

2 Entrepreneurship Today

The impact entrepreneurs and their ventures have on society at large, both in quantitative as well as qualitative terms, is significant. Starting with a look at current economic and social contributions of venturing today, this chapter elaborates on commonly identified personal characteristics of the entrepreneur, the process of entrepreneurship and continues with a brief comparison of entrepreneurial and management styles. The chapter concludes with a look at supporting entrepreneurship through public policy.

2.1 Entrepreneurship and Economy

Richard Cantillon (1680-1734) was the first philosopher who paid attention to the concept of entrepreneurship. In terms of the economic system, Cantillon distinguished between landowners, entrepreneurs and workers within the system. He saw a key role for the entrepreneur in society, i.e. to bring supply and demand in balance, with profit as the motive. Cantillon hypothesized that entrepreneurs differed primarily from landowners and laborers inasmuch as entrepreneurs were prepared to deal with uncertain incomes. In fact, the entrepreneur did not necessarily need to have money or be innovative to start a firm because capital could be borrowed.

Of course today, there are many definitions of entrepreneurship. Due to the great diversity of entrepreneurial activities few if any, fully cover the broad range of venturing activities. From start-up to maturity and from intrapreneurship to the reinvigoration of management styles through to the use of entrepreneurial techniques in large corporations and organizations, the spectrum is broad. Still, we offer two descriptions to demarcate the field. The first recognizes that today entrepreneurship is generally understood to define the risk-taking activity of people who start a new company based on an innovative business opportunity (Samsom 1999). The description by Stevenson (2000) approaches this activity as follows; "In developing a behavioral theory of entrepreneurship it becomes clear that entrepreneurship is defined by more than a set of individual traits and is different from an economic function. It is a cohesive pattern of managerial behavior." Thus, the first description emphasizes the frequently innovative nature of new ventures, the latter brings in the behavioral aspects of entrepreneurship and extends this activity across the life-cycles of companies from start-up to reinvigorating existing companies with entrepreneurial management techniques.

In the annual report for the financial year 2005, the International Monetary Fund (IMF) reported the annual growth of the global economy at 5.1 %, the highest rate in thirty-five years. This supports Wickham (2004), who states that the world is getting richer with North American and Europe producing over 70% of the world's output and China leading the emerging economies. Among the industrialized nations, the USA continued to be the most rapidly growing economy. In the emerging economies, China and India produced the fastest growth (IMF 2005). The Kaufman Index of Entrepreneurial Activity (2006) also reports that between 1996 and 2004, on average, 550,000 new businesses were launched monthly in the USA. That is 6.6 million new companies annually. While this rate of venture creation is not a record for the USA economy, it does express the highly entrepreneurial nature of the American economy.

Generation of material wealth through the commercial provision of goods and services is, in principle, primarily attributed to entrepreneurial and business activities such as self employment, new ventures, and larger and established corporations. Among these, self-employment or solo entrepreneurs, and new and growing ventures fall under the definition of entrepreneurship. Large established corporations are normally not considered as entrepreneurial ventures. However, with the increasing incidence of the application of entrepreneurial techniques to re-energize the innovative capacity of large companies, the field is expanding. Of course, there are also many ways in which entrepreneurship can contribute to non-quantifiable or more difficult to measure well-being and in Chapter 3 we will pay further attention to these trends. Following the above examples of large, highly entrepreneurial and productive economies, governments in other regions, such as Europe, increasingly play a role today in shaping healthy economic environments for entrepreneurship and in stimulating policies in the fields of innovation and new venture creation.

Entrepreneurship Worldwide

The Global Entrepreneurship Monitor (GEM) annually publishes information about the entrepreneurial activity in the Early-Stage Entrepreneurial Activity (TEA Index) by country. TEA expresses the number of people who are in the preparation stage of starting a new venture plus those that are already running a new firm for less than 42 months. The TEA, as previously defined, is thus an indication of entrepreneurial activity as a percentage of the occupational population between the ages of 18 and 64.

Figure 2.1 illustrates that most European nations still score well below the indices for such entrepreneurial juggernauts as the USA and China. Notable exceptions are Norway, Ireland and Iceland, Venezuela, Thailand and New Zealand. These countries show the highest rates of early-stage entrepreneurial activity while very low activity was measured in Belgium, Japan and Hungary. Researchers as well as opinion leaders, the business press and policy makers have written frequently about

