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ENTREPRENEURSHIP

ASSESSMENT 2

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1. INTRODUCTION

Business ideas can be small and simple, or big and complex and stem from everything that has to do with our daily lives, even our dreams. Even before starting a business, the entrepreneur has already decided to 'pave their own path in life'. This decision is influenced by certain internal (psychological) and external (environmental) motivations, the effect of which is evident in the intensity of a person's desire for entrepreneurship (Bolton and Thompson, 2013). But desire alone is not enough; the decision also lies in the feasibility of the idea. In this case, the sociocultural and economic environment play a vital role in the promotion of entrepreneurship.

The entrepreneur is considered as one of the most important levers of economic growth. For this reason, it is crucial to evaluate the perspectives which contribute to entrepreneurial motivation, separately from the potential personal incentives. This comprehension is important for the formulation of social and economic policies that will encourage increased entrepreneurial activities.

2. PART I

Entrepreneurship is a multifaceted industry, and the motivation to engage in it is affected by many different current perspectives; social, cultural, environmental, economic etc. (Carter et al., 2012).

Social/ Cultural Perspectives of Entrepreneurial motivation

These refer to those components that function as entrepreneurial motives mirroring society's way of life. People and their preferences are distinguished by an interdependent relationship that affects business, such as individuals' consumption habits, leisure and entertainment patterns, the way they work or the city where they work, etc. (Gerth et al., 2014). The socio/ cultural environment favours or discourages the undertaking of business projects. For example, medieval society with the restrictions imposed on individuals and their strict separation into absolute classes, etc., did not favour entrepreneurship (Casson et al., 2014). If a society considers engaging in business, innovation, etc. to be of the highest value, then it favors the development of entrepreneurship amongst individuals, and vice versa. Also, the greater the number of entrepreneurs in a society, the greater the likelihood that younger professionals will turn to business. Cole has noted that for the

development of entrepreneurship among members of a society, there must be an environment with (a) prevailing spirit of adventure, (b) a strong incentive system; and (c) accessibility to productive means (Hughes, 1983).

Entrepreneurs' motivations and attitudes towards profit stem from society itself. Their decisions are influenced by society's values and constraints on risk-taking (or not), the value of economic freedom and attitude towards wealth. The pursuit of business is motivated not only by the acquisition of wealth but also by the traditional values of prestige and notions of "noble life" (Gaddam, 2007). For example, if the moral, social, religious, etc. environment encourages and promotes as a value of life business ownership, then entrepreneurship will increase. For example, in ancient Greece entrepreneurship was limited mainly due to the fact that the acquisition of material goods was the least sought goals of free citizens (Hughes, 1983). Currently, an environment is hostile towards entrepreneurship when; (a) entrepreneurs are treated "as fraudsters and exploiters"; (b) the principle '*the more you try, the more you will you get paid*' is not acceptable/ applicable and (c) failures are not socially forgiven (Bolton and Thompson, 2013).

Failure is associated with human endeavors as much as success. When failures are not pardoned in a society, and the person who failed is socially marginalized, then it is not expected to envision many entrepreneurial efforts . The entrepreneurs' role is exercised in uncertainty conditions. Mistakes are therefore an integral part of entrepreneurship. When mistakes are socially accepted, they become experience and knowledge for the entrepreneur, who will try again with more hopes of success. Besides, von Mises (2007) said:

'Freedom really means the freedom to make mistakes'

The "business-friendly" environment is the basic condition for the birth of entrepreneurship. But a necessary condition for its development is the absence of economic, social, etc. barriers that prevent anyone from seizing the business opportunities. In other words, a meritocracy environment is essential for its growth; based on a system of equality and transparent business opportunities and not based on acquaintances and nepotism (Jones et al., 2006).

The social environment is positive for the aspiring entrepreneur, only when it provides them with experiences, information, market knowledge, economic and social acquaintances, etc.

There is a difference between wanting to be an entrepreneur and being able to succeed. If the trait characteristics and abilities are set aside, then the immediate environment plays an important role in realizing the desire. Empirical studies have shown that (GEM, 2019) (a) if the family or friends financially support the prospective entrepreneur, then someone is more likely to start a business, and (b) if several people from the person's environment have succeeded as entrepreneurs, then that person gets strong stimulus to pursue a business career. In addition, if the child's upbringing is encouraging towards the desire for achievement, provided that society favours entrepreneurship, then the person is more likely to follow this career.

