

model that would explain entrepreneurial intention from the point of view of the interaction between social and personal factors. Consequently the Theory of Planned Behavior (TPB, Ajzen, 1991) has become the most frequently used theoretical framework in recent studies of entrepreneurial intention (Alexei and Kolvereid 1999; Audet 2002; Autio et al. 2001; Krueger, Reilly and Carsrud 2000; van Gelderen et al. 2006)

From the TPB comes the proposal that the intention is a function of the attitude towards the behavior, 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 person to carry out the behavior.

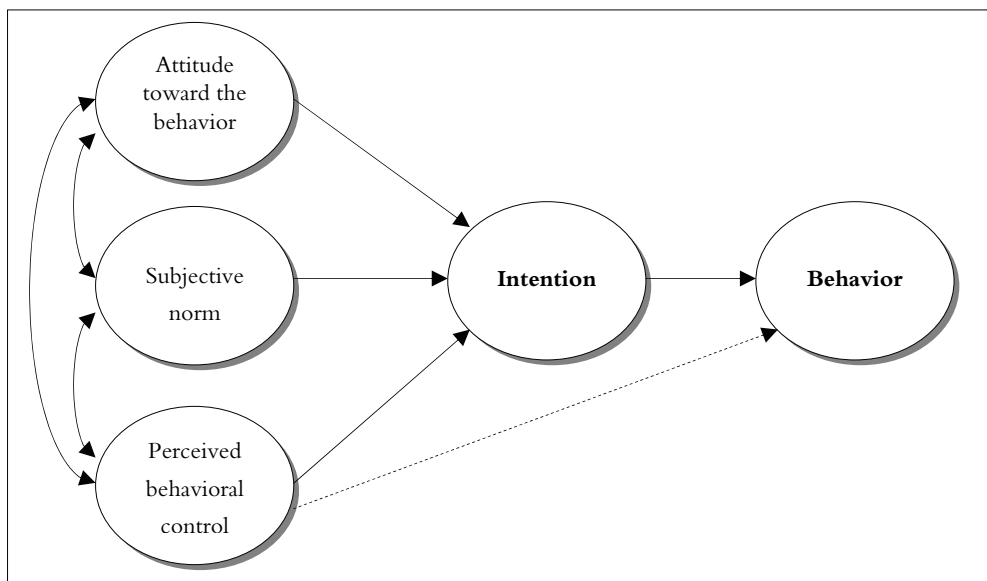


Figure 1.
TPB model (Ajzen, 1991)

The first component of the TPB is the *attitude toward the behavior*, that is a person's overall evaluation of the behavior (Ajzen, 1991). Previous studies on the subject of the entrepreneurial intention have measured this variable in a general way through items which focus on the personal attractiveness of starting

a business (Autio, Keeley, Klofsten, Parker, & Hay, 2001; Krueger, Reilly, & Carsrud, 2000).

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 behavior (Ajzen, 1991). 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 very 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 Behavioral Control* that relates to perceptions of the behavior's feasibility, which is an essential predictor of the behavior. Individuals usually choose behaviors they believe 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 Scale (ESE) and found that its score had a significant positive correlation with students' intention to pursue a new venture opportunity. In particular, the ESE dimensions *Developing new opportunities*, *Innovative environment* and *Unexpected challenges* had significant positive correlations with Entrepreneurial intention.

If we compare these explanatory variables of the TPB 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 behavioral control. On the other hand, the willingness to carry out that behavior (perceived desirability) can be understood as being 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.

When the entrepreneurial process is carefully analyzed (see chapter 3), it comes out that there are at least three kinds of variables involved in any start-up: (a) the person(s) leading the project; (b) the environment in which it is embedded; and (c) the characteristics of the opportunity to be exploited. It is very common for entrepreneurship education initiatives focus on, first, building a balanced entrepreneurial team and, second, how to detect a viable opportunity

to be seized. In such situations, teaching concentrates on how to manage the project: i.e., business planning, locating resources, marketing the goods or services, and so on. Thus, this leads to a higher percentage of successful start-ups. However, there are still numerous individuals left undecided about becoming entrepreneurs.

In our view, entrepreneurship education may act on the three elements of the entrepreneurial process, but to a different extent, and with distinct instruments (Guzmán & Liñán, 2005; Liñán, 2007). Its major role will be prepare the person for successfully attempting the start-up. In this sense, intention models (Ajzen, 1991) provide a very promising tool to explain the decision to become an entrepreneur, and the variables that affect it (Fayolle & DeGeorge, 2006; Liñán, 2004). Regarding leading the project, entrepreneurship education may be very useful in providing specific knowledge and network contacts within the local environment. Finally, its role with respect to the economic opportunity it is somehow more controversial. There is considerable debate regarding whether such opportunities are discovered or enacted. The latter would mean a greater role for entrepreneurship education. But the former also implies the need to transmit techniques to actively search for the existence of new opportunities (see chapter 6).

3. ENTREPRENEURIAL INTENTION QUESTIONNAIRE (EIQ)

3.1. Project summary:

1. 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 (as far as I am aware). Other researchers have received the EIQ, but have not reported their results, nor sent the data yet.
2. 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.
3. 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.

4. 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:
 - a. Attraction: A02(Reversed), A10, A12(R), A15, A18
 - b. Social Norms: A03, A08, A11
 - c. Self-efficacy: A01, A05(R), A07, A14, A16(R), A20
 - d. Intention: A04, A06, A09(R), A13, A17, A19(R)
5. Most items have been kept as they were before (but rearranged). Only sentences that have become negative have been changed, and little more:
 - a. Items in the old q.12 and q.13. They have been written as a sentence.
 - b. Some items in the old q.14 have been reversed to make them positive.
6. 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.
7. From now on, therefore, the local project researchers should use EIQ-3.
8. The following steps should be kept to ensure consistency and comparability of results.

3.2. Participating teams:

- This is a collaborative project open to any local team interested.
- Any interested team should contact the EIRP Steering Group (F. Liñán, Nigel Bradley & 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:
 1. Two native speakers will translate the EIQ to the local language separately. Discrepancies will be solved and a final version will be produced.
 2. A native English or Spanish speaker will translate back to his/her language. Any discrepancy will be discussed and solved at this stage.
 3. 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.
 4. 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.

3.3. Steps of the Project:

1. **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.

2. **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).
3. **Data analysis.** There are several different analyses that may be performed. The basic steps to confirm the validity of results is indicated here.
 - a. 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.
 - b. 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.
 - c. 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.
 - d. 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”.
 - e. 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.

4. **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:
 - a. All local results remain the property of the local research team obtaining them.
 - b. All data should be shared with the remaining teams throughout the project.
 - c. All participants may use their own data for publication or research purposes.
 - d. Any publication should acknowledge participation in the EIRP project and the copyright of the EIQ version being used.
 - e. Participants may not use others’ data without express consent from them.

4. 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).

	1	2	3	4	5	6	7
A01.- Starting a firm and keeping it viable would be easy for me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A02.- A career as an entrepreneur is totally unattractive to me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A03.- My friends would approve of my decision to start a business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A04.- I am ready to do anything to be an entrepreneur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A05.- I believe I would be completely unable to start a business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

A06.- I will make every effort to start and run my own business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A07.- I am able to control the creation process of a new business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A08.- My immediate family would approve of my decision to start a business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A09.- I have serious doubts about ever starting my own business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A10.- If I had the opportunity and resources, I would love to start a business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A11.- My colleagues would approve of my decision to start a business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A12.- Amongst various options, I would rather be anything but an entrepreneur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A13.- I am determined to create a business venture in the future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A14.- If I tried to start a business, I would have a high chance of being successful	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A15.- Being an entrepreneur would give me great satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A16.- It would be very difficult for me to develop a business idea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A17.- My professional goal is to be an entrepreneur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A18.- Being an entrepreneur implies more advantages than disadvantages to me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A19.- I have a very low intention of ever starting a business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A20.- I know all about the practical details needed to start a business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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).

	1	2	3	4	5	6	7
B1 - Employee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B2.- Entrepreneur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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).

	1	2	3	4	5	6	7
C1.- My immediate family values entrepreneurial activity above other activities and careers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C2.- The culture in my country is highly favourable towards entrepreneurial activity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C3.- The entrepreneur's role in the economy is generally undervalued in my country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C4.- My friends value entrepreneurial activity above other activities and careers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C5.- Most people in my country consider it unacceptable to be an entrepreneur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C6.- In my country, entrepreneurial activity is considered to be worthwhile, despite the risks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C7.- My colleagues value entrepreneurial activity above other activities and careers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C8.- It is commonly thought in my country that entrepreneurs take advantage of others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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).

	1	2	3	4	5	6	7
D1.- Recognition of opportunity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D2.- Creativity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D3.- Problem solving skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D4.- Leadership and communication skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D5.- Development of new products and services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D6.- Networking skills, and making professional contacts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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) _____

b. How long is it since you ceased to be self-employed? (Number 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).

	1	2	3	4	5	6	7
<input type="checkbox"/> Family							
- To what extent do you know about his/her activity as entrepreneur?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- To what extent may he/she be considered a 'good entrepreneur'?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Friend							
- To what extent do you know about his/her activity as entrepreneur?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- To what extent may he/she be considered a 'good entrepreneur'?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Employer / Manager							
- To what extent do you know about his/her activity as entrepreneur?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- To what extent may he/she be considered a 'good entrepreneur'?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other							
- To what extent do you know about his/her activity as entrepreneur?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- To what extent may he/she be considered a 'good entrepreneur'?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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).

	1	2	3	4	5	6	7
- Private associations (e.g. Southampton Chamber of Trade, Institute of Directors, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Public support bodies (e.g. Business Link, South East England Development Agency (SEEDA) etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Specific training for young entrepreneurs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Loans in specially favourable terms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Technical aid for business start-ups	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Business centres	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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).

	1	2	3	4	5	6	7
- Competing effectively in world markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Reaching a high level of income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Doing the kind of job I really enjoy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Achieving social recognition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Helping to solve the problems of my community	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Keeping the business alive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Keeping a path of positive growth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

- Indicate from 1 (not at all important) to 7 (extremely important)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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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).

- Exporting a significant share of production	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Regularly introduce new products/services for my customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Regularly introduce new processes or systems of production	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Developing research and development projects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- Planning the different areas of the firm in detail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Reaching cooperative agreements or partnerships with other firms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Offering specialized training for employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Growing your business (personnel, premises, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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?

	Private sector Employee	Public sector employee	Self-employed or entrepreneur	Retired	Unemployed	Other
Father:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mother:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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: _____

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CHAPTER 5

MOTIVATION TO BECOME ENTREPRENEUR

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“Being an entrepreneur and creating a new business venture is analogous to raising children- it takes more time and effort than you ever imagine and it is extremely difficult and painful to get out of the situation. Thank goodness you cannot easily divorce yourself from either situation.

When people ask me if I like being in business, I usually respond: On days when there are more sales than problems, I love it; on days when there are more problems than sales, I wonder why I do it. Basically, I am in business because it gives me a good feeling about myself. You learn a lot about your capabilities by putting yourself on the line. Running the successful business is not only a financial risk; it is an emotional risk as well. I get a lot of satisfaction from having dared it- done it- and been successful”.

