

Factors that Positively Influence the Initiation of a Business

Alice Reissová, Jana Šimsová, Kateřina Kovářová, Radek Šimanovský

¹*Faculty of Social and Economics studies, Jan Evangelista Purkyně University, Ústí nad Labem, Czech Republic*

Abstract – The aim of this study was to find out which factors are important for the initiation of a business. There were 1034 students from a regional university in the Czech Republic within the research group. It was determined that almost 23% of the students declared a positive attitude towards business and they considered their own business objectives after finishing their studies. By comparing individual factors it was noted that the most important factors were not determined by economic factors (lack of finance for the initiation of a business), but rather by social factors (family tradition).

Keywords – business, initiation of a business, factors which influence business, university students.

1. Introduction

Small and mid-sized companies are of great importance for the development and prosperity of every country. They represent an inseparable part of the economy (they contribute to the formation of gross domestic product, they create job positions and they can ensure employment, as well; they participate in the export and import of goods). Some authors refer business people as being the “engines of

economic growth” [1]. As well as economic contribution, the social contribution is also very important. Business enables free employment and self-realization of citizens, development not only of their specialty, but also of their personal characters (for example: responsibility, creativity, independence, ability to accept risks, etc.). For this reason, it is important for every company to create good conditions for business and mainly to focus on the younger generations. The aim of this study is to find out which business factors can influence young people positively.

2. Literature review

The identification of factors, which can influence the intention of young people, is a subject of interest within all ranges of study. These factors can be distributed into two main groups: internal and external factors.

Among the internal factors which influence business of young people, belong, for example, the personality and character features of the businessperson. Among the character features which are a certain precondition for business, are, e.g., the willingness to accept risk [2],[3] and the need for success [4]. Businesspeople are people who require a certain degree of personal autonomy and possibility of independent decision-making [5]. A very important factor which influences the business of young people positively can be the fact that as business people, they will not be managed by anyone.

The situation is much more difficult in the sphere of the external factors. Koe et al. [1] on one hand point out the necessity to recognize the factors which predict the business intention, but on the other hand they point out the fact that it is not possible to transfer the discovery from one country to another one, i.e. they discuss the question of using the conclusions of other studies from different environments.

The family environment is among the external factors that has a positive influence on business [6], [7].

DOI: 10.18421/TEM82-23


<https://dx.doi.org/10.18421/TEM82-23>

Corresponding author: Alice Reissová,
Faculty of Social and Economics studies, Jan Evangelista Purkyně University, Ústí nad Labem, Czech Republic
Email: alice.reissova@ujep.cz

Received: 10 February 2019.

Accepted: 18 April 2019.

Published: 27 May 2019.

 © 2019 Alice Reissová et al; published by UIKTEN. This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 License.

The article is published with Open Access at www.temjournal.com

Some authors think that the important factor that can influence business is education. Muntean, & Nistor [8] deal with the importance of business education for managers of small companies and potential business people, especially young people, who want to start their business. Some studies show that there are some differences before and after finishing business education studies. E.g. Top, Colakoglu, & Dilek [9], Ismail, Zain, & Zulihar [10], Elert, Andersson & Wennberg [11], Okoli, & Igwegbe [12], Vilcov & Dimitrescu [13] refer to the positive changes in the sphere of business competence.

Mamun et al. [14] emphasize that besides quality education, the politics of the state is another factor which influences business positively. They recommend to governments to create programs which would support graduates while they start their business. This part of these programs can be, e.g. business incubation centers, whose operation can be subsidized by different programs. The use of business incubation centers or of start-ups is a very important factor (according to conclusions of other studies), which can influence students positively [15]. The influence of the state is important in other stages too, i.e. during the development of the business. Within the realm of business environment, which is influenced by the government, business people especially consider creating appropriate conditions for the business environment, governmental finance support of business people, and the administrative load of business people [16].

For the initiation of business, certain financial capital is necessary. Sufficient financial assets for the initiation of an individual business also can be considered as one of the important factors. It can arise from our own funds or from somebody else's sources. Bhojar, & Nagendra [17] point out that it is more important to know how to treat finance accordingly. They point out that there were very rich companies, which had enough money, but they went bankrupt by misapplying their finance treatment.

