1. Introduction

**Hans Crijns, Eddy Laveren, Hans Landström
and David Smallbone**

The field of entrepreneurship and small business studies has prospered and grown considerably in recent years in all European countries, with remarkable developments taking place in the research frameworks and methodologies used. Progress in the field of entrepreneurship is not only triggered by the exchange of ideas and new analyses inside the research community. It is also triggered by the growing emphasis on entrepreneurship in policy agendas and business communities all over Europe, which has stimulated dialogue between the research community and communities of practice.

New and small firms, rather than large ones, are the main providers of new jobs in most economies. Countries exhibiting the highest rates of entrepreneurship tend to exhibit greater subsequent decreases in unemployment rates. Research suggests that entrepreneurship provides a positive contribution to economic growth, although GDP growth is influenced by many other factors. Nevertheless, it is often argued that the key to economic growth and productivity improvements is entrepreneurial capacity. By 2010 the European Union aims to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. In 2001 the European Council agreed on a strategy for sustainable development, adding an environmental dimension to the Lisbon strategy. The Council recognized the need for radical transformation of the economy in order to create some 15 million new jobs by 2010. A friendly environment for starting and developing businesses is central to reaching these goals.

Even though we can say that there are positive signs regarding entrepreneurship and small firms around Europe in general, and that the field of entrepreneurship research has grown significantly in all European countries, we have to remind ourselves that Europe is a very heterogeneous continent which not only provides different conditions for entrepreneurship and small businesses, but also shows very different research traditions between countries.

We shall argue that entrepreneurship and small business research in Europe has several characteristics (see Landström, 2005 for a more detailed discussion). First, as already stated, Europe is a heterogeneous continent, and entrepreneurship and small business research is characterized by its diversity. There are major differences between countries and regions – there are various contextual settings that influence entrepreneurship and small businesses, and these are reflected in different topics chosen among researchers in different countries. This book covers a number of different topics – from the individual entrepreneur and entrepreneurial teams to strategic considerations, finance in SMEs and corporate entrepreneurship.

Second, in order to stimulate development in society, entrepreneurship and small business policies in Europe are both more controversial and more subject to intensive public attention than in the USA. This makes the research of contextual differences interesting. Contextual differences not only influence the research topics chosen but are also reflected in the level of analysis in research. For example, European researchers focus more strongly than their US counterparts on an aggregate level of analysis. The interest in a more aggregated level of analysis is partly shown in the selection of chapters for the book. The focus on the individual and firm levels of analysis is strong in the book, but we can also find chapters focusing on entrepreneurship as a societal phenomenon, comparisons between countries, regional aspects of entrepreneurship and the development of new ventures in different industries.

Third, there is an acceptance of a broader range of methodological approaches among European researchers, which means greater methodological openness compared to US scholars. European researchers and doctoral students have consequently been trained in a greater range of methodologies than their US counterparts. Over time, we have seen a trend in entrepreneurship and small business research, not least in the USA, becoming more and more a ‘one-methodological field’, relying to a great extent on survey and archival methods, and an increased use of sophisticated statistical methods for data analysis (Landström, 2005). The methodological openness in European entrepreneurship and small business research is reflected in the methods used in the studies presented in this book. For example, several chapters in the book are based on more qualitative methodologies, such as case studies.

Finally, the diversity of entrepreneurship and small business research in Europe influences not only the topics chosen, the level of analysis and the methodological approaches in the studies, but is also reflected in the research communities of the various countries. There is a very great variation in research traditions between countries – not only in terms of the size of the research community but also in the researchers’ disciplinary

backgrounds and epistemological concerns. As can be seen in the book, many different disciplines are represented – from psychology, sociology, social psychology, management, innovation and regional studies. Even if many studies in the book are based on some ‘normal science approach’ (Aldrich and Baker, 1997), we can find a diversity of epistemological concerns among the researchers in the book, such as interpretive approaches and social constructivistic research.

Having emphasized the heterogeneity in European entrepreneurship and small business research, we must admit that the majority of chapters selected for this volume are based on some form of international research agenda. Scientific activities are becoming increasingly international. Aldrich (2000) talks about ‘isomorphism’ as a mechanism through which scholars learn about each other’s work. There are many forces that have the potential to bring scholars from different countries closer together. Research is becoming more and more international (conferences, joint projects, international journals, visiting scholars and so on) and international activities are increasing in importance, which promotes the dissemination of approaches. There is also the growing importance of international English-language journals, which promote a common standard of evaluation and professional prestige and which institutionalize norms of professionalism within the field; and there are similar reward systems evolving in Europe as in the USA. Thus many forces are working towards international convergence and uniformity in entrepreneurship and small business research – in common with most scientific fields. At the same time, it is important for European scholars to maintain the diversity that we find among researchers in Europe, and that we systematically develop the specific research areas and paradigms that characterize entrepreneurship and small business research in Europe.