Remarks of two successful entrepreneurs,

In “Entrepreneurship”

1. LEARNING GOALS

In this course you will get familiar with following issues:

- 1) Definition and different approaches to the entrepreneurial motivation
- 2) Role of the motivational traits and specific motivators
- 3) Predictors of entrepreneurial motivation
- 4) How to foster entrepreneurial motivation in given context

2. THEORETICAL BACKGROUND

Why do some people create a business and others do not? How can we explain that some people manage to become entrepreneur and even succeed whereas others do not even implement their start up intention or fail as entrepreneurs? What motivates people to take risks and start up a new firm?

Possessing the most adequate entrepreneurial knowledge, beliefs and abilities in addition to having supportive external situation are still not sufficient for starting a new venture. A lot of people possess necessary financial resources, but not every one decides to pursue an entrepreneurial career. Those who prefer secure jobs and predictable lives do not take the risks associated with starting a new venture. However, starts up motives vary strongly across countries, time, gender and social groups. Even the best cognition, education and encouraging contextual factors (opportunities) seem to be useless without motivation. But what makes motivation so irreplaceable? How can it be described?

Entrepreneurial motivation is an important drive that energizes one's action toward related goals, directs one's attention and sustains taken actions. Individual motivation is based on one's needs, values, desires and intentions thus it's often associated with internal factors exclusively. According to the Locke and Baum (2007), there are some personal traits related to entrepreneurial motivation. The best-known entrepreneurial drive results from the need for independence and being one's own boss. This exciting feeling of sovereignty and autonomy pushes people to accept social and financial risks, invest many working hours and sacrifice to create their own company. Developing a successful new venture demands much time, effort and other resources. Other entrepreneurial drives are presented in Table1.

TABLE 1
Entrepreneurial Motivators.

Motivational aspect	Characteristic
Independence	<ul style="list-style-type: none"> - wish to make key decision - think independently and unconventional - ability to make independent judgments
General self-confidence/ self efficacy	- belief to be able to perform successfully, achieve goals and defeat obstacles
Achievement motivation	- desire to improve, meet high standards and attain goals
Proactivity	- tendency to act and make things happen
Ambition (<i>Healthy ambition</i>)	<ul style="list-style-type: none"> - strong desire to attain high results - willingness to make something real great meeting high standards
Energy	- hardiness, endurance, stamina
Egoistic passion	<ul style="list-style-type: none"> - acting in one's own interests - passion in following own goals - does not mean ignoring other people - scarifying other things in order to follow own priorities
Tenacity	<ul style="list-style-type: none"> - being persistent in case of troubles - not giving up if failed - following determinedly own ideas

Motivators playing a role in the entrepreneurial motivation results from business directed goals and vision.

Vision generates motivation through anticipation of desired future results which work as rewards and thus it gives power to follow the action. The better the visualization of the goal, the higher is the pull to achieve it. According to the goal setting theory higher goals leads to better performance (Locke & Latham, 2002), thus they produce more motivation which predicts appropriate behaviors and increase 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.

Motivators presented in the table above do not scoop all aspects relevant to the entrepreneurial drive, these are only general aspects. In addition, there are also some specific situational motivators, such as task and situation related self-efficacy, and situation-specific goals and visions. Specific self-efficacy is related to the certain tasks and how well an entrepreneur has accomplished this task 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 whether success had been caused by luck (externally)).

Although specific self-efficacy is generally considered important for entrepreneurial success, marked overconfidence may have some negative consequences, e.g. ignoring the environmental changes, underestimating risks and working less intensively. Situationally specific goals and vision help people to conduct certain tasks through formulation of suitable tasks strategies. In particular, difficult goals lead to the higher performance. On the other hand, coping with new complex tasks can sometimes be difficult, thus learning and not performance orientation is recommended in that case. Specific visions if they are enough ambitious, play also important motivational role.

Not only individual factors explain entrepreneurial motivation. Start-up across countries, time, gender and social groups. Each entrepreneurial action takes place in certain environment, where external factor can both prevent and promote entrepreneurial activity. There are several important contextual features fostering or inhibiting entrepreneurial activity, such as for example economic freedom or an open market providing opportunities and last but not least the “Culture of failure” and stigmatization of failuring entrepreneurs. However, entrepreneurs determine volitionally whether to start up or not. Therefore, outside factors play only an indirect role.

The most acknowledged differentiation between internally and externally simulated start-up motivation are the presented in Table 2.

According to these goals, researchers distinguish between opportunity and necessity entrepreneurship. The first one regards to the classical type of entrepreneur, who seeks for independence, self- realization and profit maximization. This kind of entrepreneur will probably strive to follow his business idea and look for opportunity to turn it into action. Opportunity driven entrepreneurs are typical for developed economies.

TABLE 2
Push and Pull motivational factors

Factor	Push	Pull
What trigger the entrepreneurial intention?	Environment	Individual
Main purpose	away from current situation	future orientation
Motives	<ul style="list-style-type: none"> ▪ unemployment ▪ avoiding unemployment ▪ emergency situation ▪ dissatisfaction with own vocational situation ▪ dissatisfaction with working conditions, contents and time 	<ul style="list-style-type: none"> ▪ recognition, prestige, reputation ▪ free time ▪ work-life balance ▪ decision attitude ▪ to be own boss ▪ risk taking, independence ▪ initiative ▪ implementation of own ideas ▪ good income ▪ success ▪ interesting tasks ▪ self realization and development ▪ opportunity ▪ positive examples

In contrast to the opportunity entrepreneurship, necessity entrepreneurs seek for workplace security or even for secure existence thus their start up results from lacking alternatives or needs. Necessity entrepreneurship is typical for developing and transition economies.

In this context the question about further implications of classification arises. What kind of information can we infer from this classification and how can we use it? Different types of motivation among nascent and opportunity entrepreneurs are of the great importance on the political and institutional level. For instance, when an entrepreneur applies for funds, credits and loans, we want to know whether the business will be successful. Opportunity entrepreneurs have been found to be more successful. Their goals are higher and they are also better equipped in resources. This perspective corresponds with psychological

argumentation that the chances to implement start-up goals increase when the goals possess higher pull function, which gives energy and persistence.

The way between motivation and start up is sometimes very long and not every nascent entrepreneur can launch new enterprise.

What factors are of importance as possible moderators of the relationship between motivation and future start up? This graphic in Figure 1 shows the most relevant factors influencing motivation and potential start up relationship.

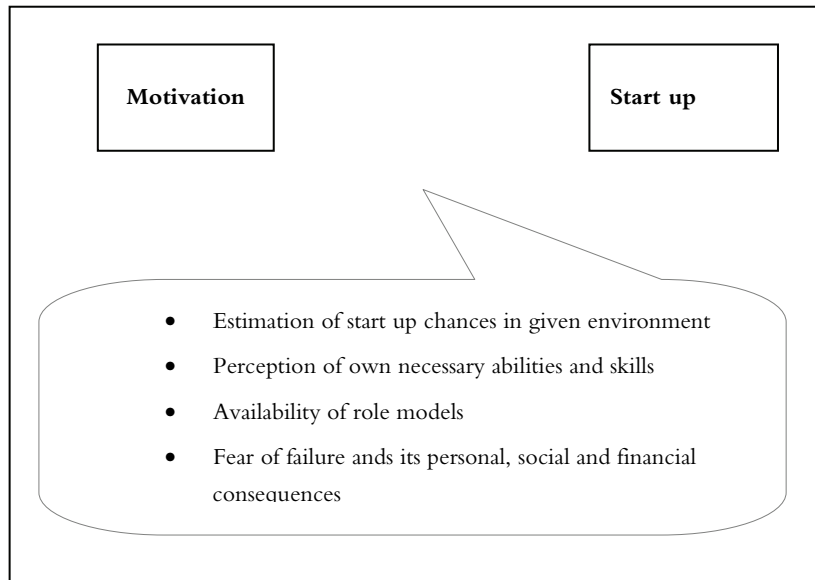


Figure 1.
Factors influencing the relationship between motivation and start up.

In sum, motivation drives nascent entrepreneurs to start up and it also facilitates to continue their actions and that what most strongly differentiates successful nascent entrepreneurs from those who will never go beyond planning and preparation.

In terms of European Commission, high-expectation and high-growth entrepreneurship should be encouraged. It is very important for job creation and development on the national level. According to the GEM Reports from 2007, motivation to start up high growing venture is underrepresented. The patterns of entrepreneurial growth expectations vary according to the individual countries and individual factors such as education, household income, entrepreneurial

attitudes and activities. Further information about entrepreneurial motivation, its influence on business success and these relations on the country level will be provided during the course.

2.1. Related in-class activities

1. In this course you will receive different vignettes connected to the entrepreneurial motivation. You will analyze given texts and try to identify motivational traits leading to the start up and performance.
2. Imagine that you participate in the program on entrepreneurial motivation targeting on education and training for nascent entrepreneurs. How would do encourage people to become entrepreneur and which techniques would you apply?
3. What should politician, bank and credit institutions know about entrepreneurial motivations? How should they use this information in order to support entrepreneurs?

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CHAPTER 6

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

Real-@uction **changing the Real Estate market...**

In the last year, a group of CEMS 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 the 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 would be provided at a later stage, which might help to attract further customers. In an auction similar to those known from eBay, the supply side customer would set a minimum price and 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 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.

Is it a good opportunity? Is it a good business idea?

1. LEARNING GOALS

- 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 develop business ideas and how can be some opportunities recognized.
- 3) Learn how to further develop opportunities into business concepts and models.

2. THEORETICAL BACKGROUND

2.1 Opportunity

Opportunity recognition, development and the final selection of the right ones is one of the key capabilities of a successful entrepreneur.

It is a difficult task. The entrepreneur needs to be alert, sensitive to market needs and inefficiently used resources and sometimes even search systematically for additional information. However, it is only the start of the process – entrepreneurial opportunities need to be developed, evaluated, further developed and modified and again evaluated and so on repeatedly. Such effort may (or not) result in new venture creation (Ardichvili, Cardozo & Ray, 2003).

In general, 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). There can be found many other definitions, therefore Baron (2004) summarize 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). Kirzner (1973) says that

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). According to them, opportunity recognition is the case when both sources of supply and demand exist rather obviously, the opportunity for bringing them together has to be only "recognized" and then implemented (e.g. franchising). Opportunity discovery is a situation where only one side exists. Then, the nonexistent side has to be "discovered" before the match-up can be implemented. Examples include cures for diseases (market demand exists; supply has to be discovered) and better use of inefficiently used resources (e.g. animals may be used not only for meat and other products but also for agro-tourism). Opportunity creation is the most difficult situation when neither supply nor demand exist in an obvious manner and have to be "created", and several inventions in marketing, financing etc. have to be made for the opportunity to 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 we realize that the idea might be a good one. The alertness is higher when the potential entrepreneur is optimistic and creative, have prior knowledge and experiences and available social networks.

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“, i.e. to be prepared to recognize value of new information.

Another factor that plays an important role is **information asymmetry and prior knowledge**. People have 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 are also important for entrepreneurs. Hills, Lumpkin and Singh (1997) found that entrepreneurs with different contacts were able to identify more opportunities. These social networks usually consist of four areas:

- inner circle (long-term, stable relationships with close people)
- „action set“ (employees)
- partnerships (start-up team members)
- weak ties (acquaintances and distant friends).

Whereas strong ties to close relatives and friends serve as a perfect support and source of financing or cheap labor, weak ties often play the role of bridges to key information. 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 are crucial for opportunity recognition.