3. Methodology

The aim of this study was to find out which factors positively influence business of young people. Following, these hypotheses were made:

H1: According to the students who want to do business, the most important factor for the initiation of business is that there should be a sufficient source of finance.

H2: Factors, which were tested within the bounds of research, will be evaluated by students as statistically differently strong.

H3: The students, who want to do business, mark the same factors, which positively influence the decision to start business; as do as well the students, who do not want to do business.

In the research team, there were students from Jan Evangelista Purkyně University in Ústí nad Labem. This regional public university has 8 faculties: Faculty of Social and Economic Studies, Faculty of Education, Faculty of Health Studies, Faculty of Science, Faculty of Mechanical Engineering, Faculty of Environment, Faculty of Art and Design and Faculty of Arts. Within the sphere of the university, 1034 students were interviewed, 691 women and 343 men. The number of the interviewed students in all of the faculties was determined according to the size of each faculty. Only students in upper years of study were interviewed, because it is considered that these students think about their integration into the job market and think about eventual alternatives, for example doing business.

The chosen method was a written questionnaire. The Meritor Questions focused on factors that positively influence business of young people.

According to the studies, as mentioned above, the elementary factors which can positively influence business of young people, were determined:

Table 1. Factors that influence business

A	Family tradition (children continue with parents' business)
B	Young people do not want to be managed by anybody
C	Possibility of business incubation centers
D	Sufficiency of finance during the initiation of business
E	Own business space
F	Subjects during their studies

Each of these factors was considered on a 4 degree Likert scale (definitely yes, rather yes, rather no and definitely no). For the next calculations positive and negative answers were added.

Questionnaires were anonymous. Data were processed using MS Excel and MS STATISTICA. Afterwards the statistical methods that were used were: test of concordance of parameters of two binomial distributions, Fridman's ANOVA, Spearman's coefficient.

4. Results and discussion

First, we observed how many young people think about the possibility of starting in business after graduation. From the results in Table 2. it is observed that almost 23% of the interviewed students declare their interest to do business.

This number is optimistic, however it is necessary to consider the fact that it consists of a declared interest, not about a real number of future business

people. Kirkwood, Dwyer, & Gray [18] point out that after graduating only a small number of students really start their business.

Table 2. Interest of young people in business

	Absolute number	In %
Want to do business	236	22,82
Do not want to do business	798	77,17
Total	1034	100

Figure 1. shows that the strongest factor is A (Family tradition). 50% of students answered “definitely yes” and at the lowest, 75% of them answered “rather yes”.

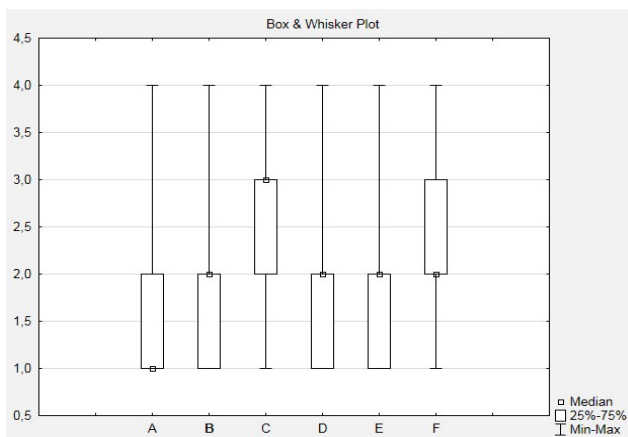


Figure 1. Box plot – comparison of single factors

This finding is undoubtedly interesting, however it is necessary to point out that it concerns only the students’ opinions. Unfortunately, it was not found out if their parents were running their own businesses. These statements would thus have been significantly more valuable. It is obvious, that it would be a very good idea to continue developing this research in this sphere. Madison, Runyan, & Swinney [19] found out that there are stronger relations within companies that are family companies. Emotional relations and personal aims of the owner lead to the higher performance of the company. It is possible that the opinions of the students are in harmony with reality.

Three factors have the same median and 75% of the students answered positively. These are factors B (young people do not want to be managed by anyone), D (sufficiency of finance during the initiation of businessman) and E (own business space).