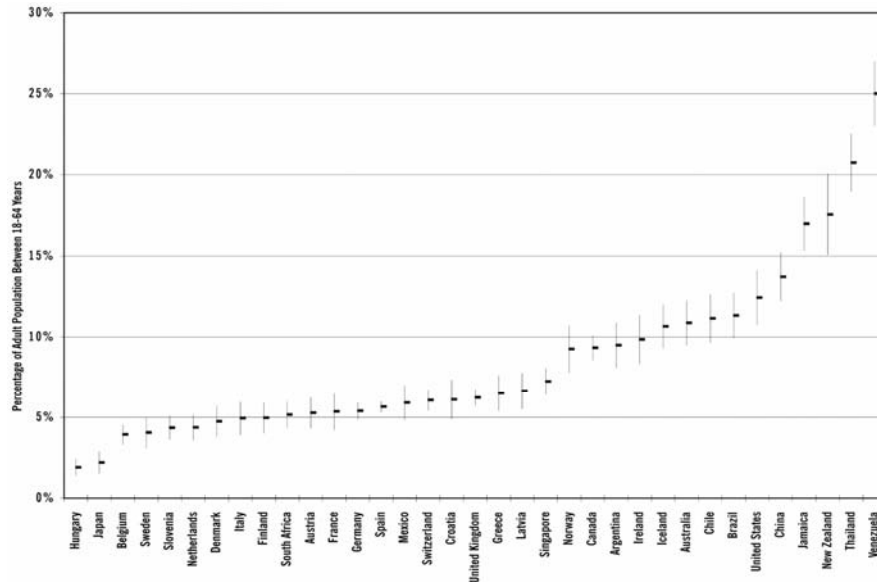


Fig. 2.1 Early-stage entrepreneurial activity by country (GEM 2005)

the need, particularly for some very slow growth European economies, to increase entrepreneurial activity. This reflects the growing recognition worldwide that entrepreneurial ventures produce significant contributions to economic wealth in terms of job creation, innovation and profits. Even without knowing how many employees each of these ventures might have, the TEA index can already tell us that, depending on the country and region of the world, entrepreneurs themselves make up between 2% and 25% (Hungary and Venezuela) of the total occupational population with most countries scoring in the range between 5% and 15%; a sizable contribution to the workforce.

Additionally, GEM 2005 research shows that early-stage entrepreneurs are most prevalent in the 25 to 34 age range. This is confirmed by our own research as well as by our observations of the ages of those business graduates from the universities at which we teach and who start their own ventures. In the established business ownership category, the age range of the entrepreneur is 45 to 54 years.

Entrepreneurship has a positive effect on the economy due to the growth in innovation and stimulation of competition it provides. Innovation refers to such activities as entering new markets, developing new products and services, starting a new venture or rethinking renewed processes and services within a firm. Research by Birch (1989) indicated that 80% of new jobs were being generated in small rather than larger USA firms. This trend was later confirmed for other countries such as The Netherlands (EIM 1997). Therefore new, young firms were considered the engines of growth in the economy. The *High-Expectation-Entrepreneurship*

Summary Report now provides new evidence of the significance of job creation through entrepreneurship (GEM 2005).

The report states that, “The first global study of high expectation entrepreneurship has found that just 9.8% of the world's entrepreneurs expect to create almost 75% of the job generated by new business ventures. The report defines high expectation entrepreneurship as all start-ups and newly formed businesses which expect to employ at least 20 employees within five years. These ventures have far reaching consequences for the economies in which they operate, particularly because of their impact on job creation and innovation.”

According to an earlier GEM report (2002), 7% of new entrepreneurs create significant new market niches. The report also shows that 70% of new entrepreneurs provide products and services in existing markets where there is already considerable competition and where the critical technology has been available for more than one year.

Last but not least, entrepreneurship in society can contribute to the quality of life in the community. Besides the self actualization of individuals, creation of wealth, introduction of innovative products and services which increase consumer choices and jobs, entrepreneurial firms can also use strategies to combine resources and opportunities in environmentally and socially friendly ways (environmental and social sustainability). They can also perform voluntary social services for disadvantaged social groups and communities.

To conclude, the primary entrepreneurial contributions to society can be summarized in five main categories:

1. Entrepreneurship as an expression of a person's unique vision, creativity, purpose and fulfillment in life.
2. Creation of material wealth as measured in shareholder value.
3. Innovation through new products and services as well as in stimulating competitiveness in the economy.
4. Job creation through venture employment and additional creation of jobs in supplier and customer companies.
5. Contributions to the quality of life in the local community.

Taking a closer look at the discussion of the contribution of entrepreneurship to society brings to light the following question: in which sectors do early-stage and established entrepreneurs found their business? Figure 2.2 reviews this question. The distinction between early-stage and established entrepreneurs does show significant differences in the areas of transforming or extractive industries. However, higher income countries show an increase in the use of business services and a decrease in consumer-oriented products as compared with middle income nations. Thus, in higher income nations, business services, such as consulting, maintenance and service of office, medical and home equipment, marketing and advertising, and financial services are taking a larger share of sectoral distribution. This shift is facilitated by the greater availability of educated people to undertake these tasks.