INTRODUCTION TO THE THEMES OF THE BOOK

The chapters in this book cover four themes, each of which illustrates a key dimension in the overall theme of entrepreneurship, sustainable growth and performance.

First, there are the *entrepreneurs*, who are the people involved in entrepreneurship. We are all familiar with successful entrepreneurs, who act as demonstrator cases of the entrepreneurship phenomenon, although the phenomenon itself may appear more abstract. Entrepreneurs matter to both new and old organizations. For new companies, their strengths and weaknesses are typically those of the founding entrepreneur. The firm’s success then depends strongly on the entrepreneur’s capabilities and

competences to develop the organization. However, the organization and the team are also important as key elements in the entrepreneurial process. It is impossible to reduce entrepreneurship to the entrepreneur alone or to the team or to the organization, since the relationships between the three are also important, together with the strategies followed.

A particular place in the entrepreneurship community is taken by the concept of *family business*, defined as firms where ownership is controlled by a family unit, with family members typically involved in management. In such situations relations between family members and with other stakeholders, as well as with resources, raise specific issues. In many European countries family businesses play an important role in creating employment and value, as well as in incubating and financing new businesses. Family firms have gained increasing attention in the economics and finance literature due to research showing that the majority of firms around the world are controlled by their founders or their founders' descendants.

The third theme brings in business *performance*, over time. An understanding of what drives an organization's growth and performance is critical for both managers and founders trying to achieve competitive advantage, as well as for policy makers seeking to attain a healthy economy. Performance also influences the future development potential and managerial activities of a company.

The emphasis in the fourth theme is on the *processes* in which entrepreneurs and their firms operate. It considers how entrepreneurs cope with environmental factors in which both they and the venture are embedded. It focuses on evolutionary perspectives and processes, with various factors influencing performance changing over time. Entrepreneurship as a phenomenon operates in a continually changing environment, which itself is shaped by the entrepreneurial processes themselves. It also includes their role as agents of change in a wider meaning of the concept.

PART I: INTRODUCTION

The first contribution is written by Per Davidsson, who makes some personal and critical reflections on the development of the field of entrepreneurship research, paying particular attention to European contributions. Davidsson assesses what participants of European research conferences have learnt over the past 20 years. He also discusses future challenges of entrepreneurship research and reflects on the past and future roles of European research in this field.

PART II: ENTREPRENEURS AND THEIR ROLE

In Chapter 3 Eva Cools offers insight into what typifies Flemish entrepreneurs. Her analysis is based on trait variables (tolerance for ambiguity, self-efficacy, proactive personality, locus of control, need for achievement) but also cognitive styles (individual and organizational behaviour characteristics), which are used to compare entrepreneurs with non-entrepreneurs. These trait and cognitive characteristics are also used to predict variances in entrepreneurial orientation (EO). This study shows that entrepreneurs score significantly higher on all trait characteristics than non-entrepreneurs. For cognitive styles (as measured with the Cognitive Style Indicator), the study shows that non-entrepreneurs score higher on the knowing and planning style. No differences are found for the creating style. With regard to the link between the entrepreneur's profile and EO, the author finds a significant contribution of tolerance for ambiguity and proactive personality to EO.

The purpose of the study by Frédéric Delmar and Régis Goujet, which is reported in Chapter 4, is to examine how experience on an entrepreneurship course, constructed as a mastery experience, is influenced by personal predispositions, such as intentions, self-efficacy and previous vicarious experience. The purpose is also to examine how this mastery experience affects changes in intention and self-efficacy. Using data from 958 French business school students, enrolled in a compulsory entrepreneurship course, Delmar and Goujet find that intention is an important factor defining the level of learning measured as self-efficacy, but that it has a weaker effect than previous self-efficacy. This is in line with previous research that has examined the relationship between task characteristics and motivation. The authors discuss the role of entrepreneurial education in the acquisition of entrepreneurial self-efficacy and intentions, and the mediating effect of previous entrepreneurial exposure.

In Chapter 5 Joakim Winborg examines the relative importance of the entrepreneur's motives for using financial bootstrapping in new businesses. Financial bootstrapping is defined as methods of securing the use of resources without relying on long-term external finance. Another goal of the study is to identify the managerial and business factors that influence the motives for using this type of financing method. Based on a questionnaire sent to 120 new business managers, the findings show that 'lower costs' is the most commonly reported motive, followed by 'lack of capital' and surprisingly 'fun in helping others and getting help'. In the analysis managers were classified in one of two groups, namely 'economic motives' and 'economic and existential motives'. The analysis shows significant differences between the two groups when it comes to the owner's situation,

the need for long-term finance, the type of company, the line of industry, and the manager's driving force and relative experience.