Economic Perspectives for Entrepreneurial Motivation

The current economic factors function as levers for the effective exercise of business activity, since entrepreneurship is based on the economic theory of supply and demand. According to Schumpeter, economic theory and entrepreneurship are closely linked, as economic factors affect motivation throughout the life cycle of the business. In particular, the governmental monetary policies, trade policies, financial interventions, taxation and the income per capita (Huisman, 1985). A common phenomenon in societies that set economic barriers (i.e. exclude some people from gaining financial resources), entrepreneurship as an element is owned by 15% of people but can be implemented only by 5% (GEM, 2019). From the economic standpoint, entrepreneurial motivation is enforced via:

1. Restructuring the tax system in favor of business start-ups and young entrepreneurs.
2. Reducing and simplifying bureaucracy, that will not only save up time and money for doing business, but also reduce the "psychological" stress of aspiring entrepreneurs. Let's not forget that bureaucratic procedures for a young entrepreneur mean waste of capital and time.
3. Banking systems that help with capital, financial incentives and mortgages with favoring terms and conditions for business start-ups.
4. The increasing and improved entrepreneurial education. Current education in the field develops the ability of individuals to redistribute the productive resources at their disposal when market economic conditions change. This reduces the waste of an economy's productive resources and leads to a faster correction of financial imbalances (Bessant et

al., 2013). The entrepreneur, nowadays, has a higher level of education and technical training to be able to make important decisions related to the business structure, the product/ service marketing, the overall control of the business, etc.

Environmental Perspectives for Entrepreneurial Motivation

Those are divided into endogenous and exogenous and are perceived in various levels. The environmental factors are what will shape and determine the number of companies that will enter the industry, the resources availability, business transformation or even the termination of a business (Singh, 1990).

According to studies it has been shown that entrepreneurship is affected by certain variables, situated in a given local environment. For instance, factors that affect entrepreneurial concentration in one place (EU, 2003; GEM, 2020)(EU, 2003):

1. The possibility of securing funds for the establishment of innovative companies. These funds usually come from other successful entrepreneurs in the same area.
2. The presence of successful entrepreneurs arouses interest and attracts aspiring entrepreneurs to follow their footsteps. This leads to the flourishing of a particular business activity even in a very small place (Silicon Valley).
3. The concentration and ease of finding specialized technical staff in an area favours the concentration of entrepreneurs.
4. The existence of infrastructure in a place, and the ease of access to suppliers and customers.
5. The concept of governmental policies, with the form of financial incentives, for the strengthening of entrepreneurship in a specific region (e.g. Israel).
6. The proximity with universities not only provides qualified staff, but also several entrepreneurs come directly from these institutions.

It is no coincidence that entrepreneurship has grown in dominant big cities.

Overall, an economic, social and cultural environment helps the development of entrepreneurship when:

- a) emphasizes the individuality and not the uniformity of entrepreneurs
- (b) upholds the principle that salary is proportionate with the value and effort of individuals;

- (c) emphasizes that individuals overcome the problems with their abilities and skills; and
- (d) highlights the entrepreneurial achievements rather than their weaknesses.

3. PART II

The startup business is synonymous with innovation, dynamic rapid growth and is usually technology related. It is the company that has a recurring and escalating business model and is in its first years of operation. Start-ups have an innovative product and a new untested business plan. They are essentially heading towards a new activity whose viability and success is unknown. In many cases, innovative start-ups have led to the creation of a whole new market (Bessant et al., 2013). In recent years, there has been a start-ups boom since they grow rapidly around the world; stats show that we are going through the period with the highest growth rates in both relative and absolute sizes (Moody's, 2020).

The abundance of start-ups is associated with various reasons and changes that have taken place at a social, technological and economic level. These changes not only encouraged the emerging of new ideas but also paved the conditions for business creation and development at a faster pace, via multiple support systems. The majority of start-ups are located in the USA, Northern Europe and then Israel and India (StartupBlink, 2020), meaning that support systems are present and being utilised. These necessary support systems for the birth and growth of start-ups are (Hackett et al., 2004; Blackwell, 2011; Schwartz, 2011; Bolton et al., 2013):

Efficient Business Incubators

The start-up incubation stage starts from its establishment and covers the phase of its development until the initial maturation. This is a very critical stage during which the entrepreneur should exhaust all means, either tangible or non tangible, and undertake all the actions necessary for the implementation of the business plan. The support to be provided by the incubators vary depending on the phase of the new business .

- *Pre-incubators* – support on business idea evaluation, training and personal guidance of prospective entrepreneurs to create a comprehensive business plan.
- *Business incubators* – support for access to finance, training by business mentors, as well as the provision of facilities, infrastructure and office space for the new start-up.

- *Business Accelerators* - which operate in the post-incubation stage, provide support to entrepreneurs with the aim of promoting their products and services in the market (capital investments, expert workshops, mentoring etc) (Miller et al., 2011).

Academic support

Universities invest heavily in the development and advancement of their students' entrepreneurial skills. Although most students dream of creating the next Facebook or Twitter, universities focus more on the value of entrepreneurship as a set of skills. Universities may also offer collaborations with research centres and laboratories. In addition, they offer opportunities to work with governmental agencies to develop innovative technologies, which attracts a large number of professionals interested in R&D of innovative technologies.

