A journey into the entrepreneurial society

Jean Bonnet, Marcus Dejardin and Domingo García-Pérez-de-Lema

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 et al., 2005), it is for example noteworthy that, if the involvement of young people (18–24 years old) in entrepreneurial activity is important for growth in developed countries, it is the older entrepreneurs (45–64) who would bring the stronger contribution to growth in developing countries (Verheul and van Stel, 2010). Older entrepreneurs may compensate for their low level of education by life experience and probably by 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 startups 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 into knowledge and services economies. The weight of the primary sector and the functioning of the informal economy explain the high rates of entrepreneurial activity in developing countries. With economic development and the increase in interesting wage opportunities, one may observe a diminution of 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 for interpretation, have been translated into the well-known U-shape curve linking countries' GDP per capita and rate of entrepreneurial activity (Carree et al., 2007). But is it a U or a mirrored J? The latter appears more correct. In any case:

> As an economy matures and its wealth increases, the emphasis of industrial activity shifts towards an expanding services sector . . . 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 per cent 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 developed countries, Wennekers et al. (2010) point to the reemergence of what they call independent entrepreneurship. The content of this reemergence would correspond at least to two underlying phenomena: development of solo self-employment, which is important for societal and flexibility reasons (Bögenhold and Fachinger, 2008; Chapters 17 and 19, this volume), 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 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 major ways leads to distinguishing several types of development characterized by more or less, and different, entrepreneurial economies. Acs et al. (2014) highlight that venture creation and outcomes are themselves regulated by country-specific institutional characteristics. Relevant variables that take into account differences in 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. Legislation concerning labor market relations, fiscal rules, social security systems, bankruptcy laws as well as the development and the functioning of the financial system—not to mention 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, in return, impacts entrepreneurship as well. The economic development of a country—of which an assessment would include the quality of institutions overall—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 generally by 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 are probably not so many high-quality projects because the conditions are not conducive.

To develop a lively entrepreneurial society requires attention to several interacting factors. Accordingly, the policy for an entrepreneurial society is not the kind 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 examined may be located at the forefront of scholars' research interests. Contributions have been structured in five parts:

1. entrepreneurship and formal and informal institutions
2. entrepreneurial choice, orientation and success
3. entrepreneurial behaviors
4. entrepreneurial finance, growth and economic crises
5. entrepreneurship, social dimensions and outcomes.

The book is a continuation of *The Entrepreneurial Society: How to Fill the Gap between Knowledge and Innovation* (Bonnet et al., 2010) and *The Shift to the Entrepreneurial Society: A Built Economy in Education, Sustainability and Regulation* (Bonnet et al., 2012). In the first chapter of this volume—"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. The authors attempt to identify the factors that facilitate or hinder the transformation 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 for 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—that is, 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 than for starting new ventures. An explanation could be sought in the reaction to an "un-entrepreneurial" 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 study aims at understanding who the entrepreneurs are who positively use regulation as a source of business opportunity and how they succeed in this. Not all entrepreneurs use regulation as a source of opportunity, and those who do use two different approaches, which the authors call the "Kirznerian" and "Schumpterian" 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: enrolment in tertiary education; entrepreneurial motives associated with growth-oriented ambitions; and the promotion of entrepreneurship as a desirable career choice. They also consider the possible impact of institutions and whether fast-growing firms are more likely in dynamic economic environments offering greater business opportunities.

In the fifth chapter, "Institutions, entrepreneurship, and regional growth in Indonesia (1994–2010)", François Facchini and Subandono contribute 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 rights, contracts 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 to their advantage. Exploiting Indonesian provincial panel data for the period 1994–2010, the authors 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, namely Vietnam. Analyzing a dataset of 7818 Vietnamese firms, including 719 exporting firms, the authors find that export propensity is mainly and negatively influenced by provincial financial conditions. Provincial attitudes, bureaucracy, legal and informal charges positively drive the firm's export intensity. The predictability of domestic laws and regulations negatively influences a 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 next 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 (workforce qualification, importance of the manufacturing industry, factors impacting the business climate, among others) influence 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, the authors are able to distinguish whether local factors exert a positive or negative effect on establishments' growth. Their results suggest that more attention should be paid to locally defined policy tools and objectives.

