

Factors Influencing the Entrepreneurial Behaviour

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ABSTRACT

This article aimed to determine whether there are differences in opinion between entrepreneurs and non-entrepreneurs when assessing the different environmental factors that favour or hinder entrepreneurial behaviour. This article comes to the conclusion that there are significant differences between entrepreneurs and non-entrepreneurs when they assess the factors that, in their opinion, are hindering or promoting entrepreneurial behaviour.

Keywords: *entrepreneurial behaviour, factors, global entrepreneurship monitor*

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1. INTRODUCTION

The creation and growth of business has continually become more important for the progression of society. So, in order to develop their highly competitive abilities, different countries, regions and areas of the world have established different development strategies. These strategies have been designed to increase competition through entrepreneurial abilities, innovation or the improvement of flexibility in productive systems. By doing this, they obtain a series of benefits that places them ahead of other areas (Porter, 1990).

Entrepreneurship is seen as a strategic option to improve competitiveness between territories while also offering a solution to unemployment and economic development.

While using the theories as a basis for our study, we want to analyse the different environmental factors that favour or hinder entrepreneurship in Extremadura (Spain) through the opinions given by regional experts (entrepreneurs and non-entrepreneurs) and then find the differences between these opinions.

Urbano (2006) have stated, the Institutional Economic Theory of Douglass North (1990, 2005), gives us a conceptual framework which is adequate for the study of the influence that environmental factors have on entrepreneurship.

2. LITERATURE REVIEW

North (1990, 2005), in his Institutional Economic Theory, makes reference to different factors and mechanisms created by society to conduct relationships or human behaviour, using the concept of institution in a wide context. In this way,

institutions are the rules of the game that govern society by conditioning and directing the framework of relations that are produced within this society. So, institutions include all types of constraints that humans create in order to give form to human interaction. These are made up of: informal constricts (codes of conduct, norms of behaviour, ideas, beliefs, attitudes, social values, habits, etc), formal constrictions (norms, laws, constitutions, regulations, etc) and the characteristics of application of these constrictions (police, judicial system, etc) (North, 1990).

While formal rules make reference to a set of written norms, the informal constrictions refer to codes of conduct which are generally not written but are formed and complemented by formal rules. Both form a network or institutional matrix which configures relations of all types that are produced in society. However, it is easier to describe and be precise about formal rules that society creates than the informal ways people use to structure social interaction. On one hand, social relations are generally controlled by codes of conduct, behavioural norms and conventions. On the other hand, when there are disparities among formal rules, in general they reduce the possibility of conflict because they minimize the total amount of ambiguity for those involved, because they define the rights and obligations in a specific way. In this way, norms do not resolve all the problems, but rather simplify life and facilitate social, political and economic interaction (North, 1990).

So, institutions reduce the amount of ambiguity and establish a structure in which one can interact with others on a daily basis, while, at the same time, determine and limit the series of individual choices (North, 1990). Uncertainties

come from the complexity of problems that humans need to resolve and the quantity of possible choices that one can use to solve them. Keeping in mind that the information that they possess is incomplete, and that the mental ability of the individual is to process, organize and use the information is limited, institutions, conceived by humans to structure relations, limit the set of choices that the actors offer, thus reducing the degree of uncertainty (North, 1990, 2005).

The rules established by societies (property rights, mercantile legislation, constitutional procedures, ideas, cultural beliefs, gender attitudes toward the entrepreneurs, etc) affect the appearance and development of new businesses. Institutional limitations accumulate as time passes and create a culture which is structure of accrued norms, rules or beliefs that originate in the past, conform to our present and influence our future (North, 1999).

In the economic environment, businesses comprise an important part of economic activity. The institutional framework conditions which businesses start and how they evolve. At the same time, these businesses influence the way in which the institutional framework develops (North, 1990, 2005). Institutions affect economic development, since the existing institutional framework that conditions, through a structure of incentives and opportunities, the actions of diverse agents in society. The actions of future entrepreneurs and their businesses, as mere economic agents, are limited by this institutional structure.