PART III: ENTREPRENEURSHIP IN FAMILY FIRMS

In Chapter 6 Mattias Nordqvist, Timothy Habbershon and Leif Melin investigate transgenerational entrepreneurship in family firms, which they define as a family's mindset and capabilities to continue their entrepreneurial legacy of social and economic wealth creation across generations. Combining and integrating literature on corporate entrepreneurship and family firms, the authors investigate what characterizes entrepreneurship in owner-families and family firms and how entrepreneurship can be maintained and reproduced across generations. The authors conclude that a family firm does not have to be entrepreneurial across all dimensions of entrepreneurial orientation (EO) to reach desired entrepreneurial performance outcomes. Based on in-depth case research, Nordqvist, Habbershon and Melin suggest that the risk-taking and competitive aggressiveness dimensions of the EO are less important in family firms. Conversely, they propose that specific characteristics of family firms, such as autonomy, innovativeness and proactiveness, are more common dimensions of EO, with greater implications for transgenerational entrepreneurship. Contrary to some earlier studies, they observe that over time and across generations characteristics that support a sustained entrepreneurial orientation can emerge alongside increased family orientation. This lends support to the argument that family firms can stay entrepreneurial, even with increasing family involvement.

In Chapter 7 Vincent Molly, Eddy Laveren and Ann Jorissen examine the financing and growth behaviour of 613 small and medium-sized family firms, by using concepts of internal and sustainable growth. The aim of the study is to highlight intergenerational differences in family firms by using first-generation family firms as a reference category for describing the behaviour in later generations of family firms. Empirical evidence shows that the type of generation actively involved in the management of a family firm is not neutral to the financing and growth decisions of the company, as first-generation family firms seem to realize higher debt levels, lower cash holdings and faster growth rates in comparison with third-generation family firms. Based on a comparison of actual and internal/sustainable growth rates, regression analysis further shows that next-generation managed family firms have a stronger preference for internal financing instead of an excessive level of indebtedness in funding their growth. The results give support for the idea that second- and especially third-generation family

firms seem to be more constrained in their growth behaviour due to more conservative financial policies.

In Chapter 8 Lorraine Uhlaner, Sita Tan, Joris Meijaard and Ron Kemp investigate the links between family orientation, strategy and innovation. The authors conclude that family orientation has a negligible negative impact on the innovation performance of SMEs. They found that more family-oriented firms are likely to report fewer innovations than less family-oriented firms, even when controlling for size, age, sector and differences in strategy. Although this conclusion implies that the family orientation may indeed be an obstacle for innovation, most of this effect can be explained by differences in strategy. In particular, companies following certain approaches to strategy (greater risk orientation, greater growth orientation, more formal strategic process, more focus, innovation differentiation, less emphasis on price discounting) are likely to report a greater level of innovation performance than those who do not. However, family orientation has a small, but statistically significant effect on innovation performance, both direct and indirect.

PART IV: PERFORMANCE OF NEW VENTURES

The key research question considered in Chapter 9 focuses on whether team foundations achieve better performance in new ventures than solo entrepreneurs. However, new venture teams are also exposed to risks, for example, if team members do not have complementary competences and/or if they have communication problems. Daniela Almer-Jarz, Erich Schwartz and Robert Breitenacker investigate the relationship between the initial characteristics of the team, such as size, heterogeneity and the experience of the team, as well as characteristics of team processes, such as work norms, communication, fluctuation and new venture performance. The empirical results indicate that team size and communication have a significant influence on new venture performance, whereas fluctuation, in terms of team member entry and exit, does not.

In Chapter 10 Espen John Isaksen investigates performance differences in newly started businesses. A human capital model focusing on the business founder's key human capital attributes is developed. A distinction is made between the entrepreneur's general and specific human capital. Derived hypotheses are tested using a representative sample of 264 new independent businesses surveyed at two points in time. The first round of data collection took place shortly after the businesses had entered a Norwegian business register. Follow-up data relating to the dependent variable, early business performance, were separated from the presumed

explanatory factors by approximately 19 months. The reported findings suggest that two out of three selected specific human capital variables (that is, business ownership experience and business similarity) were significantly associated with superior early business performance. General human capital variables (that is, the level of education, years of work experience and management experience) were not found to be related to early business performance.

In Chapter 11 María Ripollés, Andreu Blesa, Diego Monferrer and Ysabel Nauwelaerts analyse how entrepreneurial and market orientations influence the performance of international ventures, based on data gathered from Spanish and Belgian new ventures. The Spanish sample shows a positive and significant relationship between entrepreneurial orientation, market orientation and international performance. Market orientation also has a positive and significant relationship with international positional advantages. Finally, international positional advantages have a positive and significant relationship with international performance. In the Belgian case the analysis shows a positive and significant relationship between entrepreneurial orientation and market orientation, and between international positional advantages and international performance. In the case of Spain, entrepreneurs who promote an entrepreneurial orientation can enhance international performance if their companies adopt market orientation. However this does not hold in the case of Belgian international new ventures.