It is interesting, that economic factors were evaluated by the students on the same level as are personality ones (psychological factors) and they were ranged after the social factors. Kozubíková at al. [20] did very interesting research. She was investigating to see if there was a difference among business people, for whom money is the most

important motive during the initiation of a business, and with business people, for whom business is their life mission. She proved that there is a very significant difference in innovation, proactivity, and competitiveness between these two groups.

One half of the students answered factor F positively (subjects during their studies). However, there are discussions about the efficiency of education in the sphere of business. As it was already mentioned, Kirkwood, Dwyer, & Gray [18] found out that the number of students, who start their business immediately after graduation, is minimal. For this reason, there is a question, what value does business education has? Through students’ reflections, they evaluated the program Master of Entrepreneurship. The graduates of this program appreciated the fact that they received higher self-confidence, they learned how to think in a business manner, and they acquired new skills. But they did not appreciate the importance of building relationships with visiting business people or classmates (creating of nets). Luca, Cazan, & Tomulescu [21] on the other hand, came to the conclusion that business education has significantly positive effects. It is obvious, that in this scope there is no opinion agreement among individual specialists.

The lowest evaluated factor was factor C (Possibility of business incubation centers). It is possible that the negative evaluation of this factor is due to the fact that the students do not have any experience in this sphere and they do not know any other people, whom these business centers can help in their initiation.

All the factors, or rather their medians, were afterwards tested with help of Friedman’s ANOVA. The results are shown in Table 3.

D (Sufficiency of finance during initiation of a businessman). This hypothesis was not confirmed.

Table 3. Calculation with help of Friedman’s ANOVA

Variable	Average Rank	Sum of Ranks	Mean	Std.Dev.
A	2,573985	2661,5	1,556093	0,656523
B	3,231141	3341	1,857834	0,687393
C	4,607834	4764,5	2,51354	0,708345
D	3,213733	3323	1,868472	0,863429
E	3,104449	3210	1,816248	0,802397
F	4,268859	4414	2,382012	0,848725

Friedman ANOVA Chi Sqr. (N = 1034, df = 5) = 1206,249
 $p = 0,00000$

On the grounds of the determined p-value, it is possible to pronounce that concordance among the medians was refused and the students evaluated the factors strongly different.

Afterwards we unified all the positive answers (definitely yes and rather yes) into the answer yes. The share of positive answers at factor A was 0.92, at

factor B was 0.84, at factor D was 0.77, and at factor E it was 0.81. By means of the test of the equation of two parameters of binomial distribution was tested, if the share of positive answers at factor A is statistically significantly higher than the number of positive answers at factor B, D and E. In all three comparisons there were p-values of <0.05 and for this reason the equality of shares was refused. The share of positive answers at factor A was statistically significantly higher than at factors B, D and E.

H1 presumed that the most important factor that will positively influence business of young people will be factor D. In order to find out which factors influence and alternatively how strongly, for each couple of factors, Spearman's correlative coefficient was used. The results are shown in Table 4.

Table 4. Spearman's coefficient of correlation

Variable	A	B	C	D	E	F
A		0,0807	0,0989	0,1614	0,134	0,1071
B			0,2605	0,0822	0,1218	0,1186
C				0,1514	0,1241	0,2053
D					0,6444	0,1876
E						0,2376
F						

Spearman Rank Order Correlations. MD pairwise deleted
Marked correlations are significant at $p < ,05000$

In Table 4, it is observed that all coefficients came out statistically significant at 5% of the level of significance. Their values are all positive, but are relatively small. Only a stronger relation is between factor D (sufficiency of finance during initiation of businessman) and E (own business space) 0.644381. This means that the higher the answer code at factor D, the higher the answer code at factor E. The rate of concordance of these factors by the students is medium-strong.

From the results mentioned above, it is obvious that the students who declare their interest in business, claim that the most important factor, which influences their decision about business, is family tradition and the following three factors, which are evaluated relatively equally strong: factor B (young people do not want to be managed by anyone), factor D, and E (concerning sufficiency of finance and own space for business). It is very interesting that the autonomy factor is at least as strong as the finance factor.