Businesses, and, in general, organizations, are created with a specific goal in mind, determined by existing opportunities. Institutions, through formal and informal limitations, and the structure of collective rights, determine the opportunities available in society, and therefore, the type of business created. Organizations and businesses are created to take advantage of these opportunities (North, 1990:5-8). Based on their objectives, they acquire abilities and knowledge that increase their ability to survive. Moreover, they develop abilities that most favour their interests (North, 1990:75).

The incentives of the institutional matrix condition the type of knowledge and aptitudes that businesses and organizations demand, and those in which they are willing to invest. So, the institutional framework conditions, through its system of incentives, society's use of knowledge and the way in which this knowledge evolves. The way in which this knowledge is developed intervenes in the perceptions that these people have about the world around them and the way in which they "rationalize, explain or justify this world."

3. RESEARCH METHODOLOGY

This study used the data collected from 180 questionnaires completed by experts in from different fields related to entrepreneurship. Every year, each expert was asked to answer two open-ended questions. One question asked about the factors that hinder entrepreneurial activity and the other question asked about the factors that favour it. Using

the opinions of from entrepreneurs and professional from different fields, the GEM project established a general qualitative vision regarding the different aspects that influence the development of entrepreneurship. The expert's opinions represent the factors that they consider relevant that year, while highlighting the elements that contribute to the entrepreneurial development and those that hinder it. Over the last five years that the study was carried out, 1080 answers were obtained: 540 were about factors that hinder entrepreneurship and 540 were about factors that favour entrepreneurship.

The data obtained was collected using a questionnaire called NES (National Experts Survey. This is among other things, to analyse nine environmental conditions that each entrepreneur faces ((EFC: Entrepreneurial Framework Conditions). These nine conditions are important because they determine the size and design of the sample of experts.

4. Results and discussion

Table 1 shows the different factors, rated according to their importance, that hinder or promote entrepreneurial behaviour in relation to the different categories of environmental conditions. It also shows the difference in means between entrepreneurs and non-entrepreneurs with regard to the factors that favour and hinder entrepreneurship. The percentage refers to the number of times that entrepreneurs or non-entrepreneurs mentioned that environmental condition as an obstacle or benefit for entrepreneurial activity, when considering either the creation of new businesses or innovative projects in existing businesses.

As we can see, the factors that were cited as obstacles to entrepreneurship a greater number of times by experts in the last five years were: the attitude toward social and cultural norms, government polices financial support and access to physical infrastructure, government programs or education and training. There is practically no difference in the ranking between entrepreneurs and non-entrepreneurs. However, while entrepreneurs put more emphasis on social and cultural norms, financial support and government programs, non-entrepreneurs put more emphasis on government policies, the access to physical infrastructure or education and training.

On the other hand, government policies and programs, the economic climate, access to the physical infrastructure or the opening of internal markets were cited by the experts as factors that most favour entrepreneurial initiatives in the last five years. In this case, and as we saw before, the difference in the ranking of the first five factors for the two samples is not significant. However, it is true that while the entrepreneurs cite government policies more, non-entrepreneurs cite government programs more, the economic climate, access to infrastructure and the opening of internal markets. In this case, the difference in means confirms these contrasting opinions.

Table 1 Factors that hinder or promote entrepreneurial activity by category

FACTORES THAT HINDER	Entrepreneur		Non-entrepreneurs		Difference between the means (T- test)
	%	Ranking	Ranking	%	
Social and cultural norms	81,60%	1	1	75,80%	-2,323*
Government polices	41,90%	2	2	42,40%	
Financial Support	38,30%	3	3	32,40%	
Access to physical infrastructure	26,00%	4	4	26,30%	
Government programs	22,30%	5	6	16,20%	
Education and training	14,80%	6	5	24,20%	
Capacity for entrepreneurship	18,40%	7	9	13,00%	
Market openness	13,60%	8	10	9,10%	
Pol. Instit. and Social Context	9,80%	9	8	13,10%	
Work force features	6,20%	10	7	15,10%	
R+D transfer	8,60%	11	11	7,30%	
Economic climate	2,5%	12	12	7,1%	
Population composition	3,70%	13	14	3,00%	
Prof. and commercial infraestr.	2,50%	14	15	2,00%	
ns/nc	6,0%	15	13	7,0%	
Government polices	66,70%	1	2	41,30%	-2,616*
Government programs	22,20%	2	1	48,50%	
Economic climate	29,60%	3	3	35,40%	
Access to physical infrastructure	32,10%	4	4	32,30%	
Market openness	19,70%	5	5	24,30%	
Education and training	23,40%	6	7	16,10%	
Pol. Instit. and Social Context	17,20%	7	8	13,10%	
Financial Support	12,30%	8	6	17,10%	
Social and cultural norms Capacity for entrepreneurship	17,30%	9	9	12,10%	
R+D transfer	14,80%	10	8	13,10%	
R+D transfer	7,40%	11	10	10,10%	
Prof. and commercial infraestr.	7,40%	12	11	8,10%	
Work force features	6,20%	13	13	5,00%	
Population composition	0,0%	14	14	0,0%	
ns/nc	6,0%	15	12	7,0%	

