

A Journey into the Entrepreneurial Society

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In most countries, entrepreneurship is nowadays celebrated for its contribution to economic development (Acs and Amoros, 2008). Entrepreneurship draws global attention; attention of the policy maker, the business milieu, the citizen, the union, the bureaucrat and not to mention, the research community. Its contribution might be emphasized by citing several statements from various origins, and several studies. Nevertheless, one may notice that some differences regarding the entrepreneurial process and its outcome still may be at work. Regarding the potentiality for growth (Wong et al., 2005, van Stel and al., 2005), it is for example noteworthy that, if the involvement of young people (18-24 years old) in the entrepreneurial activity is important for growth in developed countries, it is the older entrepreneurs (45-64 years old) that would bring the stronger contribution to growth in developing countries (Verheul and van Stel, 2010). The older entrepreneurs may compensate their low level of education by an experience of life and probably by a successful experience in business. Regarding regional development, ongoing research suggests that the effects of entrepreneurship (measured by new business formation) differ according to entrepreneurial motives, the type of start-ups and the regional environment (Aubry et al., 2015, Dejardin and Fritsch, 2011).

Entrepreneurship appears essential for structural change (Naudé, 2010). It contributes to the transformation of agricultural economies to knowledge and services economies. The weight of the primary sector and the functioning of the informal economy explain the high rate of entrepreneurial activity in developing countries. With economic development and the increase of interesting wage opportunities, one may observe a diminution of the entrepreneurial activity. That being the case, the revival of entrepreneurship is also regularly mentioned in some of the most economically developed countries, characterized by *innovation driven* development (GEM, 2009, p.9). The observations, collected by the Global Entrepreneurship Monitor consortium, submitted to interpretation, have been translated into the well-known U-shape curve linking countries' GDP per capita and the rate of entrepreneurial activity (Carree et al., 2007). But is it a U or a mirrored-J? The latter appears more correct.

Anyway, “(a)s an economy matures and its wealth increases, the emphasis of industrial activity shifts towards an expanding services sectors (...). The industrial sector evolves and experiences improvements in variety and sophistication. Such a development would be typically associated with increasing research and development and knowledge intensity, as knowledge-generating institutions in the economy gain momentum. This change opens the way for development of entrepreneurial activity with high aspirations.” (Szerb et al., 2012, p. 22; GEM, 2009). When this happens, innovation accounts for 30% of economic

activity and very often small and innovative entrepreneurial firms operate as ‘agents of creative destruction’ (Szerb et al., 2012).

Considering the situation in the developed countries, Wennekers et al. (2010) point the reemergence of what they call the independent entrepreneurship. The content of this reemergence would correspond at least to two underlying phenomena, the development of the solo self-employment (Bögenhold and Fachinger, 2008; Bögenhold et al., 2017; Fachinger and Frankus, 2017)¹ which is important for societal and flexibility reasons, and the ambitious and/or innovative entrepreneurs (van Stel and Carree, 2004; Audretsch, 2007; Hermans et al., 2015). It is then stimulating – though also highly reductive – to conceptualize the entrepreneurial choice to start a new venture with the well-known *refugee / entrepreneurial* or *Schumpeter* effects (Thurik et al., 2008; Abdesselam et al., 2014). According to the *refugee* effect, unemployment may induce new-firms startups. Increasing unemployment reduces the opportunity cost of entrepreneurship and consequently stimulates entrepreneurship. The *refugee* effect is sometimes called the *shopkeeper* effect. Contrastingly, the *Schumpeter* effect refers to the argument that new-firm startups, launched for opportunity motives, may contribute to the reduction of unemployment (Thurik et al., 2008; Koellinger and Thurik, 2012). So, different motives linked to the startup of firms are bringing different potentiality in terms of growth and employment creation.