Sources of new ideas

Many sources of new ideas can be used:

- customers who say „it would be good, if such a service ...“, „we looked for this product, but nobody ...“ can be informally mapped (what is needed?) and more formally surveyed (how much demand exists?)

- existing companies offer products and services that can be analyzed and their strengths and weaknesses found
- other individuals may come up with different gadgets and refinements that might be improved and sold to a wider audience with similar needs
- different players in the distribution channel may have unmet needs – wholesale can have problems with quality of products, retail with wholesale logistics, etc.
- government regulations create large and certain demand, e.g. the new law that reflex vests are obligatory for drivers on business trips created large demand
- research and development at universities and research institutes that is not commercialized
- different creative techniques as brainwriting or brainstorming 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 are better defined. The idea is evaluated for the first time by rather informal and unspoken evaluation. When the idea passes this evaluation, it needs to be developed to a business concept. Business concept consists of three basic areas:

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

To precise your business concept, the questions and recommendations in Appendix 1: Elevator pitch guidelines may be useful.

After further work on developing the opportunity, the potential entrepreneur gets to the stage of **business model**. Business model have to be simple, logical and measurable, 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 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?

To develop and present your business model, see also Appendix 2: Business model presentation guidelines and Appendix 3: 50 questions that may help to improve the quality of your business model.

Opportunities are evaluated on each stage of their development (see picture 1). 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. Criteria focusing

- on market (e.g. are customers loyal to competition or sensitive to potential new offers? Is the market quickly growing?),
- economic (e.g. will be break even point sooner than in two years? Are capital requirements low?),

- competitive advantage (e.g. is it possible to patent the product? Do we have clear time advantage?),
- entrepreneurial team (e.g. is experienced, with past results?) and
- risk issues (e.g. are risks low or high?) are used (Timmons, 1990).

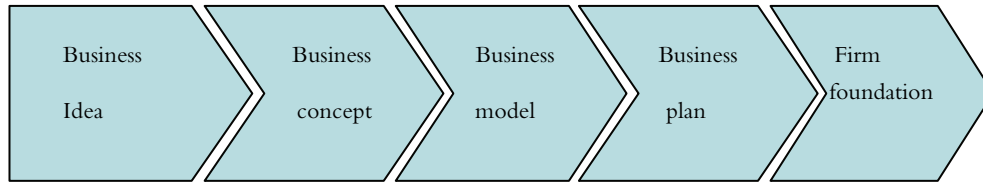


Figure 1: The process of opportunity development

3. RELATED IN-CLASS ACTIVITIES

1. Discussion about the case in the introduction (July 18)

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.

2. Dragon's den (July 18)

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; recommendations for an elevator pitch will be formulated.

3. Country specific opportunities (July 18)

Students will be divided into groups according to their nationalities (universities they are from). Their task will be to discuss in 15 minutes the opportunities that are according to their opinion existing in their country. These opportunities will be then presented to other students.

4. Business Ideas development (July 18)

Step 1: Individual students will generate a list of so many new venture ideas as possible and present them shortly

Step 2: Students will create teams in which they will discuss the ideas of their members and select the best ones

5. Elevator pitches (July 20)

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 (July 21)

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.

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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. Something what will interest the audience and you get their attention.
- Elevator's pitch is usually your only chance to attract the investor. Be persuasive and enthusiastic. Investor usually sees when you don't believe in what you are saying.

- Specify your customers well. Prefer to solve urgent problems of small growing market to improving already solved problem 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 can't)
- 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 do not have probably enough experience yet.

APPENDIX 2:

Business model presentation guidelines

This assignment consists of two main points: 1: presentation of the business model and 2: an extended version of the executive summary of the business model in 3-5 pages.

1. Presentation part: business model

- Each team has a max of 15 minutes for presentation and must be prepared for 10-15 minutes Q&A 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:

- 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/plansvideolist.asp>

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 to five pages length. The **executive summary will be provided at 10.00 a.m. on Saturday 21, 2007 at the latest.**

What's the purpose of such a summary: after having read it, 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, defensible, sustainable)**
- **profitability of the business model (market attractiveness, market volume, market growth, profit margin)**
- **realism (can be realized by a presenting team, 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 money will you invest?

50. Who else besides investor/bank and you will provide financing?

CHAPTER 7

PERSONALITY AND COMPETENCIES OF THE ENTREPRENEURS



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Personality can be defined as a dynamic and organized set of characteristics possessed by a person that uniquely influences his or her cognitions, motivations and behaviors in various situations. The word “personality” originates from the Greek persona, which means mask...

Ryckman, 2004

Case 1

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 simply sees it as good competition and he will continue to stomp out the competition until he dies.

Case 2

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. Laliberté proposed the first Cirque du Soleil show and the company was born. Today more than 50 million spectators have seen a Cirque du Soleil production and close to 10 million will 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. Cirque's employees and artists represent more than 40 nationalities and speak 25 different languages. MR. Y 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.

1. THEORETICAL BACKGROUND

The past decades, interest in entrepreneurship has increased. Research on entrepreneurship developed and entrepreneurship has gained a major position in economical and political debates as an answer to 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 undiscovered 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 actors embedded in the 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 behaviours have been identified as characteristic for this entrepreneurial process (Cromie, 2000; Chell, 91; Frese 2007). First, entrepreneurs tend to

create their own business organisations. They actively map their environment and seek out new opportunities. Second, entrepreneurs develop innovative solutions, formulate plans and implementation strategies and organise resources in order to make their products and services marketable. They monitor the execution of their actions and search for feedback. Behaviours 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 certain extent. Not surprisingly, predicting entrepreneurial success based on personal characteristics of the entrepreneur has been one of the oldest contributions of psychologists to the entrepreneurship literature. Since the introduction of the concept “need for achievement” as one of the core characteristics of entrepreneurs, the personality approach has been the most traditional, but also one of the most controversial approaches in the field of entrepreneurship research. This is due to the large inconsistencies in research findings. There is some evidence of relationships between personality traits, business creation and performance, but still no clear personality profile has been identified 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. Moreover, identification of distinguishing characteristics of different types of entrepreneurs is still largely missing.

Another, newer line of research on the entrepreneurial profile focuses on entrepreneurial competencies and their relationship with entrepreneurial activity and performance. The differences between personality variables and competencies are that competencies refer to characteristics that are less stable, more proximal to actual behaviour, and can more easily be learned. Therefore the value of competencies for education is larger. Thorough job-analyses based on leading to a comprehensive and coherent set of entrepreneurial competencies are scarce (Frese, Chell & Klandt, 2000). However, there is 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 are 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,) mindset, and behavioural tendencies needed for successful and sustaining entrepreneurship*” (Kiggundu, 2002).

1.1. Personality variables and entrepreneurship

The personality approach to entrepreneurship probably has as many protagonists as opponents. Researchers intending to explain relationships between entrepreneurial performance and personality traits have met methodological and definitional problems, which in turn have led to inconsistencies of the results and misunderstandings. Personality researchers agree that individual differences are stable over time and consistent across various situations. There is some evidence that personality traits influence vocational choice and that people try to fit their jobs to certain preferred job and 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 also find these more satisfying than other occupational categories. Additionally, if people follow their own interests in environments that match their personalities would increase their persistency and lead to the success. However, personality variables (e.g. conscientiousness) are behavioural dispositions that do relate to general, broad categories of behaviour (e.g. being organized), but they often cannot predict very specific behaviour (clean the kitchen at least once a week). The predictive power of traits increases when the interaction between personality and the situation is taken into account.

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

The big five model has often been used to compare individual differences among diverse groups. In entrepreneurship research this was for example differentiating entrepreneurs from managers. The main objective of these studies was to discover personality factors leading to becoming an entrepreneur and being successful as entrepreneur.

In addition to distal personality factors, researchers have also focused their attention to proximal individual differences. These are lower order, specific personality constructs that are more likely related to specific behaviours than the first category of broad personality variables (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 important ones are listed in Table 2. These personality variables may relate directly to the entrepreneurial tasks that were mentioned in the introduction.

TABLE 1

Definitions of the Big-Five personality variables.

Dimension	Description	High scores on the scale	Low scores on the scale
Neuroticism	Represents individual differences in emotional stability	Experiencing negative emotions: anxiety, hostility, depression, self-consciousness, impulsiveness, vulnerability	Self-confidence, calm, relax
Extraversion	Represents the extension to which individual is assertive, dominant, energetic, talkative, enthusiastic	Tendency to be cheerful, like people and big groups, look for excitement and stimulation	Tendency to spend time alone, being reserved, quiet, independent
Openness to Experience	Describes tendency to seek new experiences, exploration of novel ideas	Being creative, innovative, imaginative, reflective, untraditional	Being narrow, conventional, non-analytical
Agreeableness	Represents one's interpersonal orientation	Trusting, forgiving, caring, altruistic, gullible, tendency to have good interpersonal relationships	Low need for affiliation, unforgiving, able to make difficult decisions
Conscientiousness	Describes individual's degree of organisation, persistence, hard work and motivation in pursuit the goal accomplishment	High need of achievement, persistence and dependability (reflects the extend to which one is organised, deliberate, fulfil duties and responsibilities)	Low need of achievement and low dependability

The big five model has often been used to compare individual differences among diverse groups. In entrepreneurship research this was for example differentiating entrepreneurs from managers. The main objective of these studies

was to discover personality factors leading to becoming an entrepreneur and being successful as entrepreneur.

TABLE 2

Definitions of proximal personality variables that have often been related to entrepreneurial intentions and entrepreneurial success.

Dimension	Description	Characteristics for the high scores on this dimension
Need of achievement	Denotes individual's need to strive hard to attain success	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
Locus of control	One aspect of the cognitive style which represents the extension to which individual feels in charge	Perception of control over the environment by the action, belief that luck and fate do not really determine what happens
Risk taking	Describes the individual cognitive style with respect to taking risks	Actively seeking risky assignments and having greater propensity to take risks
Tolerance of ambiguity	Describes one's ability to make decision with incomplete information	Making decision in the situation of high uncertainty
Creativity	Describes tendency to experimentation, trial and error, lateral thinking	Thinking in non-conventional ways, challenge existing assumptions, flexibility and adaptability in problem solving
Need of autonomy	Represents one's strive to be independent and having control	Avoiding restrictions, rules, procedures and strong need for independence and autonomy
Self- efficacy	Describes optimistic self-beliefs to cope with a variety of difficult demands	Belief that one's actions are responsible for successful outcomes

In some group of studies researchers investigated whether personal characteristics of entrepreneurs differed from non-entrepreneurs, especially comparisons of entrepreneurs and managers in regard to the need for dominance, autonomy and affiliation have been considered (Baum, 1992; McGrath 1992b). Both, managers and entrepreneurs seem to be special groups with some similarities and differences. Concerning the differences, managers work within established business organisations where established procedures and regulations are available. Entrepreneurs on the contrary work under unspecified conditions and are responsible for all aspects of the enterprise. Entrepreneurs face work-life imbalance as well as social, financial and personal risks, which can produce high levels of psychological and even physical stress. Entrepreneurial activity therefore demands self-confidence, calm and low anxiety. Further, entrepreneurial activity includes hard bargains, negotiations and following one's own interests, and sometimes 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 two personality dimensions: Neuroticism 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.