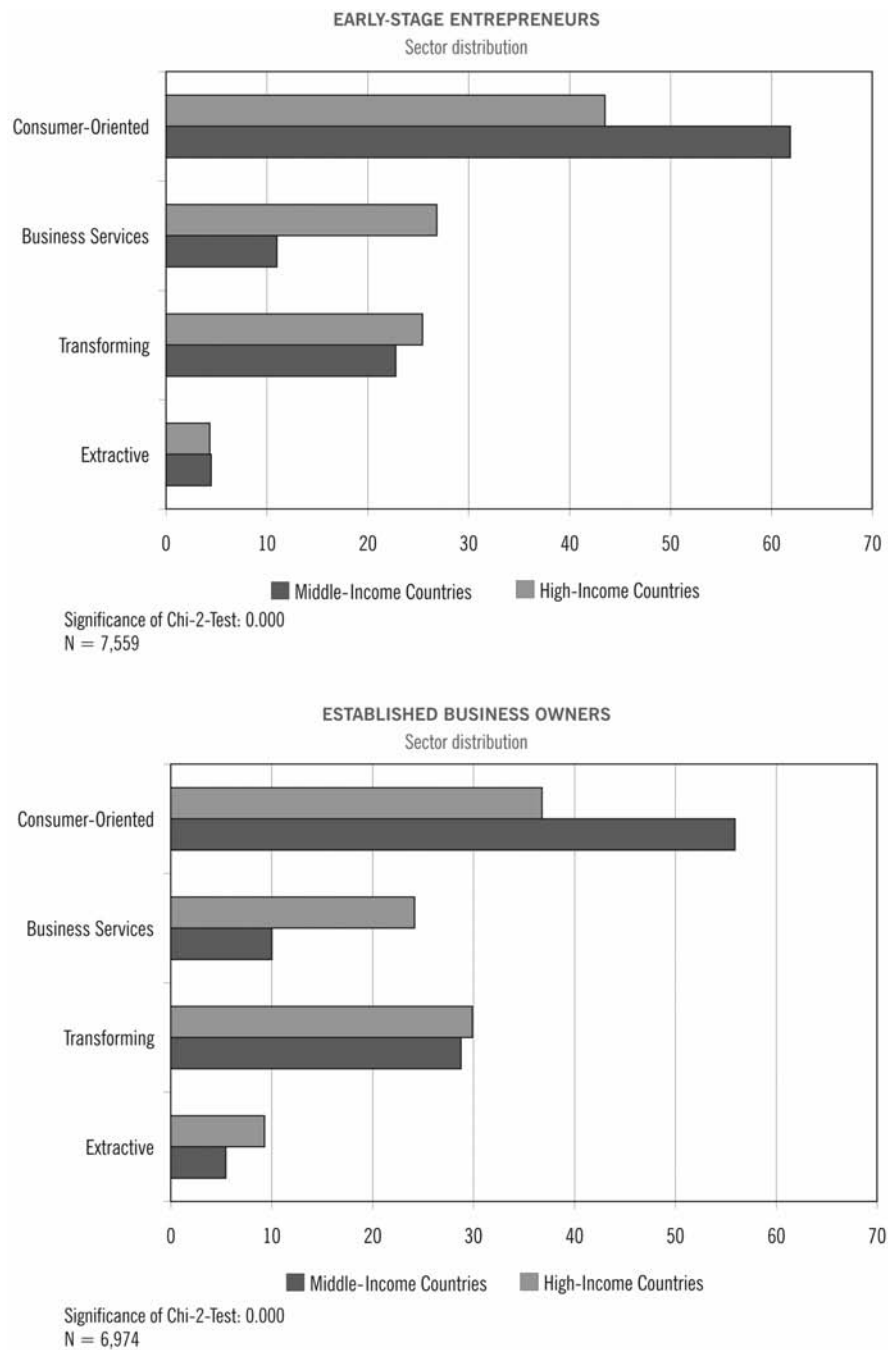


Fig.2.2 Sectoral distribution of entrepreneurial activity by country clusters, GEM 2005

In the transition of the discussion from entrepreneurship as an economic concept to entrepreneurial behavior, the distinction between necessity and opportunity-based venturing offers a fitting vehicle to link the two aspects. The 2005 GEM report provides a useful distinction between people who start a business because they have identified a specific area of opportunity and those who engage in it out of necessity. The latter motivation arises when other ways of finding work are not available or because the work environment is found to be socially or economically unacceptable or just too confining.

Figure 2.3 demonstrates that the great majority of entrepreneurs surveyed across countries pointed to opportunity attraction as the key reason for engaging in venturing. A small group of respondents indicated that they were motivated by the combination of opportunity and necessity. The distribution by country shows interesting differences which could, when further explored, assist policymakers to fine-tune the ways in which they promote and facilitate entrepreneurial activity in their countries. It is not surprising that, given the long entrepreneurial history and “can-do” culture of the USA, opportunity motivation ranks high in that country. In comparison, although The Netherlands is a country with a long history of high entrepreneurial activity, it has during the last four decades not performed as such; possibly because of its growing levels of individual security provided through social welfare, healthcare and the relatively low rate of new venture creation. In recent years, this led to multiple public and private initiatives to stimulate venturing. In the GEM 2005, The Netherlands ranked third in terms of opportunity driven entrepreneurship.