Furthermore, taking into account that institutions may differ from one jurisdiction to another and that they shape economies in a tremendous manner leads to distinguish several types of development characterized by more or less, and different, entrepreneurial economies. Acs et al. (2014) highlight that the creation of ventures and its outcome are themselves regulated by country-specific institutional characteristics. Relevant variables that take into account differences in the entrepreneurial motives must be extended. It appears particularly essential to consider formal and informal institutions affecting the functioning of the labor market that may be specific to each country. The legislation ruling up labor market relations, the fiscal rules, the social security system, the bankruptcy laws but also the development and the functioning of the financial system and not mentioning, the administrative burden, all may have an effect upon the new firms’ formation and the presence of entrepreneurial firms (Bonnet et al., 2011). Ultimately, this way of addressing the entrepreneurial phenomenon leads to a systemic approach of entrepreneurship.

In brief, entrepreneurship is the engine of economic development; but economic development impacts in return entrepreneurship as well. The economic development of a country – of which an assessment would include the quality of overall institutions – is an important factor for entrepreneurial behavior and activity to flourish. It is important because entrepreneurial projects are bound by the wealth of the population and potential demand; by public infrastructures that are essential for the functioning of the private sector (Estache and Iimi, 2011); by the quality of overall regulation and law enforcement (Puppim de Oliveira, 2008), and by generally endowments of individuals in general education and managerial competencies. Even if opportunities exist in developing countries (there is so much to do in a catch-up process), there is probably not so much high quality projects because the conditions are not gathered.

¹ The last two references are published in this book.

To develop a vivid entrepreneurial society requires attention to several interacting factors. Accordingly, the policy for an entrepreneurial society is not the kind of policy that is focused on one singular, isolated aspect of public affairs and that is handled by one dedicated administration. The policy for an entrepreneurial society is a transversal policy provided by ministries and administrations as a whole (Audretsch, 2008).

The book that we introduce here explores various aspects of primary importance regarding the entrepreneurial society. It collects original works from renowned scholars regularly involved in entrepreneurship research with theoretical and empirical contributions mainly anchored in economics, management and sociology. The main themes that are herein examined may be located at the forefront of scholars' research interest. Contributions have been structured in five parts: entrepreneurship and formal and informal institutions; entrepreneurial choice, orientation and success; entrepreneurial behaviors; entrepreneurial finance, growth and economic crises; entrepreneurship, social dimensions and outcomes. The book is a continuation of *The Entrepreneurial Society: How to Fill the Gap between Knowledge and Innovation*, and of *The Shift to the Entrepreneurial Society: A Built Economy in Education, Sustainability and Regulation* (Edward Elgar, 2010 and 2012).

The first part of the book is devoted to theme *Entrepreneurship and Formal and Informal Institutions*.

In the first chapter, "Understanding the drivers of an 'entrepreneurial' economy: Lessons from Japan and the Netherlands", Hiroyuki Okamuro, André van Stel and Ingrid Verheul investigate the differences in entrepreneurial activity between the two countries. While the Netherlands may be recognized as a well-developed entrepreneurial economy, Japan appears more in a process of transition from a managed to an entrepreneurial economy. Authors make an attempt in identifying the factors that facilitate or hinder the transformation process from a managed to an entrepreneurial economy. The individual contribution of explanatory variables is interpreted according to a benchmark that makes it easy to recommend specific policies at stimulating entrepreneurial activity.

In the second chapter, "Hofstede's cultural dimensions and modes of entry into entrepreneurship", Joern Block and Sascha Walter explore the effect of national culture on the mode of entry, i.e. starting versus taking over a business. Adopting an aggregate trait approach, they hypothesize that individualism and masculinity favor starting a business whereas uncertainty avoidance and power distance (acceptance of hierarchy) favor taking over a business. Unexpectedly, their results suggest that people in countries with a relatively high power distance are less willing to opt for business takeovers rather than starting new ventures. An explanation could be sought in the reaction to an 'unentrepreneurial' culture.