Additionally Zhao and Seibert proved whether entrepreneurs scored significantly higher on Openness to Experience and Conscientiousness. Openness to Experience and emphasis on innovation and creative solutions has been considered to be main characteristics of entrepreneurs (Schumpeter, 1997). Starting up a new venture and exploring new opportunities requires more creativity and novelty than working in an established business organization. In addition, the daily activities of entrepreneurs require hard working in order to achieve goals. Not only high achievement motivation but also dependability and good self-organization are expected. These aspects are very important for the self-made environment and day-to-day situation of entrepreneurs.

Conform the Hypotheses, entrepreneurs achieved higher results on the dimension of Openness to Experience and the dimension Conscientiousness, which covers both need for achievement and dependability. By the way, the fifth psychological dimension- Extraversion seems not to distinguish between managers and entrepreneurs, although the results are not consistent and vary over studies.

The results of research in the field of entrepreneurship and personality are not constant. As many studies have been conducted in different countries, inconsistencies may be explained according to national differences, in particular cultural differences. For example, McGrath (1992b) reports, that entrepreneurs in 13 investigated countries differentiate from career professionals regarding to some culture dimensions. According to Hofstede (Hofstede, 2001, 2002) uncertainty avoidance, a cultural dimension regarded to rely on norms, rules and procedures and avoiding ambiguous situations, has been found to be valued lower among entrepreneurs McGrath & MacMillan, 1992). In contrary, individualism, masculinity and power distance were valued consistently higher among entrepreneurs. These results suggest that culture dimensions may contribute to our understanding of successfully entrepreneurship and discovery connections between personality and entrepreneurship.

1.2. Entrepreneurial Competencies

Entrepreneurial competencies aggregate into sets of knowledge, skills and abilities and have been shown to relate positively to business success (Markman, 2007). In Table 3 some selected entrepreneurial competences are described. 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 situation the entrepreneur needs to cope with. Entrepreneurial competencies correspond not only with entrepreneurial tasks and their characteristics but also with the broader environment in 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 performed. One such environmental factor is for example stability of the market. Entrepreneurs who operate in a stable market may experience less uncertainty than entrepreneurs who operate in a continually changing market characterized by fast technological progress. A competency such as “widened perception” (See Table 1) may be more important for an entrepreneur in a changing market and hence for them may relate stronger to business success.



Contextual aspects vary across cultures, but they also change over time and relate to stages of the entrepreneurial activity. Consequently, different types of entrepreneurial competencies are relevant in each stage of entrepreneurial

activity; starting with pre- start up phases which includes formulation of business idea, developing business plan, opportunity recognition and evaluation, as well as further on in the survival, growth and development stages.

TABLE 3
Definitions of selected entrepreneurial competencies

Competence	Definition
Entrepreneurial Career Vision	Includes formulation of long term goals and preparation of action-implementation plan
Self confidence	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.
Widened Perception	Ability to explore beyond the boundaries of one's circle of experience and reference in order to find new opportunities.
Flexibility	One's disposition to change focus in order to follow better fitting options that allow tasks to be well executed.
Empathy	Ability to understand other's emotions, necessities and interests and to integrate them to our own.
Conceptual thinking	One's disposition to identify the relation existing among different components in complex situations that are not directly related and ability to construct models those are easy to apply.
Management	Ability to gather, integrate and manage required resources in order to start, maintain and grow within the organization.
Entrepreneurial networking	Includes establishing, maintaining and taking advantages of interpersonal and institutional relations in order to achieve entrepreneurial goals.
Decision Taking	Is to analyze the different alternatives available in order to determine the best path to follow assuming full responsibility of the outcomes.
Action Orientation	Is understood as the energy, force, courage and dedication necessary to put into action and make real, all the ideas, proposals, opportunities and entrepreneurial projects.

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 peoples’ roles are well defined, unambiguous hierarchies exist and there are clear rules, norms and regulations. In contrast, small and new ventures seem to create “weak” situations, where personal differences, in particular entrepreneurial competencies, play a crucial role influencing firm level outcomes. Entrepreneurial competences from this perspective gain in special importance.

2. LEARNING GOALS

In this course you will get familiar with following issues:

- 1) Research on personality dimensions in entrepreneurial context
- 2) Assessing attributes of entrepreneurs and non entrepreneurs
- 3) Personality approach to the entrepreneurial success
- 4) Controversies and critical points of assessing entrepreneurial traits and performance
- 5) Recognition and defining core entrepreneurial competencies
- 6) Role of the competencies in entrepreneurial activity and performance
- 7) Development of entrepreneurial competencies

3. RELATED IN-CLASS ACTIVITIES

1. You will conduct a brainstorm exercise on personality variables that may predict entrepreneurial success in small groups. In the beginning of this course you will get a task and further instructions how to proceed. Afterwards you will present and evaluate your results in plenum.
2. For the second exercise you will receive 2 different vignettes and questions concerning personality as a predictor of business start up.

Basing on these vignettes you will learn to understand the role of entrepreneurial attributes. Your results and reflections will be discussed.

3. For the third exercise you will be asked to imagine that you are working in a Business School and your boss ordered you to develop a course on development of entrepreneurial competencies. You have to provide information on how you are going to proceed, which contents and methods you will choose and how they should be implemented. Afterwards you will present your program and the course participants will provide you feedback concerning its strengths and weakness.

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CHAPTER 8

MANAGING BUSINESS GROWTH

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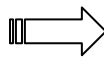
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“There are three types of people in this world: those who make things happen, those who watch things happen and those who wonder what happened”.

Mary Kay Ash, Founder of Mary Kay Cosmetics.

1. THE GROWTH OF RIM-TECH

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 in 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 mil. EUR was needed.

Because he 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 production process. Mr. Vaja was CEO and the main contact person as he was the only one with English knowledge. On the other hand, his economic knowledge was very low. Thus they hired Mr. Zatloukal who became firm 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 from 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 they paid themselves almost no salaries. There was no money for that. Their manual workers earned twice as much as the owners, otherwise they would leave. All money were reinvested and used to buy and improve machines and technologies. For the next seven years they 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 to grow further. In the beginning Mr. Vaja controlled the most of activities himself, however when he saw that some of his co-owners can do something better, he was happy to give them responsibility for the task.

In 1998 bus and truck producers started to 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, and visionary) and weaknesses (poor management skills, choleric personality) and came to a decision that Mr. Zatloukal will be much better CEO than he himself is. Thus he stepped off and became a Marketing Director

responsible for company strategy, sales and technology. Mr. Zatloukal became CEO. The new focus was related to average annual growth of 25%. The company received an award "subcontractor of the year 2003", serves clients as Skoda, VW, or John Deer, has more than 200 employees and in December 2005 was successfully sold to a multinational corporation Polimoon for approx. 70 mil. EUR.

2. LEARNING GOALS

- 1) To understand criteria for the selection of good entrepreneurial team
- 2) To understand changes that take place in the process of firm growth
- 3) To identify growth barriers and learn how to overcome them

3. THEORETICAL BACKGROUND

The firm growth is one of the main goals of many entrepreneurs. However, large differences between entrepreneurs exist. It is possible to outline the four general **motivation-investment models** (Morris, Kuratko, Schindehutte, 2001):

1. **substitution model** - entrepreneurship is an alternative to unemployment and the main goal is to survive,
2. **income model** - entrepreneurship is a more attractive alternative to employment and the goal is to reach and sustain a good standard of living,
3. **growth model** - the entrepreneur accepts in the first years minimal income, reinvests all the profits, and looks for additional financing in order to become number one in the market and a true multi-millionaire,
4. **speculative model** - the entrepreneurs wants 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 are connected with either no or small growth, but for entrepreneurs with growth or speculative model in their heads is professional growth management necessary.

The purpose or goal of the entrepreneur (e.g. growth) is the final cause for guiding movement of the organization. The entrepreneur uses his or her vision as a future state which 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.

Business growth is the most frequently illustrated by increase in the number of employees. Based on empirical research (e.g. Boeker, Karichalil, 2002) this is the main signal of business growth that requires the change in business management, According to Timmons (1990), when there are less than 25 employees it 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, the **growth** exhibits in three main **dimensions**:

1. **financial growth** relates to the development of the business as a commercial entity, it 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. It 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. It can be measure 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, 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. There are naturally high growth opportunities in ICT field as Google, YouTube, Skype and other relatively new companies proved. However, in the list of the quickest growing European firms the first three places were occupied by British firm operating in facility management, 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 business in many business areas.

However, there are many **potential barriers** that limit the firm growth. Basically, three groups of factors can be described (Lukeš, Nový at al., 2005):

1. **external barriers**, 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 other country with cheaper workforce, to move the seat to a country with lower taxes, or to start in some other area of business.
2. **organizational barriers** relates either to "hard" barriers (e.g. bad cash flow management, bad selection of location, underestimated differentiation of own products and services) or "soft" barriers. They 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**, for example a clear vision is missing, or it has no growth related aspects. Also it is possible that the entrepreneur is overwhelmed by operative agenda and a lot of time devotes 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.

3.1. Framework for managing a growing venture

It includes the three major parts - growth strategy, POCD framework and the change of role from the entrepreneur to the manager.

3.2. 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 become more stable. This stability, however, does not reduce the need for critical choices. The first set of strategic choices deals with how the venture is to grow. It can focus on new customers, new products, new geographical locations or combination of these three options.

3.3. Framework PCDO (people, context, deal, opportunities)

A useful tool for understanding how the situation of the growing firm changed is so called PCDO framework. It 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 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. 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.

3.4. Change of role: from the entrepreneur to the manager

When firm grows to some 25 employees, it is usually time when an entrepreneur should recognize the need for change from purely entrepreneurial to 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**. Entrepreneur also needs to delegate responsibilities and develop human resources in order to create a space both for himself/herself and them to grow together with the company.

Successful organizations must have both effective entrepreneurship and effective management as can be seen from the RIM-Tech case. Whereas entrepreneurship is about exploration, setting a direction, leading change and transition, and redefining and breaking constraints, management is on the other hand about exploitation, continuity, efficiency and getting the results, and requires ability to work within constraints.

3.5. The stages of growth

Greiner (1998) describes firm growth as going through series of developmental phases (see Picture 1). Each phase starts with a period of **evolution with steady growth and stability** and ends with **crisis where the revolution and change are needed**. When the change is successful the period of further stable growth starts and ends up in other type of crisis.

For an 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 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 functional organizational structure, accounting and controlling systems, incentives, formal communication systems etc. Focusing 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 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.