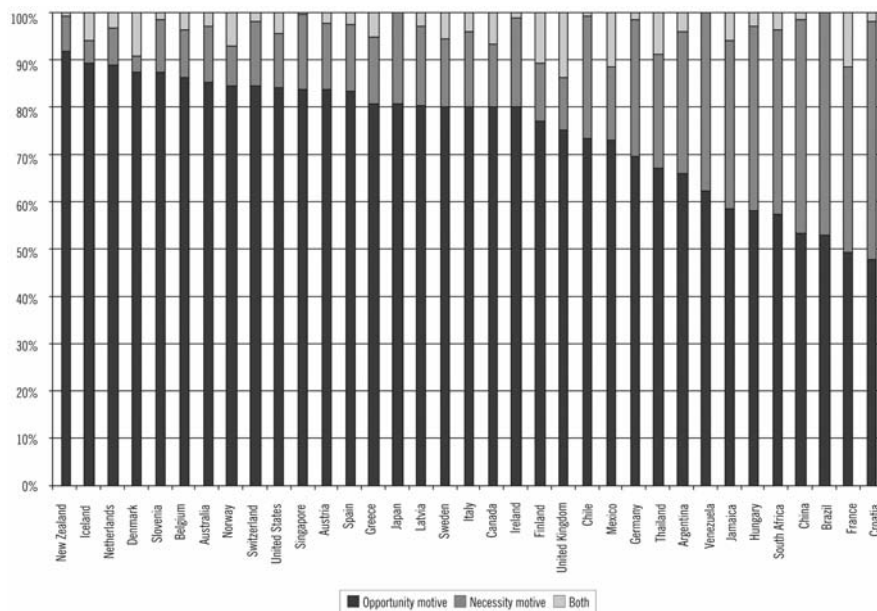


Fig.2.3 Opportunity-to-necessity based early-stage entrepreneurship (GEM 2005)

2.2 Promoting Entrepreneurship in Selected Groups

Many European countries pay special attention to specific groups of entrepreneurs in society to stimulate their entrepreneurial activity. The most important target groups in policy are: (1) innovative start-ups, (2) women entrepreneurs, (3) immigrant entrepreneurs, (4) high growth entrepreneurs.

Start-ups are the drivers of innovation. The expected rise in the aging of the population requires an efficient exploitation of human talent. It is worthwhile to note that much of human talent has not yet been exploited due to the low participation of women and ethnic minorities in the labor market. Entrepreneurship in ethnic minorities can also reduce the high unemployment rate among these groups and it can contribute to increasing living standards of these groups that often belong to the disadvantaged part of the society. A new category might be the potential for entrepreneurship among senior citizens. As an example, Business Week (2005) reports that the population of China over the age of 60 is expected to peak at 400 million by the middle of this century. Activities to target and train this sector of the population for venturing skills is emerging.

Innovative Start-ups

For innovative starters, the following conditions can be seen as critical for success (based on a research of the Ministry of Economic Affairs – The Netherlands 2003): a generally favorable business climate, access to finance, access to skilled labor, and access to knowledge. Indicators of favorable business climate would be: competitiveness, flexibility of the labor market, and the presence of regional clusters of interdependent enterprises.

There is still only limited empirical research on the impact of regional clusters, and it is assumed that these clusters encourage innovation. The same report mentioned above concluded that it is generally difficult to find early-stage funding but that for innovative start-ups it is even more difficult to do so. For this group informal investors seem to be the more suitable financing option. However, though this situation is changing, informal or sometimes called “angel” venture capital is relatively underdeveloped in most EU countries as compared with the USA.

Women in Entrepreneurship

Women in entrepreneurship constitute a venturing group which deserves special attention. Though there are many notable and successful female entrepreneurs demonstrating personal fulfillment through this occupational choice as well as their contributions to the economy and society, female entrepreneurs remain the exception. Possibly because of the dominance of males in this occupation or other cultural constraints, women tend to be less enthusiastic than men about venturing

and underestimate their knowledge and skills in this field. Governments as well as private initiatives, such as the EU Commission in Europe and the Grameen Bank in Asia, promote and facilitate women who undertake in entering into entrepreneurship.

The GEM Global Report (2004) concludes that the gender gap continues. Two thirds of entrepreneurial activity is reported to be initiated by men. In middle-income countries men are 75% more likely to be active entrepreneurs than women while in low-income countries and in high-income countries male and female participation rates are statistically identical. There are no countries with more female than male entrepreneurs.