The third chapter by Amélie Jacquemin and Frank Janssen is entitled "Entrepreneurs using regulation as a source of opportunity: A study combining quantitative and qualitative approaches". The authors investigate to what extent the legal environment might have a positive impact on entrepreneurship. Using a research design combining quantitative and qualitative approaches, their research aims at understanding who are the entrepreneurs who positively use regulation as a source of business opportunity and how they do succeed in this.

Not all the entrepreneurs use regulation as a source of opportunity and those who do use two different approaches, which the authors call the “Kirznerian” and “Schumpeterian” approaches.

Within the fourth chapter, “Determinants of high-growth firms: Why do some countries have more high-growth firms than others?”, Mercedes Teruel and Gerrit de Wit present the first empirical analysis of high-growth firms at the country level. They find indicative empirical evidence for three driving forces of high growth: entrepreneurship, institutional settings, and opportunities for growth. They investigate three specific channels of influence toward high-growth firms: the enrolment into tertiary education, the entrepreneurial motives associated with growth-oriented ambitions and the promotion of entrepreneurship as a desirable career choice. Besides, they consider the possible impact of institutions and whether fast-growing firms are more probable in dynamic economic environment offering greater business opportunities.

In the fifth chapter, “Institutions, entrepreneurship, and regional growth in Indonesia (1994-2010)”, François Facchini and Subandono contributes to the modern Austrian theory of economic development by elaborating an original theory of institutional flexibility. An institutional system is flexible when it constructs an order that is neither contingent nor determinist. Private property right, contract, and money organize human behavior without determining it. By protecting economic freedom, these institutions give people good reason to believe that they can act to change the future for their advantage. Exploiting Indonesian provincial panel data for the period 1994-2010, they collect evidence supporting the theoretical framework that they propose.

The sixth chapter, entitled “Sub-national market-supporting institutions and export behaviors” by Ngo Vi Dung and Frank Janssen, examines whether the market-supporting institutions at the sub-national level influence the export behaviors of firms in the context of an emerging economy, i.e. Viet Nam. Analyzing a dataset about 7818 Vietnamese firms, including 719 exporting firms, they find that export propensity is mainly and negatively influenced by the provincial financial conditions. The provincial attitude, bureaucracy, legal and informal charges positively drives the firm’s export intensity. The predictability of domestic laws and regulations negatively influences the firm’s export intensity. In addition, institutions do matter more for smaller, younger and private firms. Nevertheless, the influence of sub-national market supporting institutions on export mode choice is ambiguous.

The following three chapters make up the second part of the book around the theme *Entrepreneurial Choice, Orientation and Success*.

The seventh chapter, by Nadine Levratto, Denis Carré and Luc Tessier, “Are French industrial establishments equally sensitive to the local atmosphere? An analysis resting upon a panel of manufacturing plants over the period 2003-2010”, examines whether local aspects (the qualification of the workforce, the importance of the manufacturing industry, factors impacting the business climate, among others) influence the employment changes at the establishment level. Exploiting data for a panel of French establishments operating in the manufacturing industry between 2003 and 2010 and various measurements regarding the local context, they are able to distinguish the local factors whether they exert a positive or a negative effect on the establishments’ growth. Their results suggest that more attention would be to be paid to locally-defined policy tools and objectives.

In the eighth chapter, “Labor market and successful entrepreneurship”, Jean Bonnet and Nicolas Le Pape examine empirically the link between successful post-entry strategies of new entrepreneurs and their previous occupation on the labor market. They find that being a *pull* entrepreneur, i.e. an individual drawn to entrepreneurship by positive motives such as an economic opportunity to be seized, is related to the implementation of successful post entry strategies, containing a higher intensity of entrepreneurial behavior, compared to *push* entrepreneurs, i.e. individuals who are driven to entrepreneurship mainly because they suffer from a poor position on the labor market.