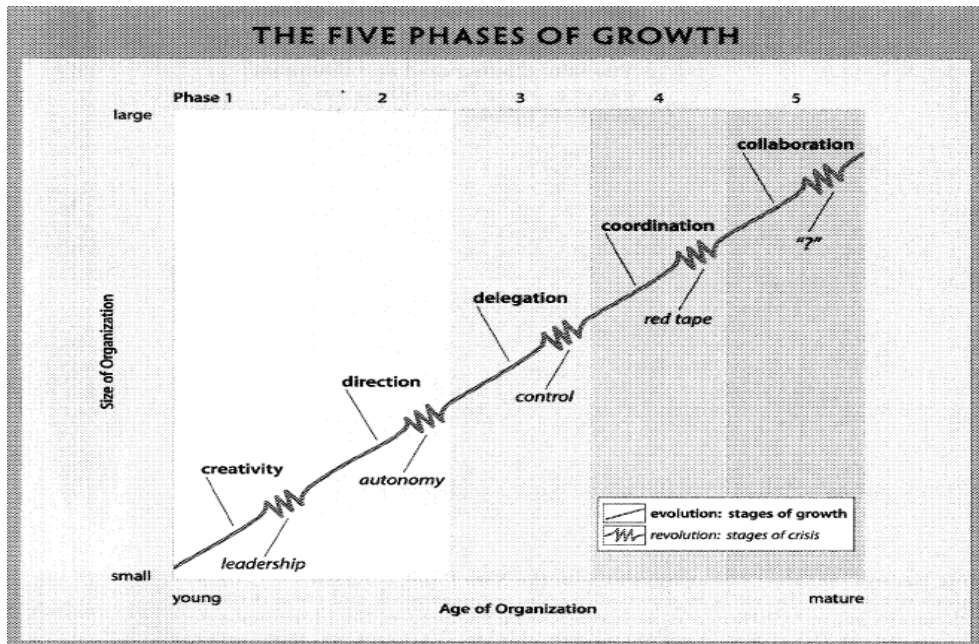


Figure 1.

Source: Greiner, L.E. (1998) Evolution and revolution as organizations grow. *Harvard Business Review*, May-June, s. 55-67.

4. RELATED IN-CLASS ACTIVITIES

1. *Case discussion: The growth of RIM-Tech.*

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 neighbour 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. *Movie: Startup.com*

Startup.com is a 2001 documentary film about the dot-com start-up phenomenon, following govWorks.com and its founders Kaleil Isaza Tuzman and Tom Herman from May 1999 to December 2000 as the Internet bubble is bursting. The movie evokes the rush of late '90s capitalism, a period just seven years ago, when a business plan and a confident handshake could secure millions of dollars in venture capital; when it seemed anyone could get filthy rich on an idea.

Friends from childhood, ambitious young business school graduate and Goldman Sachs employee Kaleil and software geek and single dad Tom have an idea: a website for people to conduct business with municipal governments. Kaleil raises the money, Tom is the technical chief. A third partner wants a buy out. Tom's daughter needs attention. And the need for cash and for improving the website is always present. Venture capital comes in by the tens of millions. Kaleil is on CNN, magazine covers, and shakes hands with Bill Clinton. However, the business requires lifestyle compromises and personal sacrifices and the competition seems to have a better website. The clash of philosophies and personalities of the co-owners almost tear Tom and Kaleil apart. Will the business or the friendship crash first?

Students are required to analyze the movie while watching it and then to discuss what lessons can be learned in the strategic, human resources, financial, marketing, and operational areas.

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CHAPTER 9

INTRAPRENEURSHIP OR CORPORATE ENTREPRENEURSHIP

M. Evelina Ascalon

Human Capital Core Processes

Credit Suisse

1. LEARNING GOALS

- 1) Understand the difference between entrepreneurship and intrapreneurship
- 2) Learn about the various types of intrapreneurial activities
- 3) Learn the challenges faced in trying to successfully implement intrapreneurial activities
- 4) Learn how to overcome those challenges

2. THEORETICAL BACKGROUND

Entrepreneurship attracts those who are interested in starting something that is their own. However, for many reasons many of those potential entrepreneurs do not take the step (at least not right away). Rather they choose for a life as an employee with a fixed income, regular hours, and a pension plan. Life in a company, however, does not have to mean the loss of one's dream to build something of their own. One can choose to be an entrepreneur – with a safety net – otherwise known as a corporate entrepreneur or intrapreneur.

Companies who want to succeed in highly competitive market places need to innovate and in turn they need innovators and entrepreneurs. The term innovate is loosely used in organizations; its meaning ranges from improvements in daily activities to the development of new products and new markets. A

taxonomy of intrapreneurial activities outlines the various types of entrepreneurial activities in a corporation (Kunkel, 2001). These are outlined in the figure below.

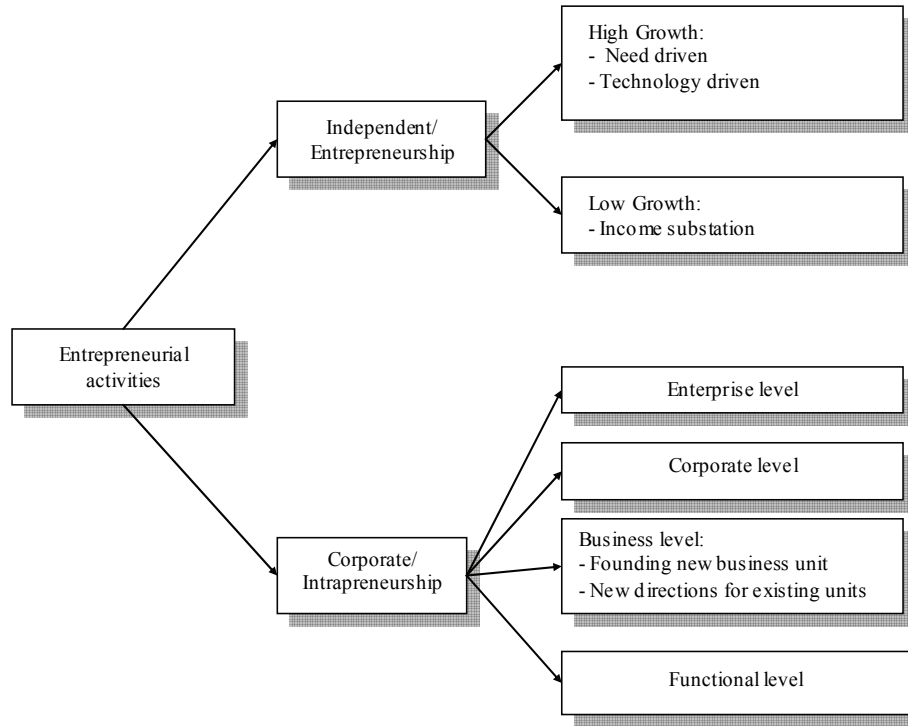


Figure 1.
Kunkel's (2001) taxonomy of entrepreneurial activities

The taxonomy outlines both entrepreneurial activities and corporate entrepreneurial activities. We will focus only on learning about the latter types of activities.

- ❑ Enterprise level intrapreneurship concerns a change in the direction or focus of the organization.

- ❑ Corporate level intrapreneurship (also known as a corporate turnaround) refers to a radical restructuring of the business units or a dramatic transformation of the organization.
- ❑ Business level intrapreneurship 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.
- ❑ Functional level intrapreneurship refers to the development and improvement of new products, processes, technologies, etc.

These four types of intrapreneurship will be further investigated during the course using case studies.

Challenges to Intrapreneuring within the Business Environment

In preparing to undertake an intrapreneurial activity, it is important to be aware of the challenges one may face. Following are some challenges outlined by Sathe (2003) and Van de Ven, Polley, Garud, & Venkataraman (1999).

- ❑ Expect conflict between intrapreneurs 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

Successful Intrapreneurship

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

- ❑ Gain support from people with power and influence
- ❑ Convince your 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 intrapreneur, 3) the intrapreneurial team, 4) the sponsor(s), and (5) the innovation climate maker
- ❑ Have the courage, vision, and the willingness to take charge and make it happen
- ❑ Do not talk about your 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

To highlight your learning, we will go through several case studies from, for example, the finance, engineering, and energy industry. We will also review additional studies in corporate entrepreneurship, such as a study that assessed the differences between entrepreneurial and intrapreneurial competencies (Zwemstra, Ascalon, & Gorgievski, 2006).

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CHAPTER 10

ENTREPRENEURIAL STRESS



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SWEDISH, IRISH AND DUTCH ENTREPRENEURS: NO STRESS

30-05-07. Entrepreneurs in Sweden, Ireland and The Netherlands are suffering the least stress. Less than four out of ten entrepreneurs reported more stress in 2006 than in 2005.

This contrast sharply with China, where you can find the most rushed business people in the world. More than 8 out of 10 entrepreneurs in this huge growth-economy indicated that their stress levels increased since the year before (International Business Report (IBR); [Arenthals Grant Thornton](#)).

The IBR also shows that entrepreneurs on average work 53 hours per week. Entrepreneurs in Europe work the fewest number of hours, namely 50. In East-Asia and the NAFTA-countries this is respectively 53 and 54 hours. Entrepreneurs in the new economies work even longer. India and Argentina lead with 57 hours per week, Australia, Armenia and Botswana follow closely with 56 hours per week. Entrepreneurs working the least number of hours can be found in the EU. Italian entrepreneurs take it easy with 47 hours per week. Entrepreneurs from the Netherlands, Sweden, Spain, and Ireland spend 48 hours on business related tasks.

http://www.agt.nl/actueel/persberichten/nederlandsse_ondernemers_behoren_tot_minst_gestresste_ondernemers_ter_wereld/?cid=38&pid=48

WHY WORKING HARD IS BAD FOR YOUR BUSINESS

14-02-07. Many self-employed are prepared to work many hours and go to any length for their business or practice. Coach Maud de Vries warns: “The temptation to say yes to everything that comes your way is strong, but before you know it, you are simply surviving instead of thriving, and the quality of your work starts to erode.”

No matter how hard you are willing to work, there are limits. Time limits seem easy to stretch. You sleep a little less, work in your private hours. But at some point you will notice that you start making mistakes and you are not as creative as you used to be. Instead of trying to work 25% more hours in your work week, it is far more lucrative to work on a long-term strategy that helps you charge 25% more for your output. You can achieve that by spending your non-productive hours better.

1. LEARNING GOALS

In this course you will learn about entrepreneurial stress.

- 1) From a Conservation of Resources perspective (Hobfoll, 1989, 2001) you will learn about stress versus activation.
- 2) You will learn about typical entrepreneurial demands and resources
- 3) You will receive a two-hour introductory training in techniques that can help you create balance in your life.

2. THEORETICAL BACKGROUND

Building on a motivational stress theory, the Conservation of Resources (COR-) Theory (Hobfoll, 1989, 2001), we will explain two fundamental processes related to entrepreneurs' job content and their personal and job-characteristics. First is a stressful downward spiral of resource loss, and second is an upward, motivational spiral of resource gain.

2.1. Conservation of Resources Theory

Conservation of Resources (COR-) Theory (Hobfoll, 1989, 2001) 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 lose resources, people are expected to experience stress. When they perceive a (potential) gain, they are expected to feel well and get motivated. People are expected to try to counteract (potential) losses and strive for perceived opportunities of resource gain, by investing other resources they possess. 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 work situation it has been shown that a 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, Nachreiner, Bakker, & Schaufeli, 2001). 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. 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.

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 et al., 2001; Shirom & Hobfoll, 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 people's attempts to deal with their demands. Most common are

diminished sense of personal competency and erosion of social support networks (Buchwald & Hobfoll, 2004; Hobfoll & Shirom, 2001). In the long run this will even lead to health impairment, for example burnout and coronary heart disease. On the other hand, 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 (Hobfoll, 1989, 2001).

2.2. Entrepreneurship and Entrepreneurial activities

It is our contention that 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). 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, 1991; McDougall & Oviatt, 1996; McDougall, Robinson, & DeNisi, 1992; Sandberg & Hofer, 1987).

Most authors agree that entrepreneurship is a process. Crucial element in this process is that the entrepreneur and his or her venture are closely intertwined. Another important element is the creation of new value (not necessarily a venture). Entrepreneurial activities have broadly been characterized by on the one hand creating and gaining resources, and on the other hand shaping through rearranging resources in a new way (Morris, 2001). 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. 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 (e.g., Born & Altink, 2003; Nandram & Samson, 2000), but they typically perform these tasks in a different context than people working on pay role.