Immigrant Entrepreneurship

The UK is Europe's most entrepreneurial economy according to the GEM (2004). Don de Silva (2006) of ABI Associates summarizes the results regarding the ethnic minorities, stating that ethnic minorities make a large and important contribution to the success of the UK economy (GEM 2004). They tend to have more positive attitudes towards entrepreneurship and better self perceptions of their capacity to establish a business. Ethnic minorities however, are more likely to let fear of a lack of financing prevent them from starting a business and to use family and friends as the key source for start-up finance. Total entrepreneurial activity is highest amongst Bangladeshi people. They most likely face a lack of start-up funding yet are more likely to see opportunities and are less likely to fear failure. Pakistani ventures are most likely expected to start a business over the next three years. They are quick to see opportunities and have a very low fear of failure. Indian (43.6%) and other Asian (48.1%) ventures are most likely to be providing goods or services using new technologies. In contrast, the likelihood of new technology-based venturing among white business people is 14.1%. It seems that women from ethnic minorities are substantially more entrepreneurial than their white female counterparts. Black, Caribbean people are most likely among all ethnic backgrounds to be starting businesses which provide novel goods or services in the UK (36%).

In The Netherlands, the rate of entrepreneurship of Turkish immigrants is comparable to that of the native Dutch population. This is in sharp contrast with the rate of entrepreneurship for immigrants from Morocco, Suriname and the Antilles, which is less than half compared to that of the native Dutch population (EIM 2003). The relatively high entrepreneurial rate among Turkish immigrants is explained by the existence of concentrated groups in specific locations, i.e. clusters. A variety of enterprises serve their own ethnic market and or the general population. Common religion, language and culture all encourage this process, and many Turkish immigrants hail from entrepreneurial families. In addition, this EIM study shows that first generation immigrants are less likely to be entrepreneurs than second generation immigrants.

A study conducted by the Middlesex University (<http://europe.eu.int>) shows that while in EU countries, the vast majority of organizations do not have any special arrangements for ethnic minority entrepreneurs, Dutch and UK based organizations featured prominently in support for ethnic minority entrepreneurs. Another study conducted by the Middlesex University shows that in EU countries, members of ethnic minorities make up a maximum of 10% of the support organizations. The services provided by the special organizations regard for example training, advice or counseling services, hosting, supporting or developing networks of ethnic minority entrepreneurs, export advice, finance. The Directorate Enterprise and Industry of the European Commission (2006) concludes that businesses owned by ethnic minorities have a significant impact on economic growth in Europe. There are no data available for every EU member yet in at least two member states the percentage of ethnic start-ups is already reported to be proportionally higher than the percentage of native national start-ups. There are many similarities in problems faced by ethnic entrepreneurs and small businesses in general, but the directorate concludes that there are some problems that specifically affect ethnic entrepreneurs. These are identified as access to finance and support services; language barriers; limited business, management and marketing skills; and an over-concentration in low-entry threshold activities where the scope for breakout or diversification into mainstream markets may be limited. Governments have taken some specific initiatives to cope with these barriers for ethnic minorities.

Valdez (2002) concludes that in the USA, since the 1970s, the increase in business ownership has been noteworthy among ethnic groups. Koreans and Cubans exceed rates of business ownership of other groups. Their rates of self employment far surpass that of the general population, 28% compared to 11%. Yet it seems that they remain small business owners. This is comparable with the Indian and Pakistani entrepreneurs in the UK. Ethnic groups may use entrepreneurship as a survival strategy or as a last alternative to unemployment.

High Growth Entrepreneurs

Several definitions of fast growing enterprises are used but usually the term refers to enterprises that have shown growth rates of at least 20% in personnel over three years. *Europe's 500* annually presents the only independent, pan-European listing of high growth, job-creating companies. In the 2005 report, all 25 member countries of the EU are represented plus Iceland, Norway and Switzerland. The fast-growth, high performing mid-sized companies presented in the 2005 edition of *Europe's 500* increased their employment and turnover by 48% over the last three years, maintaining growth at an impressive annual rate of 14%. This offers a positive outlook for Europe in terms of comparison with the USA's 20% or higher growth rate for high performing companies.

2.3 Entrepreneurial People

People frequently choose entrepreneurship because they see an opportunity in the market or they see it as a preferred alternative to employment or unemployment. Some people make the decision based on both motives. To better understand entrepreneurial people that are active in venturing, it is valuable to look at what specific elements stimulate the entrepreneurial spirit in people.

Entrepreneurship begins with individual ambition and intent. From our research at Nyenrode (Nandram and van Dijk 2003), to date we have learned that entrepreneurs choose this profession specifically to be their own boss, to enjoy freedom, to express creative and innovative ideas, to invest in the promise of financial independence and finally, to improve their own financial situation. Women add that they can more easily combine work with care giving tasks in their lives. Some entrepreneurs choose for entrepreneurship out of value driven objectives such as job creation, service to the community or their contribution to a sustainable society.