PART V: PROCESSES AND ENTREPRENEURSHIP

In Chapter 12 Bengt Johannisson and Lena Olaison argue for recognition of different perspectives on entrepreneurship, suggesting that it is not possible to conclusively generate models and/or conceptualize entrepreneurship once and for all. The authors associate entrepreneurship with imaginative ways of dealing with ruptures in the everyday life context of individuals. They propose that such ruptures may initiate processes that uncover and (re)produce entrepreneurship, which remain invisible when ‘business as usual’ rules in society. Johannisson and Olaison investigate creative organizing in the face of (natural) catastrophes and conceptualize ‘emergence entrepreneurship’ accordingly.

In Chapter 13 Olav Spilling focuses on the complex processes that may follow attempts to develop a new business based on research results and, in particular, on the role of academic staff in such processes, particularly with respect to how they might contribute as entrepreneurs in the formation of new spin-off businesses. Spilling develops qualitative insights into processes

of commercialization and the role of academic staff in such processes using a longitudinal case study approach, based on four spin-off, biotechnology firms. The four cases illustrate that processes of commercialization may be characterized by complexity, turbulence and a high level of uncertainty. Spilling recognizes the different roles that academic staff may take in the processes of commercialization: the entrepreneurial professor with a high commitment to entrepreneurial tasks as well as research; the industrial entrepreneur with a high commitment to entrepreneurial tasks and less commitment in research; the research oriented entrepreneur with a high commitment to research activities and less in entrepreneurial tasks; and the production manager with a low commitment to research as well as the entrepreneurial tasks of the firm, but who still has an important role in managing the production of the new company. In academic milieus there are often perceived conflicts between academic and commercial activities, and there may be significant barriers to developing a more entrepreneurial culture.

In Chapter 14 Vladimir Vanyushyn argues that the opportunities inherent in the digitization of marketing and selling activities are substantial and that going on-line can lead to a number of benefits for a business, including more efficient business processes, round the clock operations, flexible pricing, rapid internationalization, increased market reach, cost reduction and better targeting of products. Vanyushyn's study aims to identify and examine antecedents of digitization of marketing and sales by smaller manufacturing firms. To do so, three partially overlapping, but nonetheless conceptually and empirically distinct groups of studies, are reviewed and integrated. The first group of studies, which are commonly found in mainstream management and marketing journals, approach digitization from the innovation perspective. The second group, represented mostly by information and management science publications, is grounded in technology acceptance models that evaluate the perceived usefulness and ease of use of an IT application. The third approach examines digitization from a product-market strategy perspective. It is suggested that these three approaches are rather compartmentalized and have been weakly integrated in the literature. Vanyushyn seeks to test alternative models incorporating various combinations of predictors of digitization and to suggest and test an integrative model.

Finally, in Chapter 15 Erik Stam, Petra Gibcus, Jennifer Telussa and Elizabeth Garnsey suggest that new firms must demonstrate dynamic capabilities to reconfigure their resource base as needed. Dynamic capabilities are the organizational and strategic routines by which firms achieve new resource combinations. The authors analyse the association between dynamic capabilities and new firm growth, controlling for measures of firm

resources, characteristics of the entrepreneur and aspects of the environment. The central research question discussed in the chapter is: ‘How strong is the relationship between dynamic capabilities and the growth of new firms?’ The empirical results show that many variables (that is, an entrepreneurial team, educational level, business-ownership experience, technical experience, industry experience, gender and new product development) do not have the presumed relationship. The level of start-up capital only partly has the expected positive association. Employment growth ambitions have a strong positive association with firm growth in general. Growth path dynamics should be viewed in terms of the inherent problems of firm growth and the changing ability of firms to solve these problems by accumulating firm-specific competences and dynamic capabilities.

REFERENCES

- Aldrich, H.E. (2000), ‘Learning together: national differences in entrepreneurship research’, in D.L. Sexton and H. Landström (eds), *The Blackwell Handbook of Entrepreneurship*, Oxford: Blackwell, pp. 5–25.
- Aldrich, H.E. and T. Baker (1997), ‘Blinded by the cites. Has there been progress in entrepreneurship research?’, in D.L. Sexton and R.W. Smilor (eds), *Entrepreneurship 2000*, Chicago, IL: Upstart, pp. 377–400.
- Landström, H. (2005), *Pioneers in Entrepreneurship and Small Business Research*, New York: Springer.