*Sig < 0,05

Table 2 reflects the different factors, in order of importance, that either hinder or promote entrepreneurial behavior in relation to the various subcategories of environmental conditions. It also shows the difference in the means between the opinions of entrepreneurs and non- entrepreneurs for the factors that hinder and promote entrepreneurship. Like Table 1, the table includes percentages that represent the number of times that the experts mentioned a specific environmental condition as a subcategory, both with relation to new businesses or the creation of innovation projects for existing businesses.

The number in the column “cat” corresponds primarily to the number given in Table 1. The number in the column of “sub” is directly related, or ordered, based on the percentage in the far left and right columns.

If we explore further the answers offered by the experts through the different environmental subcategories, we can see in table 2, that, in the case of hindering entrepreneurship, entrepreneurs, in general, continue to cite the most important factors as those that were also highlighted in the categories. However, certain aspects of informal factors are not as important, such as attitudes toward risk (7th vs. 1st), failure (15th vs. 1st), regional influences (8th vs. 1st) and the image of the entrepreneurs (14th vs. 1st). In the case of formal factors, a similar situation exists with the stance of the government toward support programs for entrepreneurship (40th vs. 2nd), the presence or absence of public policies for businesses (12th vs 2nd.) or the capital offered for social capital (13th vs. 3rd).

Table 2 Factors that hinder or promote entrepreneurial behavior by subcategories

FACTORS THAT HINDER	ENTREPRENEURS		NON-ENTREPRENEURS		Difference between the means (T- test)		
	%	Ranking Sub. Cat.	Ranking Sub. Cat.	%			
Attitudes toward entrepreneurship	27,16	1	1	9	1	9,09	- 1,530
Excessive bureaucracy	22,22	2	2	2	2	24,24	
Entrepreneurship culture	17,28	3	1	1	1	36,36	
Subsidies	17,28	4	3	12	3	8,08	
Access to physical infrastructure	13,58	5	4	3	4	18,18	
Knowledge and abilities required for entrepreneurship	11,11	6	7	26	9	4,00	
Attitudes toward risk	11,11	7	1	4	1	12,10	
Attitude toward regional influences	9,88	8	1	27	1	4,00	
Conditions of domestic markets for businesses	9,88	9	8	15	10	7,10	
Quality of support programs	9,88	10	5	18	6	6,10	
An entrepreneurial spirit in education	8,64	11	6	6	5	11,11	
Presence of absence of public policies for entrepreneurship	8,64	12	2	7	2	10,10	
Capital to be used for social capital	8,64	13	3	8	3	10,10	
Image of the entrepreneur	7,41	14	1	10	1	8,08	
Attitudes toward failure	6,17	15	1	21	1	5,10	
A political climate that leads to entrepreneurship (or doesn't)	4,90	20	9	5	8	11,11	
Availability of legally eligible people to work	3,70	24	10	13	7	7,07	
An economic climate that leads to entrepreneurship (or doesn't)	2,50	30	12	14	12	7,07	
Government's stance on support programs for entrepreneurship	2,50	40	2	11	2	8,08	
Presence of absence of public policies for entrepreneurship	30,86	1	1	2	2	23,23	-2,178*
Government's stance on support programs for entrepreneurship	19,75	2	1	1	2	23,23	
An economic climate that leads to entrepreneurship (or not)	18,52	3	3	6	3	17,17	
Access to physical infrastructure	17,28	4	4	3	4	19,19	
A political climate that leads to entrepreneurship (or doesn't)	16,05	5	7	10	8	8,08	
Quality of support programs	16,05	6	2	12	1	8,08	
Quality of physical infrastructure	12,35	7	4	8	4	11,11	
Effects of high levels of unemployment on entrepreneurial act.	11,11	8	3	5	3	17,17	
Conditions of domestic markets	11,11	9	5	4	5	18,18	
Government's knowledge about entrepreneurship	11,11	10	1	7	2	13,13	
Conditions of international markets	8,64	11	5	17	5	6,10	
Entrepreneurial education for students in business schools	8,64	12	6	22	7	3,00	
Business knowledge and abilities for entrepreneurship	7,41	13	10	16	8	6,10	
Image of the entrepreneur	6,17	14	9	29	9	2,00	
Education/training vs. entrepreneurial spirit	6,17	15	6	19	7	6,10	
Entrepreneurial culture	3,70	20	9	13	9	7,07	
R+D transfer	3,70	23	11	14	10	7,07	
Governmental human resources	3,70	25	2	11	1	8,08	
Subsidies	2,50	36	8	15	6	7,07	