In order to find out if students who do not want to do business have the same or different opinions about the factors that positively influence business, a new calculation was made, with the help of a test about the concordance of two parameters of binomial distribution. The positive answers were unified

(definitely yes and rather yes) into one yes answer. The results are shown in Table 5.

Table 5. Comparison of students' answers who want and who do not want to do their business

Factor	A	B	C	D	E	F
Answer	yes	yes	yes	yes	yes	yes
I want to do business	0,903	0,83	0,5	0,75	0,75	0,81
I do not want to do business	0,927	0,85	0,5	0,78	0,78	0,81

The positive answers of factor B were tested to see if there is a statistically lower value shared by those who want to do their business and with those who do not want to do their business. The P-value of this test about the concordance of two parameters of binomial distribution is 0.2276. Zero hypothesis cannot be refused; here the shares in both groups of respondents are the same. Because the shares of the students in other factors of both groups differ maximally by about three percentage points and because it always concerns the equally big files, it is possible to claim that in all factors the shares of positive and negative answers of those who want or do not want to do business do not differ.

5. Conclusion

Business is an important part of every economy. It is important that younger generations are interested in doing business because this will create new prospering companies, or take charge of continuing family companies. Within the bounds of this research it was found that more than one fifth of the interviewed students think about business, as their future job. This result is very positive.

The aim of this study was to find out which factors have influence on the business initiation of young people. On the grounds of several studies, 6 factors were chosen (family tradition, requirement on autonomy / independence, support of a business center, sufficiency of finance for a starting business, own business space and education in business specialization) which were tested afterwards.

As seen, the one of the most important factors that positively influences business was the expected sufficiency of finance for starting a business. The reason for this is the fact that to start a business, it is necessary to finance entrance costs and at the same time students, after graduating, will not have enough finance. The very surprising fact that the factor at the highest level, i.e. the most important factor, was family tradition. Finance and material factors (i.e. both sufficiency of finance for starting the business and owning the business place) were, together with the requirement on autonomy (young people do not want to be managed by anybody), at the next level.

Finance and material factors (i.e. both sufficiency of finance for starting a business and own business place) were with the requirement on autonomy (young people do not want to be managed by anybody) at the next level.

The factors, which were tested, showed significant differences in statistical evaluation. The least positive factor was determined as being the possibility of the use of business incubation centers. This finding needs not to be an expression of students' disinterest in this kind of support, but rather as a consequence of the fact that they do not know of this kind of support yet. They do not have the possibility to judge in reality the contribution of this benefit. The factor of business education is a relatively weak evaluation, which is very interesting. In this case, this low evaluation can show the fact that students cannot get this type of education and therefore they cannot judge it.

In the conclusion of this study, if individual factors are evaluated differently by students, a comparison of those who declare their interest in doing business and who do not want to do business can be generated. It was found out that there is no difference in evaluation of both groups.

These conclusions can be used for the preparation of education courses focused on the initiation of business. Furthermore, there is open space for continued research, e.g. in the sphere of family companies, where the results were surprising and at the same time very few studies, which have been published so far, deal with this topic.

Acknowledgements

This result (article) under J. E. Purkyně University in Ústí nad Labem internal grant No.: UJEP-SGS-2018-45-002-2 was supported.