Every innovation stimulates a reaction in society. When one entrepreneur manages to run his process more efficiently than another, competing entrepreneur, he can serve more customers. This is how competition starts; it stimulates the other players to also pursue improvements in products and services. Competition then stimulates renewal and innovation which, in turn, results in economic growth. Through their level of expended efforts, entrepreneurs confirm their belief that they will be rewarded for their efforts. They have to be able to evaluate the attractive, as well as the unattractive features of their plans and not give up at the first setback. Key to taking decisions is confidence and the ability to believe that they will succeed combined with awareness that they have the right knowledge, skills and vision. Role models are also important for inspirational support but entrepreneurial skills and material resources are equally crucial necessities.

One study by EIM in The Netherlands (1997) showed that 40% of employment creation is accomplished by firms which are less than five years old. Early-stage ventures thus have the potential to become incubators for job creation. Even if people initially start the company out of necessity, rather than opportunity, this will still influence the way society at large values new company start-ups. When failure leads to societal stigma, which in some European countries is still quite prevalent, increased and successful entrepreneurship, whether necessity or opportunity-based, diminishes the fear of failure. Then failure, no matter the pain it inflicts, can become a learning point, as is the perspective in a country such as the USA.

Entrepreneurial Success and Failure

“Success has many parents, failure is an orphan.” This saying applies of course to entrepreneurial activity as well. In practice, systematically generated success and failure statistics and additional research based thereon, are hard to come by. This paucity of information applies to most countries and regions of the world. Yet, in order to improve success rates, and understand failure, causes need to be studied

Table 2.1 Overall start-up* and failure rates

Industry	Survival	Failure
All industries	53.6%	46.4%
Agriculture	59.4%	40.6%
Finance	53.7%	46.3%
Manufacturing	58.7%	41.3%
Real estate	63.2%	36.8%
Retail	50.9%	49.1%
Wholesale	51.4%	48.6%
Computer Technology	46.1%	53.9%

BizMiner 2002 Start-up Business Risk Index: Major Industrial Report copyright 2002
Brandow Company Inc.

*Start-ups are defined as firms that are one year old or less

in each country and region. This is one of the more significant opportunities in entrepreneurship research and education. One of the few data sources in this field is the Brandow Company Inc, a USA based market research company, cited in Timmons and Spinelli (2004). The data pertains to the period 1998-2002 and provides survival and failure rates of start-ups after four years by industry group.

Overall start-up survival rates of over 50% after four years, with variations depending on the industry sector, do underscore the need for careful study, planning and monitoring of the quality of the entrepreneurial process in advance as well as during the process of venture building. We do not have comparable data for the European countries but an OECD study (2002) concluded that there is a similar degree of firm churning in Europe as in the US. However the relative size of entrants in the EU is smaller. In the USA there is a greater scope for expansion amongst young ventures than in Europe. We have consistently found in our own entrepreneurial research that this applies not only to detailed, advance opportunity development and resource planning, but especially to human resource management and entrepreneurial team development and dynamics. It is through unattended entrepreneurial team conflicts, potential or acute in nature, that ventures frequently find early setbacks and even failures. Successful entrepreneurs are sensitive to these “soft” issues of entrepreneurial people and team management.

Characteristics of Entrepreneurs

Entrepreneurship represents a sampling of characteristics which facilitate the personal venturing process. Yet the question is how can this be recognized and how can individuals fully deploy these characteristics inside a venture. The spirit of entrepreneurship sees and uses opportunities.

In a new venture, this process leads to a product or service. In existing companies, this process produces renewal of existing processes, yet to succeed, this requires trust and freedom. Studies at Nyenrode (Nandram 2002, 2004) have helped us in identifying seven distinct characteristics which assist in the identification and application of opportunities. Based on the data we obtained, we can present how a group of managers, comprised of Nyenrode alumni, scored on these characteristics, compared with a group of entrepreneur-finalists in the selection of the Entrepreneur of the Year contest in The Netherlands during the period 2002-2004.

It appears that the managers and entrepreneurs did not differ substantially in terms of these characteristics. This could be explained by the observation that both the managers and entrepreneurs pass through the same educational programs and are equipped with similar skills and networks. The finalists of the annual selections for the Entrepreneur of the Year in The Netherlands scored higher than the entrepreneurial managers on the following personal characteristics: (1) achievement drive, (2) leadership ambition, (3) alertness, (4) willpower, (5) trust in others, (6) flexible attitudes, and (7) integrity. With respect to integrity, the finalists of the Entrepreneur of the Year election, showed a lower tendency to project themselves in this area as compared to others. In the competition jury members judge the most outspoken entrepreneurs. They seem to demonstrate higher scores on the entrepreneurial characteristics scale.