* Sig < 0.05

In the case of the factors that hinder that are mentioned by non-entrepreneurs, there seems to be major differences between the categories and subcategories. We find different values in the attitudes toward the entrepreneurship (9th vs. 1st), toward regional influences (27th vs. 1st), failure (21st vs. 1st), the image of the entrepreneur (10th vs. 1st), the stance of the government toward support programs for entrepreneurship (11th vs. 2nd), or subsidies (12th vs. 3rd). However, in spite of the difference between entrepreneurs and non-entrepreneurs, the T-Test to find the difference in means shows us that this difference is not significant, even though the level of confidence is 86.9%.

In the case of factors that favour entrepreneurship, one can see less of a contrast in the number of answers between categories and subcategories, both between entrepreneurs and non-entrepreneurs. However, entrepreneurs do not give much importance to the presence of human resources from

the government in the case of public policies (25th vs. 2nd) or knowledge that the government has about entrepreneurship (10th vs. 1st). On their part, non-entrepreneurs value more the existence of sufficient human resources to carry out government programs (11th vs. 1st) or that the government has knowledge about entrepreneurship (7th vs. 2nd). In this case, the test of difference of means confirms the existence of significant differences between entrepreneurs and non-entrepreneurs.

5. Conclusion

There are significant differences between entrepreneurs and non-entrepreneurs when they assess the factors that hinder or benefit entrepreneurial behaviour. It is true that, the more specific citations that a factor receives, such as in the case of factors that hinder entrepreneurship, the differences of opinion are lesser.

So, there seems to be a certain agreement between the experts regardless of whether or not they are entrepreneurs, in the factors that have hindered the level of entrepreneurial behaviour.

Both entrepreneurs and non-entrepreneurs cite social and cultural norms as the main obstacle to entrepreneurial activity (81.6% vs. 75.8%). Both groups have different opinions with regard to the lack of entrepreneurial culture in the region (17.3% vs. 36.4%) and different opinions about the general populations' attitudes toward entrepreneurship (27.2% v. 9.1%). However, their opinions coincide when they assess the attitudes toward risk (11.1% vs. 12.1%). At the same time, they both highlight excessive bureaucracy (22.2% vs. 24.2%) and the difficulty of accessing existing physical resources such as communication, public services, transport, etc (13.6% vs. 18.2%) as barriers for the development of entrepreneurial behaviour.

Moreover, 17.3% of the entrepreneurs mentioned the lack of financial support through subsidies as a factor that hinders entrepreneurship, while 11.1% of the non-entrepreneurs believe that the political climate is not favourable for entrepreneurship.

The statistical disparities are proof that there are differences in the way the two groups perceive the obstacles that are hindering entrepreneurship in Extremadura. However, this is true only at the "category" level.

With regard to the factors that favour entrepreneurship, there is a significant difference between the two groups both at the category level and the subcategory level. The presence of public policies for entrepreneurship (30.9% vs. 23.2%), the stance of the regional government toward entrepreneurial-support programs (19.75% vs. 23.2%) or the access and quality of physical infrastructures (29.6% vs. 30.3%) were highlighted both by entrepreneurs and non-entrepreneurs as the top factors that promote entrepreneurial activity.

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