2.3. The Entrepreneurial Process, an Activating Process

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. 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 for 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, 2003). 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 (Boyd & Gumpert, 1983; Lewin-Epstein & Yuchtman-Yaar, 1991) showed that people seek freedom, autonomy, a higher income than they could possibly get working on pay role, 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 such resource gain cycles. 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.

The job itself provides resources as well, in particular decision latitude (schedule flexibility, job variety, skill utilization and autonomy). On the other hand, the entrepreneurial job also lacks some resources, such as supervisors and peers in the organisation who can provide feedback and social support.

2.4. The Entrepreneurial 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. The question is, what 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. Based on qualitative and cross-sectional designs, they did provide the following “laundry-list” of entrepreneurial stressors.

The most often reported entrepreneurial stressor is work overload, especially quantitative work overload (Chay, 1993; Harris, Saltstone, & Fraboni, 1999; Tetric, Slack, Da Silva, & Sinclair, 2000). 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 (Boyd & Gumpert, 1983) Gibb & Davies, 1991), moving employees into a new direction or mission (Boyd & Gumpert, 1983), and properly defining relationships with employees, delegating the right tasks and allowing them to develop (Gumpert & Boyd, 1984). A second, task related challenge relates to boundary spanning activities. These are activities related to communication between the organisation and the external environment the organisation is part of. These include communication problems with customers and suppliers, for example related to closing deals, and dealing with debtors (Richter & Kemter, 2000). 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 (Mack & McGee, 2001).

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 (Boyd & Gumpert, 1983; Gumpert & Boyd, 1984; McMullan, 1996). 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 (Johnson, 1995; Rosenblatt, DeMik, Anderson, & Johnson, 1990).

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 (Boyd & Gumpert, 1983; Buttner, 1992).

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.

2.5. To conclude

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.

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. In order to prevent stressful loss spirals of resources, competencies such as time management skills, marketing skills, managerial competencies, and social competencies (Markman & Baron, 2003)(Gibb and Davies, 1991).

3. RELATED IN-CLASS ACTIVITIES

How to create balance exercise

In this exercise you will learn how to increase some important personal resources, namely skills for creating balance in your life. For this exercise you make your own life balance assessment. Next we will

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CHAPTER 11

CREATE ENTREPRENEURIAL MINDSETS

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1. LEARNING GOALS

In this course you will learn:

The importance to develop an entrepreneurial mindset in Europe and some possible strategies to develop it through education and guidance starting from some essential psychosocial aspects of entrepreneurship.

2. THEORETICAL BACKGROUND

“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” (Entrepreneurship in Europe, Green Paper 2003).

The importance of developing an entrepreneurial mind in Europe is highlighted in several “communications” and European documents. The most and last well known is the Green Paper on Entrepreneurship in Europe of the 2003. This important document is the result of a large consultation process in the European countries and has the objective to indicate the strategies and the actions that European countries should realize to improve entrepreneurship in Europe.

In policy options for entrepreneurship is indicated that “to promoting entrepreneurship must work on three levels – individual, firm and society.

To motivate individuals 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.

For entrepreneurial ventures to develop into healthy firms, supportive framework conditions are essential. These should allow firms to develop and grow, and not unduly hinder contraction and exit.

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 key for businesses to start, take over, thrive and survive" (Entrepreneurship in Europe, Green Paper 2003).

In the 2006 the Commission of European Communities in order to implementing the Community Lisbon programme has produced a communication [COM(2006) 33 final] for entrepreneurship: "Fostering entrepreneurial mindsets through education and learning". "There is a need to create a more favourable societal climate for entrepreneurship, based on an integrated policy with a view to not only changing the mindset but also improving the skills of Europeans removing obstacles to the start-up, transfer and growth of businesses".

Education and learning are considered the key to improve entrepreneurial mindsets and entrepreneurship is viewed as key competence for growth, employment and personal fulfilment. "Entrepreneurship refers to an individual's ability to turn ideas into action. It includes creativity, innovation and risk taking, as well as the ability to plan and manage projects in order to achieve objectives. This supports everyone in day-to-day life at home and in society, makes employees more aware of the context of their work and better able to seize opportunities, and provides a foundation for entrepreneurs establishing a social or commercial activity". At the end, the communication indicates a series of recommendations for concrete action that should be taken at national and local level. The proposals aim to help formulate more systematic approaches to entrepreneurship education and to enhance the role of education in creating a more entrepreneurial culture in European societies. These recommendations are synthesized here:

A coherent framework (a. 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; b. curricula for schools at all levels should explicitly include entrepreneurship as an objective of education);

Support for schools and teachers (a. Schools should be given practical support and incentives to encourage take-up of entrepreneurship activities and programmes, through a range of different instruments; b. Special attention should be given to training teachers, through initial and in-service training as well as practical experience)

Fostering entrepreneurship in higher education (a. Higher education institutions should integrate entrepreneurship across different subjects and courses; b. Public authorities' support is especially needed to provide high-level training for teachers and to develop networks that can share good practice; c. Teacher mobility between university and the business world should be encouraged together with the involvement of business people in teaching).

Finally, in the October of 2006, the conference on Entrepreneurship Education in Europe: "Fostering entrepreneurial mindsets through education and learning" held in Oslo, has produced a final agenda that indicates clearly the strategies that European countries need to realize in education and learning. This document contains the important guidelines to improve entrepreneurial mindsets in Europe.

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CHARTER 12

SOCIAL ENTREPRENEUR (SHIP)

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1. LEARNING GOALS

In this course you will learn:

- 1) The essential characteristics of social entrepreneurship
- 2) The differences between business and social entrepreneurs
- 3) The role of social entrepreneurship in economic and social development in Europe.

2. THEORETICAL BACKGROUND

“Social entrepreneurs play the role of change agents in the social sector, by: adopting a mission to create and sustain social value (not just private value), recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources currently in hand, and exhibiting heightened accountability to the constituencies served for the outcomes created” (Dess, 1998, 2001).

The concept of ‘social entrepreneurship’ has been rapidly emerging in the private, public and non-profits sectors over the last few years, and interest in social entrepreneurship continues to grow. The non-profit sector is facing intensifying demands for improved effectiveness and sustainability in light of diminishing funding from traditional sources and increased competition for this

scarce resources. At the same time, the increasing concentration of wealth in the private sector is promoting calls for increased corporate social responsibility and are proactive responses to complex social problems, while governments at all levels are grappling with multiple demands on public funds.

In light of this, social entrepreneurship is emerging as an innovative approach for dealing with complex social needs. With its emphasis on problem-solving and social innovation, socially entrepreneurial activities blur the traditional boundaries between the public, private and non-profit sector, and emphasize hybrid models of for-profit and non-profit activities. Promoting collaboration between sectors is implicit within social entrepreneurship, as is developing radical new approaches to solving old problems. Social entrepreneurship has a strong intuitive appeal, and several recently documented examples highlight its potential in a variety of contexts. However, this is still a very new area, and research on social entrepreneurship lags far behind the practice.

In this course we will focus to explore two essential aspects of social entrepreneurship: a) background/context (contextual factors influencing the emergence and development of social entrepreneurship); b) defining social entrepreneurship and examine the characteristics and motivations of social entrepreneurs.

Finally, a particular reference will be made on training and capacity building for social entrepreneurship.

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CHAPTER 13

CULTURE AND ENTREPRENEURSHIP OR WHICH COUNTRY IS MOST ENTREPRENEURIAL?



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1. INTRODUCCIÓN

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 is 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 to just do it is my brother, but I think he's simply picked up that American 'can-do' attitude when he stayed there.'

2. LEARNING GOALS

In this course you 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

3. THEORETICAL BACKGROUND

I. 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 special issue on culture and entrepreneurship that was published earlier this year concluding that there is still

a 'paucity of contributions dealing with cultural influences' (Freytag & Thurik, 2007, p. 122).

II. What is culture?

There are hundreds, if not thousands of definitions of culture to be found in the literature, however 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).

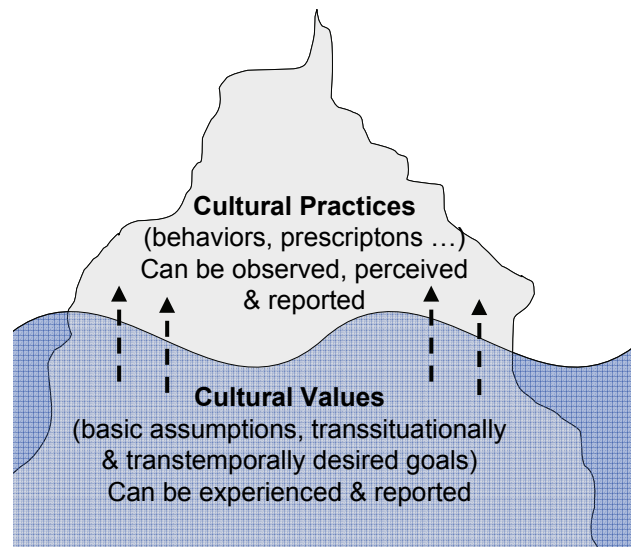


Figure 1:

Iceberg Model of Cultural Practices and Values (upward arrows indicate that values are enacted in behaviours)

Mainly 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).

III. 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, 2007).

IV. 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. inter~ 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 avoidant 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.

TABLE 1
Total Entrepreneurial Activity and Country Score
for Cultural Values and Practices for Selected Countries

	TEA*	Hofstede's Value Indices			GLOBE Practices Indices	
		Indivi- dualism	Power Distance	Uncer- tainty Av.	Humane Orientatio n	Assertive- ness
United States	11,3	91	40	46	4,2	4,5
New Zealand	15,4	79	22	49	4,4	3,5
China	14,0	20	80	30	4,3	3,8
Ireland	8,4	70	28	35	5,0	3,9
Czech Republic	7,9	58	57	74	-	-
Poland	6,6	60	68	93	3,7	4,1
Spain	6,1	51	57	86	3,3	4,4
Germany	4,8	67	35	65	3,3	4,7
Netherlands	4,8	80	38	53	4,0	4,5
Italy	4,3	76	50	75	3,7	4,1
Japan	2,2	46	54	92	4,3	3,7

*Total Entrepreneurial Activity (averaged 2002-2006, calculated from data provided by the Global Entrepreneurship Monitor study), for all cultural dimensions: high scores indicate 'more' of a dimension, ' - ' no data available, scores taken from Hofstede (2001) and House et al. (2004)

Concerning cultural practices and entrepreneurship Stephan and Uhlaner (2007) 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.

V. 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).

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).

VI. So, which country is the world's most entrepreneurial country?

Guesses? ... you will get to know in class.

Summary

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 through 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.

4. RELATED IN-CLASS ACTIVITIES

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

Instructions will follow in class.

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?

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CHAPTER 14

POSITIVE PSYCHOLOGICAL CAPITAL AND ENTREPRENEURSHIP

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1. LEARNING GOALS

In this course you will learn the idea of positive psychological capital, its connections with the entrepreneurship and management, and the ways to augment it.