The contribution by Gonzalo Maldonado Guzman, Maria del Carmen Martinez Serna and Domingo García Pérez de Lema, “The relationship between knowledge management and innovation level in Mexican SMEs: Empirical evidence” constitutes the ninth chapter, also the chapter ending the second part of this book. Authors investigate the transformation of the current society from an industry-based economy to a knowledge management and innovation-based economy. They show that it changes the design and implementation of business strategies and the nature of the competition among the organizations which are mainly small and medium-size enterprises (SMEs). Using data about a sample of 125 Mexican manufacturing SMEs, the authors find that knowledge management has a positive impact in products, process, and management systems innovation.

The third part of the book is entitled *Entrepreneurial Behaviors* and is comprising three chapters examining highly contrasted topics.

The tenth chapter, “Entrepreneurial opportunity recognition and exploitation in academic spin-offs” by Ugo Rizzo, allows to consider how different are, in this respect and from each other, those businesses generated to put on the market research results developed within the academic environment. The author examines how opportunities are recognized and exploited and how they can be linked to the process of creation and development of academic spin-off firms. Analyzing empirical material collected through interviews conducted on academic spin-off firms of the University of Manchester (United Kingdom) leads to the conclusion that commercial and non-commercial academic spin-offs cannot be confounded together. Even more heterogeneity can be suspected. This may have important implications and calls definitely for further research.

In the eleventh chapter, “Firm location choice in the New Economy: Exploring the role of entrepreneurial work-lifestyles of neighborhood entrepreneurs in the business location decision”, Anne Risselada and Veronique Schutjens investigate to what extent the choice to run a business from home is linked to the entrepreneur’s work-lifestyle. The question has been largely neglected in studies on firm location processes though it appears that a growing number of firms that are active in developing sectors, like the knowledge, personal services and consumer sectors that contribute to feed the New Economy, are home-based businesses. The authors exploit information collected from 370 entrepreneurs operating in 41 residential neighborhoods in five Dutch cities. Their results show that work-lifestyle factors matter to whether neighborhood firms are home based: the likelihood of being home based is increasing with caring for family needs or when the business do not provide the primary household income. It is decreasing with the growth ambition of the entrepreneur.

With the twelfth chapter, “How to explain gender differences in self-employment ratios. Towards a socioeconomic approach” by Dieter Bögenhold and Uwe Fachinger, ends the third part. Business ownership and self-employment are dramatically increasing among women, raising the question of motives behind this development. Is it driven by necessity? Or does it reflect new modes of labor market integration and a strategy for women to achieve a better work-life balance? Combining conceptual thoughts with the exploitation of German Microcensus data over the period 1989-2009, the authors explore the possible influence of personal, household and labor market characteristics in a family context on the probability of being self-employed. The labor market integration of women through self-employment appears highly contextual with the occurrence of multiple factors related to the family life.

The fourth part of the book is devoted to *Entrepreneurial Finance, Growth and Economic Crises*.

In the thirteenth chapter, “Entrepreneurship and Schumpeterian growth”, Paolo Giordani extends the class of Schumpeterian economic growth models by introducing a role for Knightian uncertainty. His modelling is driven by the idea that producing innovation is an intrinsically uncertain economic activity and, accordingly, the agents can be uncertain about the probability of any innovation occurrence. The proposed model echoes the micro-evidence that suggests a relationship between individual’s occupational choice, including being an entrepreneur, and the attitude towards uncertainty. With respect to economic growth, it supports the idea that the agents’ attitude towards uncertainty enters an explanation of entrepreneurial innovation and therefore, of the economic performance of the whole economy.

In the fourteenth chapter, “Venture capital contracts and the institutional theory: Differences between public and private Spanish venture capital firms”, M^a Camino Ramón-Llorens and Ginés Hernández-Cánovas show, through the analysis of a survey dataset about a sample of 41 Spanish Venture Capital Firms (VCF), that a large part of the Spanish venture capital contracts are standard. However, when they study the VCF according to the public or private origin of the resources, they find that there is some heterogeneity in the design of the contracts due to coercive pressures exerted by the government on public entities; the private sector remaining the strongest in the application of standard terms. Their results contribute to shed light on the design of financial contracts between entrepreneurial firms and their VC investors, to the benefit of the policy maker, the firm, and the venture capitalist.