References

- [1]. Koe, W. L., Sa'ari, J. R., Majid, I. A., & Ismail, K. (2012). Determinants of entrepreneurial intention among millennial generation. *Procedia-Social and Behavioral Sciences*, 40, 197-208.
- [2]. Yurtkoru, E. S., Acar, P., & Teraman, B. S. (2014). Willingness to take risk and entrepreneurial intention of university students: An empirical study comparing private and state universities. *Procedia-Social and Behavioral Sciences*, 150, 834-840.
- [3]. Bernat, T., Gasior, A., Korpysa, J., Lakomy-Zinowik, M., Nagaj, R., & Szkudlarek, P. (2014). Perception of the Risk of Starting up Business and Personal Attitude to Risk. *Transformations in Business & Economics*, 13(2B), 780-800.
- [4]. Ambad, S. N. A., & Damit, D. H. D. A. (2016). Determinants of entrepreneurial intention among undergraduate students in Malaysia. *Procedia Economics and Finance*, 37, 108-114.
- [5]. Chen, S. C., & Elston, J. A. (2013). Entrepreneurial Motives and Characteristics: An Analysis of Small Restaurant Owners. *International Journal of Hospitality Management*, 35, 294-305.
- [6]. Sasu, C., & Sasu, L. (2015). Demographic Determinant of the Entrepreneurship Intentions. The Case of Romania. *Procedia Economics and Finance*, 20, 580-585.
- [7]. Farrukh, M., Khan, A. A., Shahid Khan, M., Ravan Ramzani, S., & Soladoye, B. S. A. (2017). Entrepreneurial Intentions: the Role of Family Factors, Personality Traits and Self-Efficacy. *World Journal of Entrepreneurship, Management & Sustainable Development*, 13(4), 303-317.
- [8]. Muntean, V. D., & Nistor, F. D. (2011). Entrepreneurial Culture of Young People - Entrepreneurship Education. *Quality - Access to Success*, 12, 344-350.
- [9]. Top, S., Çolakoğlu, N., & Dilek, S. (2012). Evaluating Entrepreneurship Intentions of Vocational High School Pupils Based On Self- Efficacy Concept. *Procedia - Social and Behavioral Sciences*, 58, 934-943.
- [10]. Ismail, V. Y., Zain, E., & Zulihar. (2015). The Portrait of Entrepreneurial Competence on Student Entrepreneurs. *Procedia - Social and Behavioral Sciences*, 169, 178-188.
- [11]. Elert, N., Andersson, F. W., & Wennberg, K. (2015). The Impact of Entrepreneurship Education in High School on Long-term Entrepreneurial Performance. *Journal Of Economic Behavior and Organization*, 111, 209-223.
- [12]. Okoli, C. I., & Igwegbe, A. I. (2015). Educators' Rating of Strategies Considered Necessary for Motivation of Potential Entrepreneurs among Secondary School Students for Poverty Alleviation in Anambra State. *Journal of Education and Practice*, 6(14), 6-11.
- [13]. Vilcov, N., & Dimitrescu, M. (2015). Management of Entrepreneurship Education: A Challenge for a Performant Educational System in Romania. *Procedia - Social and Behavioral Sciences*, 203, 173-179.
- [14]. Mamun, A. A., Nawi, N. B. C., Mohiuddin, M., Shamsudin, S. F. F. B., & Fazal, S. A. (2017). Entrepreneurial Intention and Startup Preparation: A Study among Business Students in Malaysia. *Journal of Education for Business*, 92(6), 296-314.
- [15]. Papulova, Z., & Papula, J. (2015). Entrepreneurship in the Eyes of the Young Generation. *Procedia Economics and Finance*, 34, 514-520.
- [16]. Dobeš, K., Kot, S., Kramolís J., & Sopkova G. (2017). The Perception of Governmental Support in the Context of Competitiveness of SMEs in the Czech Republic. *Journal of Competitiveness*, 9(3), 34-50.

- [17]. Bhoyar, P. K., & Nagendra, A. (2014). Due Diligence to Assess and Validate the Students Entrepreneurs and their Business Plans – An Investors' Contemporary Approach. *Procedia Economics & Finance*, 11, 737-744.
- [18]. Kirkwood, J., Dwyer, K., & Gray, B. (2014). Students' Reflections on the Value of an Entrepreneurship Education. *International Journal of Management Education*, 12, 307–316.
- [19]. Madison, K., Runyan, R. C., & Swinney, J. L. (2014). Strategic Posture and Performance: Revealing Differences between Family and Nonfamily Firms. *Journal of Family Business Strategy*, 5(3), 239–251.
- [20]. Kozubíková, L., Sopková, G., Krajčík, V., & Tyll, L. (2017). Differences in Innovativeness, Proactiveness and Competitive Aggressiveness in Relation to Entrepreneurial Motives. *Journal of International Studies*, 10(4), 207-218.
- [21]. Luca, M. R., Cazan, A.M., & Tomulescu, D. (2013). Entrepreneurial Personality in Higher Education. *Procedia - Social and Behavioral Sciences*, 84, 1045–1049.