Expansions of Co-working spaces

The principle of co-working is quite simple: individual professionals working on their own projects "together". The massive rise of new technologies has dramatically affected the way entrepreneurs plan and manage their working time. Today, the average entrepreneur can be fully equipped with a total investment of approximately £2,000, to cover the costs of purchasing a laptop, mobile phone, business email account, basic software package and webpage. This new technical framework has facilitated the generation of nomadic entrepreneurs, who can work anywhere-anytime, depending on their existing needs (EBN, 2021).

Integration in Science and technology parks/ Innovations Hubs

These may house innovative start-up companies with technological, often, orientation. They aim to provide access to incubators, office and work areas, business education, as well as secretarial support, business plan design, transportation, technology and legal support services. The creation of these hubs is done mainly with the cooperation of companies, universities and government agencies. As a result, many of these include university research centres, as well as corporate R&D units (Conway et al., 2012).

Since it may be rare to have all the necessary supporting ecosystems locally, non-tangible support systems for start-ups that are helpful and recommended are entrepreneurship and innovation competitions, or Activities and events for start-up companies.

Implementation of Social Media

Their expansion provides a company with the opportunity to make its product known, to "build" its corporate identity and to communicate with its customers around the world in an easy and relatively economical way. In fact, in combination with the development of digital marketing, every company has the ability to advertise and become known to a targeted audience with automated processes (Thomas *et al.*, 2014). Therefore, start-ups can provide solutions and products targeting a global audience without requiring a physical presence.

Access to funds/ financing.

One of the most important building blocks of a start-up business ecosystem is funding sources. The availability, accessibility and type of funding vary depending on the stage of development. Several examples are (Lahm *et al.*, 2005):

- *Bootstrapping.* The simplest way to finance start-up companies is to use own equity, without the participation of investors. This is considered by the business community as a method of converting human capital into financial capital.
- *3F - Friends, Family and Fools* financial support.
- *Crowdfunding.*
- *Loans* from investment banks.
- *Business angels/ Seed investors.*

They are very popular worldwide as they provide financial resources, education and networking to entrepreneurs. In addition, they support businesses as mentors and advisors. They work alongside entrepreneurs and provide guidance during the development phase. The rounds of financing are usually done by one or two people with large available capital who believe in the business plan and want to support their expansion.

- *Venture capital*

After financing of a business angel and the development of the start-up, many entrepreneurs seek venture capital with the aim to launch the company to the market (Blackwell, 2011). Venture capitalists invest in exchange for stakes in a company and, as shareholders, the return on investment depends on the company's growth and profit from year to year. They invest in the company's balance sheet and infrastructure until it reaches

sufficient size and reliability with the aim to be sold with a desired return to a company and provide liquidity.

The aforementioned incubators may provide access to early-stage funding, such as seed-capital funds, business angels networks, or access to international, public, and local funding.

Physical incubation. Encompasses the physical hosting of new businesses in the incubator area and is considered as one of the most important services, even though it is not mandatory. It involves the provision of fully equipped offices and production facilities in order to reduce the relevant costs (e.g., secretarial support, printing, rent, etc.).

Intellectual property rights. These services are essential support structures, especially for those companies oriented on innovative entrepreneurship, because the requirements for patents for innovative products and services are particularly high. Of course, intellectual property support is also required for non-innovative businesses, as they intend to enter the market with products that are probably already covered by patents.

Technology transfer. Along with the above, they fall within the realm of innovative support systems, as they facilitate the introduction of new technologies into the production process of start-ups.

Mentoring & coaching. A fundamental support system, that provides access to business experts who aim to answer questions that arise during the day-to-day running of businesses. Start-up entrepreneurs should arrange at least monthly meetings with experts to evaluate the development of businesses, as they move towards maturity.

Networking & clustering. Businesses can greatly benefit from the provision of networking, such as business to business meetings, as well as facilitating services to enter target markets (EBN, 2021). Also, the provision of access to business hubs, as well as the hosting in these hubs, are rapidly developing support services.

The presence of specialised human resource. The ability to find the necessary staff with the appropriate academic / professional background is vital for the growth of start-up. Therefore, many companies have offices in big cities or in areas where universities and technological institutes are densely located.

Friendly legal & regulatory framework. A clear and unambiguous legal and regulatory framework can save significant time and resources as well as ensure that the company will not have future problems affecting its operation (Bessant et al., 2013). Also, the lack of bureaucracy and complicated procedures is also an advantage since in start-ups there is no "time to lose". Furthermore, some start-ups need to pay special attention to the rules surrounding their activity, since their 'avant-garde' approaches may not be yet fully protected by laws.

4. CONCLUSION

Experience shows that entrepreneurship is more difficult to find its way in 'closed' societies, both economically and socially, than in 'open to opportunities' societies. When this is sorted, then the support systems function as the foundations of entrepreneurship, due to their mission to support entrepreneurs and help them grow their business.

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