Entrepreneurial Employees

Can employees be turned into entrepreneurs? This is a question that remains. The successful entrepreneurial characteristics we identified can also be nurtured in employees in order to promote process innovation. However, the common relationship between employer and employee may hinder this as it is formally based on principles of transactional leadership. That means that in return for compensation, the employee provides work. If the goal is to fully realize the entrepreneurial capacity of the employee, then this formal relationship needs to be changed. One way would be to make the employee a shareholder in the venture, another to provide employees with the freedom to come forward with and develop ideas which might serve the venture or a potential spin-off operation. The interest for the company in supporting such ambitions lies in the creative contributions of employees towards the goals of the venture.

Entrepreneurship and Management

Entrepreneurial and management processes differ in nature. An entrepreneur starts a venture based on his or her personal vision. A manager often steps in later as the company already exists. This implies that a manager is responsible mainly for a policy and its implementation while an entrepreneur remains responsible for the entire vision and mission of the firm, including the required renewal processes at

any time. A manager is in charge of defined processes inside or outside the company, while an entrepreneur is in charge of what happens both in and out of the venture. A manager looks at recognizing and solving problems in existing processes while an entrepreneur looks concurrently at new opportunities as well. A manager might first of all aim at cost control of existing processes while an entrepreneur would be more likely to focus on overall profit improvement and strengthening market positions. Unless they are charismatic leaders and/or have previously been trained as managers, entrepreneurs tend to focus on the opportunity they created rather than on imbuing the entire team with the spirit of entrepreneurship. As the venture grows, the entrepreneur will eventually have to consider engaging a manager or managers.

Thus, we now arrive at the transition from the early-stages of entrepreneurship to management phases in the mature company. It would be ideal to retain the entrepreneurial, renewing and creative orientation of the early-stage venture while also incorporating these attitudes into the management phases of the more mature company. Either way, the leadership style will have to be adjusted from transactional to transformational management. The emphasis shifts from management on the basis of transactions to encouraging team members to pursue the continuous renewal of all management processes. This transformational style of management prevents bureaucracy, charismatically keeps employees, managers and executives motivated and increases the likelihood that the venture will continue to grow into a creative, fast growing and renewing market position.

2.4 Entrepreneurial Mentoring and Coaching

The European Union (2003) as well as most European governments focuses on providing services and promotional activities to influence entrepreneurial activity. For instance in The Netherlands, one of the groups targeted is defined as high growth entrepreneurs. Research highlights the existence of 'glass ceilings' for young ventures on the way to achieving growth. Coaching, consulting, networking and supervision are thought to assist in breaking through these glass ceilings towards growth. These services can be summarized as mentoring. The phenomenon of mentoring is well known in the management literature yet less in the entrepreneurial field. In daily life, the word is often associated with a non-professional expertise because everybody can act as a mentor. It is also associated with a voluntary activity.

Clawson (1996) stated that many people tried to define mentoring in the late 1970s and early 1980s. The term became widely used and the meaning of mentoring became diffuse and difficult to recognize. The word mentoring became synonymous with a broad and deep influence from a senior, more experienced and wise individual, to another person. In the venturing situation the entrepreneur or other stakeholders in the new venture might hire a mentor or a coach to guide and stimulate the entrepreneurial process. Mentoring is understood to be a more process-

oriented phenomenon while coaching would be more results driven. In mentoring, the individual and his needs are the central starting point, while in coaching the needs of the organization form the starting point.

We also found related definitions specific to entrepreneurship. Sullivan (2000) refers to mentoring as a means of supporting new entrepreneurs through the provision of “expert” help and assistance in overcoming problems. The mentor shares useful insight for running a small business with the new-start entrepreneur, perhaps through learning from the mentor’s experience. The role of the mentor is to enable the entrepreneur to reflect on actions and, perhaps, to modify future actions as a result; it is about enabling behavioral and attitudinal change.

Enterprise Ireland states that the mentor assigned to a company has a clear objective to help the entrepreneur grow and develop new skills which will enable him or her to overcome barriers impeding the company’s growth. Walton (1998) uses mentoring as an umbrella for different support devices. This could cover career development or psycho-socio orientation. The tools that can be used are dependent on the type of question asked and the culture. Coaching is seen as focusing on the day-to-day work situation and engineered by the line manager. Mentoring on the other hand is thought to be done by a wider range of people and offers possibilities for generating a broader context for the learning process. A mentor can play various roles:

1. Coach – showing how to carry out a task or activity
2. Facilitate – creating opportunities for learners to use new skills
3. Counsel – helping learners explore the consequences of potential decisions
4. Network – referring learners to others when the mentor’s experience is insufficient

Yet we can still ask whether we know what impact mentoring might have on entrepreneurial performance. Some results are known concerning the impact on the business, and three examples will be presented:

1. Small and medium sized business
2. Self-employment or unemployed
3. High growth enterprises

In a recent study (Robson and Bennett 2000), respondents from small and medium sized enterprises were asked to identify each area and source of advice they used to pursue their business objectives in the previous three years, and to rate their impact in meeting business objectives. A large sample (2,474) of small firms in manufacturing and business services were surveyed by mail. The results showed statistically significant positive relationships between the fields of advice and employment growth, including capabilities such as business strategy and staff recruitment. There were three areas of advice, which appeared statistically significant in increasing turnover: business strategy, staff recruitment and, fiscal and financial management.