- 1) You will learn what is the role of self-efficacy in entrepreneurial process
- 2) You will learn how we can define optimism and how optimistic thinking may influence entrepreneurial process
- 3) You will learn the idea of hope and its role in goal-attainment process

2. THEORETICAL BACKGROUND

Although economic, social, and political factors, which create the overall climate for new economic initiatives, play an important role in the development of entrepreneurship (cf Douglas & Sheperd, 2000), the emergence of a new firm depends, in the final analysis, on the decision of the person who intends to undertake the task. At the same time, comparatively few individuals make such a decision and many new firms collapse (Blanchflower, 2000). Despite the development of psychological research on the entrepreneurial process we still know little about the entrepreneur's role (Phan, 2004; Sarasvathy, 2004). Research in this field to date has shown that personality traits are weak predictors of entrepreneurial behavior (Berings, De Fruyt & Bouwen, 2004; Ciavarella et al., 2004; Wooten, Timmerman & Folger, 1999); it suggests,

however, that it is self-referent beliefs and convictions regarding the world that may constitute a determinant of entrepreneurial success (Krueger, Reilly & Carsrud, 2000; Markman, Baron & Balkin, 2005; Shook, Priem & McGee, 2003). They are treated as important behavior regulators in the socio-cognitive approach (Bandura, 2001) as well as in positive psychology research referring to this approach.

Positive psychology, which found expression in the publications of Seligman and Csikszentmihalyi (2000) and has been developing in recent years, postulates a shift in researchers' attention toward studying human potentialities, the strengths and talents, which manifest themselves also in the workplace. In management as well as entrepreneurship, alongside the traditional financial, physical, or technological resources, also human resources such as knowledge, competence, or social capital, e.g. membership of a network of social contacts, trust, reputation (Luthans & Youssef, 2004; Vecchio, 2003) have been isolated. The new proposal put forward by Luthans and his research team (Jensen & Luthans, 2006; Luthans & Youssef, 2004) takes into consideration also the so-called positive psychological capital, that is, the strengths of the organization's employees, including, first of all, positive beliefs. Hope, optimism, and confidence, identified with self-efficacy, as well as resiliency – these, among others, were recognized as important positive resources for the organization that may increase its competitiveness in the marketplace (Jensen & Luthans, 2006). It is emphasized that these resources are not as constant as, for instance, personality traits, that they can be modified, and that they can contribute to the market advantage of those firms, which can use and develop them. Jensen and Luthans (2006) point to the connections between these variables and leadership in the context of management. In the model proposed, they treat positive beliefs as variables that have an impact on entrepreneurial leadership. The findings of their research, conducted on a group of 148 entrepreneurs who established their firms by themselves, have confirmed this model.

Taking positive psychology variables into consideration in research on entrepreneurship is further supported by the fact that these variables proved to be of significance to functioning in other areas. Research findings in the fields of health, sport, and education psychology indicate this (cf the overview of research in: Bandura & Locke, 2003; Snyder, 2002). They have seldom been taken into account in research on entrepreneurship to date, although more and more studies that point to the significance of positive convictions to the success of the organization (cf Jensen & Luthans, 2006). For this reason, interest in variables

such as self-efficacy, optimism, and hope appears justified – interest in variables, that is, which may be related to successful goal-attainment in entrepreneurs.

Self-efficacy, the factor most frequently taken into account in research to date, is the subjective conviction that one is capable of action in a given situation, of coping with a task (Bandura, 1997). The need is pointed out for entrepreneurial self-efficacy (Chen, Greene & Crick, 1998) as well as for general self-efficacy, particularly important in the face of complex, multidimensional tasks (Jerusalem & Schwarzer, 1992; Stajkovic & Luthans, 1998). This general self-efficacy is treated as one of the important resources used for coping with stress.

Research to date points to a positive relationship between self-efficacy and the choice of entrepreneurial activity (Chen, Greene & Crick, 1998). Entrepreneurial self-efficacy differentiates entrepreneurs from managers (Chen, Greene & Crick, 1998), as well as individuals who have created their own ventures from those who have not decided to do so (Markman, Balkin & Baron, 2002; Markman, Baron & Balkin, 2005). In both cases, it is higher in entrepreneurs. High self-efficacy also correlates with high annual income (Markman, Balkin & Baron, 2002). Research conducted on 217 randomly chosen medical equipment inventors, 55 of whom started firms based on their own patents, has shown that general self-efficacy is considerably higher in those who have started firms than in those who have not (Markman, Baron & Balkin, 2005). Self-efficacy, general as well as entrepreneurial, is an important predictor of entrepreneurial intention in unemployed individuals. It is also higher in those who intend to create their own venture (Laguna, 2006a).

Optimism has had at least two theoretical conceptions in psychology. According to Seligman (1990) it refers to the interpretation of causes of past successes and failures. In Scheier's and Carver's conception it is understood as a general expectancy of positive events in the future (Scheier & Carver, 1985). The latter explanation seems interesting in the context of entrepreneurial action. Individuals with higher level of optimism can motivate co-workers better as well as induce an orientation toward the future and commitment in them (cf Jensen & Luthans, 2006). Expecting positive results, a person puts greater effort into his/her activities. Optimists are more strongly convinced than pessimists that the obstacles encountered can be overcome, and because of this they continue action, 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 (Oettingen & Mayer,

2002). It also favors the application of more adaptive strategies of handling difficult situations (Schweizer & Koch, 2001).

In the context of taking entrepreneurial action, optimism is pointed to as one of the important characteristics of individuals who start their own firms (Markman & Baron, 2003; Shook, Priem & McGee, 2003). However, research findings are inconclusive: some indicate the tendency of entrepreneurs to perceive situations optimistically (Cooper, Dunkelberg & Woo, 1988; Palich & Bagby, 1995), others – that optimism has no significance for the decision to start a firm (Simon, Houghton & Aquino, 1999). It can have an indirect impact by affecting goal perception. In studies on potential entrepreneurs a higher level of optimism favored a higher assessment of chances of success in starting one's own venture and, by influencing the expectancy of goal attainment, indirectly contributed to the formulation of entrepreneurial intention (Laguna, 2006b).

Hope, in Snyder's conception (2002), is defined as interrelated agentic thoughts and pathway thoughts. Clear goal formulation may be accompanied by agentic thoughts, the conviction that one can initiate and sustain movement toward a goal. It gives energy, which enables one not to be discouraged even when difficulties and obstacles emerge. The other component of hope thus understood, of confidence in one's own success, is the perception of oneself as a person capable of inventing effective ways, alternative pathways leading to goal attainment (Snyder, Cheavens & Sympson, 1997).

Research has shown that individuals with a high level of hope approach goals as 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). Though so far studies of hope in relation to entrepreneurship are few, they point to its connection with satisfaction from running one's own firm (cf Jensen & Luthans, 2006). Hope also turned out to be significant predictor of the entrepreneurial intention as well as of the assessment of this goal importance and of the assessment chances of success and of readiness to try to accomplish of that undertaking (Laguna, 2006b).

All these positive convictions are not as constant as, for example, personality traits; they can be developed and modified, e.g. through trainings (Luthans & Youssef, 2004). At the same time they are measurable, and have verified operationalization methods. Although they show a number of similarities, in

theoretical analyses (cf Snyder, 2002) as well as in empirical research they are differentiated from one another and treated as distinct variables (Bryant & Cvengros, 2004; Magaletta & Oliver, 1999). Some of them, e.g. self-efficacy, have been fairly thoroughly researched by now in connection with entrepreneurship, while others seem to be an interesting area for further research.

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LITERATURE LIST**Article 1:**

Luthans, F. & Youssef, C. (2004). Human, social, and now positive psychological capital management: investing in people for competitive advantage. *Organizational Dynamics*, 33, 143-160.

The purpose of this article is to analyze what constitutes competitive advantage from traditionally recognized sources. The authors propose to treat human resources as a capital investment for competitive advantage. Specific attention is given to the increasingly recognized human and social capital and the newly proposed positive psychological capital. After providing the theoretical and research background, attention is given to guidelines on how to manage and increase positive psychological capital.

Article 2:

Snyder, C.R., Cheavens, J. & Sympson, S.C. (1997). Hope: An individual motive for social commerce. *Group Dynamics: Theory, Research, and Practice*, 1, 107-118.

The authors suggest that people of all ages are goal-oriented and that two related thought processes typically accompany this goal-related thinking. First, there are pathway thoughts, which tap the perceived capability to generate workable routes to desired goals. Second, there are agentic thoughts, which reflect the perception that one can initiate and sustain movement toward a goal along the given pathways. Together, pathway and agentic goal-directed thinking define hope. After describing how hope develops, the self-report instruments for measuring hope are reviewed. How hope is sustained in the context of larger groups is explored, and the importance of shared goals is described.

CHAPTER 15

ENTREPRENEURSHIP: AN ALTERNATIVE CAREER FOR SCIENTISTS

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UNED

1. LEARNING GOALS

In this course you will learn how scientist entrepreneurs have an inherent advantage over other entrepreneurs. They have the opportunity to start businesses based on science that are truly breakthrough in nature. Wouldn't it be great to be a successful scientist entrepreneur like Marie Curie or Thomas Edison?

- 1) You will learn what *barriers* are in the entrepreneurial process for scientists.
- 2) You will learn what factors influence scientist entrepreneur' behaviour during *entrepreneurial process*.
- 3) You will learn what *main events* lead scientists to choose an entrepreneurial career.

2. THEORETICAL BACKGROUND

Universities and research centers are involved in a transformation process in which they have to show to the society their legitimacy, giving clear reason why they have to exist and continue their mission. Since more than 100 years, the Academia has been rethinking which its role is in the society: Education or Research. Nowadays, everyone agrees both tasks are their mission. However, in

the last 20 years, a new path has been opened as a new mission of these research centers and universities, the transfer of the technology from labs to the society (Siegel, Waldman, Atwater, & Link, 2004).

There are several ways of knowledge and technology transfer to the society, one of them it is the creation of new business to commercialize new technologies. Usually, this type of new business is created by a scientist or a group of scientists that decide to change their life by focusing on a new business idea and leaving aside their research career. Thus, we can define a "scientific entrepreneur" to be a scientist (or engineer in a field heavily dependent on science) who turns scientific knowledge to practical purposes and finds ways to take it to market (George, Jain, & Maltarich, 2005).

Traditionally, scientists have provided industry, communities and governments their professional expertise and research findings. Scientific entrepreneurial activities date back to the medieval period when members of law and medical faculties engaged in professional practice to supplement their university salaries. In the initial decades of the twentieth century, the growth of the service element in the university mission, coupled with technological advancement, provided a strong impetus for scientific entrepreneurship by linking research to the needs of businesses. The railroad industry, petroleum refining, and polymer industries are just a few examples of commercial endeavors that benefited from these linkages. In the second half of the twentieth century, entrepreneurial activities of researchers and university lecturers played an instrumental role in the development of the computer industry and also contributed to the emergence and rapid growth of biotechnology.

Researchers and university lecturers may take advantage of the new opportunities to set up new ventures in great numbers. The motivation to start up a small new venture may be the low level of university salaries and general financial pressures. Starting a new venture promised more flexibility and a better standard of living. Most of these new ventures at first just would continue with sharing projects out or diverting contracts from universities and research centers into the private sector (Balázs, 1996).

Nevertheless, the scientific career, at least in Spain, is still mainly focused on researching and writing academic papers. Collaborating with the industry, licensing a new patent or creating new business is not rewarded or even admitted as legitimate activity for scientists. Therefore, scientists are more concerned about consolidating their career by publishing articles in international

journals, than pursuing opportunities for new business based on their research products.