The contribution by Eleni Papaoikonomou, Xiaoni Li and Pere Segarra, the fifteenth chapter of the book, entitled “Exploring SMEs strategic response to the financial and economic crisis: empirical evidence from Catalonia”, examines the perception among firms of the crisis that started in 2007 and how it may affect their strategic decision making. The authors exploit a dataset based on a survey conducted in 2011 among a sample of managers of Catalan SMEs. Applying a non-hierarchical typological analysis, they identify three clusters of firms characterized by the degree of perceived difficulties that they then put in relation to different strategic actions. The firms that perceive more negatively the crisis are also the ones that are found to take more frequently various strategic actions. Perceptions appear to play an important role and this is quite challenging for the managers and the policy makers. Overall, cost reduction measures are the most widely used and this leads to the question of their appropriateness.

The sixteenth chapter, “Does the financial crisis make SMEs reluctant to ask for finance in Luxembourg?” by Serge Allegrezza, Leila Ben Aoun-Peltier, Anne Dubrocard and Solène Larue, analyses the determinants of finance seeking by Luxembourgish independent small and medium-sized enterprises during and after the 2007-2009 financial crisis. The data that are used are taken from the “Access To Finance for SMEs” survey coordinated by Eurostat. The study is conducted for the different types of funding sources considered, i.e. loan, equity and other sources, all together and separately, and by distinguishing manufacturing from services firms. Regressions estimate how much individual characteristics, past behavior and the business environment perception affect the decision about seeking or not external finance.

Finally, three further chapters form the fifth and last part of the book entitled *Entrepreneurship, Social Dimensions and Outcomes*.

In the seventeenth chapter, “Self-employment and independent professionals: labor market transitions and myths of entrepreneurship”, Dieter Bögenhold, Jarna Heinonen and Elisa Akola are interested in the overlapping areas of entrepreneurship, self-employment and professions. Their study presents empirical findings obtained from a unique Finnish survey including freelance journalists, translators and interpreters, and artists at the blurred boundaries between waged work and entrepreneurship. The manifestations of entrepreneurship vary, reflecting the work and the labour market situation within the profession. Many different socioeconomic situations can be found ‘in between’, which are driven by different social logics. In such circumstances, the term entrepreneurship can be misused when it is used indiscriminately and therefore, can easily generate myths and stereotypes, which are challenged by the study.

The eighteenth chapter, “How distinct social entrepreneurship is from commercial entrepreneurship?” by Alicia Rubio, Nuria Esteban and Antonio Aragón, reports the results of an original comparative analysis. While it has been documented that social companies share the pursuit of revenue generation with commercial firms but look as well to achieve social goals such as positive social and environmental impact, little is still known about the specificities – if any – regarding the characteristics and motivations of social entrepreneurs. Using data of the 2009 Spanish Global Entrepreneurship Monitor survey, the authors find key differences that significantly distinguish commercial entrepreneurs from social entrepreneurs. Three individual factors particularly emerge: opportunity perception, entrepreneurial self-efficacy perception and risk perception.

The contribution by Uwe Fachinger and Anna Frankus, “Self-employed people and pension: Is old age poverty the inevitable dark side of an entrepreneurial society?” is the nineteenth and last chapter of this book. The development of self-employment may be interpreted as being the result of structural reform policy aiming at labour markets flexibility and economic prosperity. Contrastingly, it may also correspond to the outcome of a poor economic situation with people becoming self-employed out of the need to earn a living. What then will be their situation in the retirement age as they depend highly on private provisions? With a focus on solo self-employment, the authors exploit data from the German Microcensus for the period 1989-2009 to study the ability and willingness of people to save

money for old-age provisions. Their results lead to emphasize what would be a growing poverty risk, calling for overall attention and policy response.

We wish that the reader will appreciate the journey into the entrepreneurial society as much as we enjoy it. Much remains to be discovered for whom is interested.

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