However, in the model of profitability per employee, none of these fields of advice was statistically significant. The researchers found little evidence of statistically significant relationships between government-backed providers of business advice such as Business Link and Venture Performance.

In the White Paper on Enterprise Skills and innovation in the UK (Devins and Johnson 2001) there is a second example. Devins and Johnson explore the paths that long-and short-term unemployed people take prior to enrolling in a venture start-up course. Furthermore, they look at the extent to which such intervention supports the development of business and management skills. The conclusion was that both types of participants were successful in helping themselves transition to self-employment. However, a substantial minority of long-term unemployed participants was not successful in avoiding a return to unemployment.

The third example comes from Enterprise Ireland's Mentor Network. They conducted a survey of companies that participated in the Mentor Network to find out what the impact of mentoring is. The results are based on 60 companies. These researchers found an increase in sales, exports and employment as a result of participation. More than 90% of the respondents described the Mentor Network's input as either very important or important. Yet, not all of the changes can be attributed to the Mentor Network's influence. According to 75% of the respondents the mentor had a significant influence. 78% of the respondents stated that many improvements would not have happened or would have happened differently had a mentor's services not been available. These examples assumed a relationship between support services and business performances existed, and no theoretical framework was explicitly developed. Other research on non-entrepreneurs show benefits on the psychological side, such as understanding other people's situations, personal growth and development, taking a wider perspective on life, and realizing greater self-awareness (Walton 1998).

Given the macro economic importance of entrepreneurship as seen above, government and other public organizations can, particularly in entrepreneurial economies, play an important role in stimulating innovation and reducing barriers for people engaging in self-employment and venturing activities. Governments can also define and implement supportive policies in areas such as taxation, education, mentoring, bankruptcy laws and infrastructure which can contribute to an entrepreneurially friendly culture. In particular, the following policies would be supportive in positively changing the entrepreneurial culture in a region or country:

1. Simplified company establishment, registration and reporting rules.
2. Liberalization of labor regulations and markets providing ventures with greater access to human resources.
3. Suitable adaptations of retirement funding laws for entrepreneurs.
4. Education at all levels of public schooling on the employment, innovation and wealth generation capabilities of new ventures in society.
5. Incentives for the development of scientific and technological inventions at universities and their application in companies.

6. Stimulating spin-off ventures by universities as well as corporations.
7. Attractive fiscal treatment of private research stimulating gifts to universities.

Working on these suggested policies will increase the role of entrepreneurship in society and consequently, the level of economic and social contributions. Especially in a number of European industrial nations, potential as well as practicing entrepreneurs still perceive major distractions from venturing activities because of high levels of rules and regulations, poor economic climates and lack of familiarity with risk taking behaviors. Figure 2.1 offers a clear illustration of those countries which lack a culture which encourages risk taking, innovation and new venture creation.

Today, distractions from the potential of flourishing entrepreneurial economies are clearly visible in countries such as France and Germany. Even though these nations boast high levels of technological knowledge and innovation as well as large and successful corporations, they struggle with innovation and new venture creation. High levels of labor, bankruptcy and other business regulations, when combined with generous social programs and, finally, the absence of inspiring examples of entrepreneurial venturing, can create cultures which do not support risk taking and entrepreneurship. Education and public policy play a major role in explaining entrepreneurial reality. Steps to facilitate innovation are required to change a traditional economy rooted in established and sizable firms and highly regulated social, business and labor laws. The rewards of opening up to renewal are new venturing opportunities and the promises they hold in terms of individual creative fulfillment, community support, job creation and generation of material wealth.

2.5 Conclusion

This chapter reviewed the qualitative and quantitative impacts of entrepreneurial activity in society, relating specific performance in these areas to a number of individual countries. Typical entrepreneurial characteristics and traits were reviewed as well, including entrepreneurial team and management processes in ventures and established companies. In particular, there was a close review of ways to stimulate effectiveness in entrepreneurs and their teams through coaching and mentoring.

The Spirit of Entrepreneurship
Exploring the Essence of Entrepreneurship Through
Personal Stories

Nandram, S.S.; Samsom, K.J.

2006, XV, 371 p., Hardcover

ISBN: 978-3-540-34760-6