In addition, there are many possible reasons for the unwillingness of scientists to start and run a new business. Scientists have been considered to have strong theoretical orientation and a lack proper knowledge about how to start and run a new business. On the other hand, it has been speculated that scientists, as their knowledge accumulates, get more conscious about risks related to entrepreneurship. Also, scientists' orientation is, at least in Europe, traditionally towards jobs in the public sector. Scientists learn the wage earner way of thinking because most of their family members are also government employee.

2.1. Marie Curie: scientific entrepreneur

Marie Curie is best known for her discovery of radium one hundred years ago this month, but she also worked closely with industry in developing methods to make and monitor radioactive material.

More than one hundred years ago, Marie Skłodowska-Curie and Gustave Bémont published a paper in *Comptes-rendus* - the journal of the French Academy of Sciences. In the paper they announced that they had discovered a new element with astonishing properties: radium. But for one of the authors, Marie Curie, the paper was more than just the result of outstanding work: it showed that a woman could succeed in what was then very much a male-dominated scientific world.



Having arrived in Paris from Poland in 1891, Marie Curie became the first woman in France to obtain a PhD in physics, the first woman to win a Nobel prize and the first woman to teach at the Sorbonne. She also helped to found a new scientific discipline: the study of radioactivity.

She became an icon and a role-model for other women to follow, someone who succeeded - despite many difficulties - in imposing herself on the world of science.

Although Curie's life story is a familiar and well documented one, there is one side to her that is less well known: her interaction with industry. As well as training many nuclear physicists and radiochemists in her laboratory, she also became a scientific pioneer in industrial collaboration.

In 1904 French industrialist Armet de Lisle, whose factory would soon provide radium to the medical profession, began to collaborate with the Curies. De Lisle benefitted from the Curies' technical suggestions on the best treatments for pitchblende. In return the Curies were able to accumulate larger samples of radioactive material than they would have been able to prepare on their own. At a time when few research posts were available in France, de Lisle also provided jobs in the new radium industry for a number of scientists who had trained with the Curies.

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CHAPTER 16

THE IMPORTANCE OF PLANNING/SELF-MANAGEMENT FOR ENTREPRENEURIAL SUCCESS

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1. 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 lose 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.

2. LEARNING GOALS

In this course you will learn about the role and the consequences of self-management planning for entrepreneurs.

- 1) Understand the difference of planning on the level of the firm and individual planning (i.e. self-management)
- 2) Understand what self-management is and how, why and when it can contribute to entrepreneurial success
- 3) Get to know your own self-management skills and reflect how entrepreneurs' self-management skills could be strengthened

3. THEORETICAL BACKGROUND

3.1. 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 also common practice for business founders when they have to develop their business plans, which are often the prime vehicle for being granted 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 here referred to as self-management strategies. Self-management is understood here as how one goes about structuring and planning ones work.

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 course; we will look into *how* the planning is done, i.e. the *process* of planning.

3.2. 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 never follows them through.

3.3. 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: 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 opportunistic approaches are used more often. Another environmental variable are *cultural* characteristics. Two studies found evidence that especially in high uncertainty avoidant and future orientated cultures complete planning is especially effective. Planning is an effective means to reduce uncertainty and is expected within these societies. The more flexible, critical-point planning approach, however, is more effective in rather uncertainty tolerant and present orientated societies (Rauch, Frese & Sonnentag, 2000, 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.

Summary

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. Self-assessment and group discussion

With the questionnaire given in Appendix A 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?

2. 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.

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APPENDIX A:

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!

	very rarely/ never	rarely	occasional ly	often	very often/ always
1 I plan my work step by step in advance .	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
2 I simultaneously work on the solution of several problems.	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
3 I rather let things happen/come up to me, in doing so I do not follow a certain plan .	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
4 I systematically plan my next steps at work in regular intervals .	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
5 I start with planning my actions at the most difficult and critical point in the work-flow.	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
6 I handle problems in the order in which they come up to me .	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
7 I try to gain a detailed overview , before planning next steps in my work,	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
8 First I try to get a handle on the most critical point , the next steps	① very	② rarely	③ occasional	④ often	⑤ very

	very rarely/ never	rarely	occasional ly	often	very often/ always
then follow automatically.	rarely		ly		often
9 I decide about next steps in the work-flow spontaneously , i.e. when they acutely have to be taken care of.	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
10 I switch to and fro between the detailed planning of single steps and the development of an overall concept for my work.	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
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 very rarely	② rarely	③ occasional ly	④ often	⑤ very often
12 I plan ahead alternative strategies of acting in order to handle potential weaknesses in the work-flow.	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
13 I do not think too much about possible future problems at work , because I am fully occupied with solving the current ones.	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
14 It happens that I discontinue my current actions , because I found a solution for another problem.	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
15 Going from the most critical point , I think about possible variants till I found the most adequate way.	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often
16 My working habit may seem chaotic to other people , but I myself never loose the overview .	① very rarely	② rarely	③ occasional ly	④ often	⑤ very often

Evaluation

Add the scores as follows:

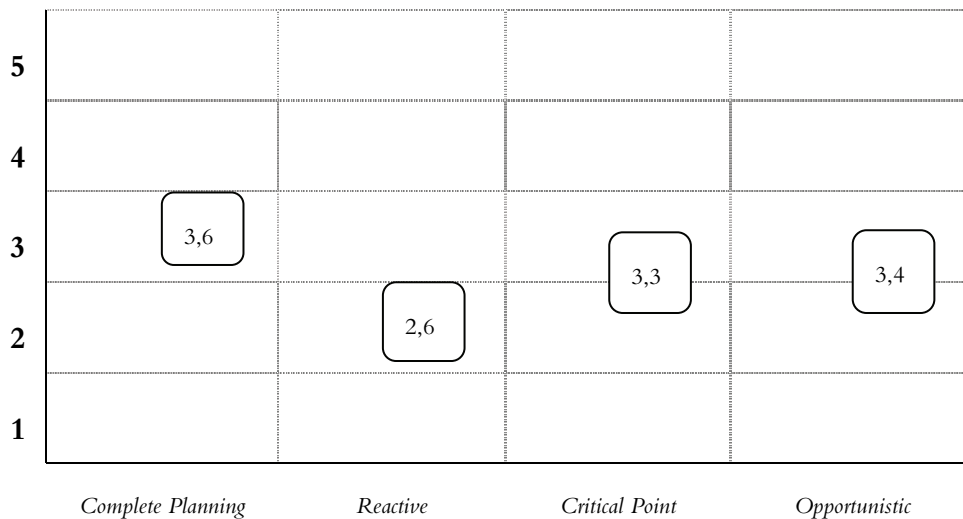
Complete Planning: Item 1 __ + Item 4 __ + Item 7 __ + Item 12 __ = __ / 4 : __

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.



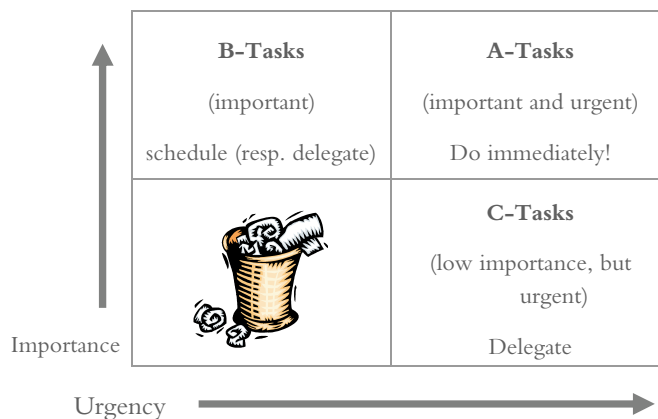
2,6 Scores of a comparison group (German IT entrepreneurs, N=82))

APPENDIX B:

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!



More courage to use the litter bin!

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.
6. **Let others do it:** Don't forget to delegate: What? Who? Why? Till when? Don't be afraid to say NO and fight off time thieves!

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.
9. **Telephoning:** Ask for an adequate time instead of interrupting. Arrange binding appointments for phone calls and call-backs.
10. **Enjoy success:** Perceive settled tasks and things as success! Reward yourself and others.

CHAPTER 17
SUCCESSFUL ENTERPRISES



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1. WHICH ONE OF THE THREE?

My name is Senna Oldshorn. I am a successful entrepreneur. I started my business one year ago. I am the figure head of the free market economy.

Senna 1: “I feel that starting a business after having been on sick benefit for more than a year is a great victory”. He 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 Senna 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. Since the local newspaper has written an article about the company a few weeks ago, 26 people with a work disablement have applied for a job.

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.

2. LEARNING GOALS

In this course you will learn how entrepreneurial success can be defined.

- 1) You will learn what criteria of business success are generally used in the business literature
- 2) You will learn how different entrepreneurs themselves define success
- 3) You will get background information on issues related to the construction of performance criteria for research purposes

3. THEORETICAL BACKGROUND

The aim of this contribution is to discuss the content of the entrepreneurial success construct in more detail. 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 the way different types of

entrepreneurs can balance the tradeoffs of striving for different types of success in a way that is personally satisfying.

3.1. Criteria of entrepreneurial success

A recent review of the entrepreneurship and small business literature (Gorgievski & Ascalon, submitted) 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 being defined as being able to continue the business in the long run, it becomes a very relevant criterion. In order to have favorable business prospects in the long run, the business needs to have good solvency so that it can finance possible large reorganizations in order to maintain its competitive advantage. Longevity of the firm as defined in this way has particular importance for family businesses, where it relates to the (financial) 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 performance 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* with their business (Cooper & Artz, 1995). Personal satisfaction can be considered a basic measure of performance, which influences many business decisions, such as whether to invest more time and money, whether to cut back, or even to shut down the business. 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 Score Card, 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.

3.2. 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 success. Another famous conflict occurs between criteria related to work-home balance and profit and business growth. It seems fair to say that conflict occur between criteria related to different systems that interact with each other, namely the business, the family and society.

3.3. Personal differences in weighing entrepreneurial success

Different kinds of entrepreneurs weight the tradeoffs between different performance 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 accomplishing their personal goals, while at the same time keeping the business solvent.

Schwarz' theory of universal human values is a helpful tool to explore what people find important (Schwarz & Bardi, 2001). 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, 1987; p. 551). 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).

Results of our research (Gorgievski & Ascalon, submitted) have shown that entrepreneurs find success criteria more or less important, depending 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.

TABLE 1

Definitions of Schwartz' value orientations (Schwartz & Bilsky, 1987)

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

3.4. To Conclude

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 life will more likely keep the entrepreneur focused towards accomplishing his/her goals, while at the same time keeping the business solvent.

4. RELATED IN-CLASS ACTIVITIES

Group discussion

We will start this class with a group discussion. We will be discussing your opinions, and also what you have already learnt about entrepreneurial success. To help you formulate your ideas you can start by thinking which one of the three entrepreneurs in the introductory example you find most successful and why? Another question that might help you is “when would I consider myself to be successful?”

Success and values exercise

For this exercise you fill in a questionnaire based on which you will be able to create your own values profile. Next we will split into small groups based on these profiles. Your small group will be required to identify personal strengths and weaknesses when starting up a business related to these values.

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SUGGESTED FURTHER READINGS

(Articles relevant to criterion construction)

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