In the eighth chapter, "The 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 in the labor market. They find that being a *pull* entrepreneur (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—individuals who are driven to entrepreneurship mainly because they suffer from a poor position in 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, and ends the second part of this book. The authors investigate the transformation of 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 from 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 comprises three chapters examining highly contrasted topics. The tenth chapter, "Entrepreneurial opportunity recognition and exploitation in academic spin-offs" by Ugo Rizzo, considers the differences between businesses created to market research results 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 with academic spin-offs of the University of Manchester (UK) leads to the conclusion that commercial and non-commercial academic spin-offs cannot be compounded. Even more heterogeneity can be suspected. This may have important implications and definitely calls 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. This question has been largely neglected in studies on firm location processes, although it appears that a growing number of firms that are active in developing sectors such as the knowledge, personal services and consumer sectors that contribute to feed the new economy are home-based businesses. The authors use 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 increases with caring for family needs or when the business does not provide the primary household income. It decreases with the growth ambition of the entrepreneur.

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 increasing dramatically 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 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 E. Giordani extends Schumpeterian economic growth models by introducing a role for Knightian uncertainty. His modeling is driven by the idea that producing innovation is an intrinsically uncertain economic activity and, accordingly, that agents can be uncertain about the probability of any innovation occurrence. The proposed model echoes the micro-evidence that suggests a relationship between an individual's occupational choice, including being an entrepreneur, and attitude to uncertainty. With respect to economic growth, it supports the idea that the agent's attitude to 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", Mª Camino Ramón-Llorens and Ginés Hernández-Cánovas show, through analysis of a survey dataset of 41 Spanish venture capital firms (VCFs), that most Spanish venture capital contracts are standard. However, when they study the VCFs according to the public or private origin of resources, they find some heterogeneity in the design of the contracts due to government coercion on public entities, with the private sector remaining the stronger 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 might affect their strategic decision making. The authors use a dataset based on a survey conducted in 2011 of managers of Catalan SMEs. Applying a non-hierarchical typological analysis, they identify three clusters of firms characterized by the degree of perceived difficulties, which they then put in relation to different strategic actions. The firms that perceive the crisis more negatively are also those that more often take strategic action. Perceptions appear to play an important role, and this is quite challenging for managers and 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, analyzes the determinants of finance seeking by Luxembourgish independent SMEs during and after the 2007–2009 financial crisis. The study is conducted for different types of funding (loans, equity and other sources), and regressions estimate how individual characteristics, past behavior and business environment perceptions affect decisions about seeking or not seeking external finance.

Three further chapters form the fifth and final part of the book: *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 from a unique Finnish survey including freelance journalists, translators, interpreters and artists at the blurred boundaries between waged work and entrepreneurship. The manifestations of entrepreneurship vary, reflecting the work and the labor market situation within the professions. 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 is social entrepreneurship from commercial entrepreneurship?"—by Alicia Rubio Bañon, Nuria Esteban-Lloret and Antonio Aragón Sánchez—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 yet known about the specificities (if any) regarding the characteristics and motivations of social entrepreneurs. Using data from the 2009 Spanish GEM 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 final chapter of this book. The development of self-employment may be interpreted as being the result of structural reform policy aimed at labor market 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 retirement as they depend highly on private provisions? With a focus on solo self-employment, the authors use data from the German Microcensus for 1989–2009 to study the ability and willingness of people to save money for old-age provision. Their results lead us to emphasize what would be a growing poverty risk, calling for overall attention and policy response.

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

REFERENCES

Abdesselam, R., Bonnet, J., Renou-Maissant, P. (2014). "Typology of the French regional development: revealing the refugee versus Schumpeter effects in new-firm start-ups", *Applied Economics*, **46** (28), 3437–3451.

Acs, Z.J., Amoros, J.E. (2008). "Introduction: the startup process", *Estudios de Economía*, **35** (2), 121–132.

Acs, Z.J., Autio, E., Szerb, L. (2014). "National systems of entrepreneurship: measurement issues and policy implications", *Research Policy*, **43** (3), 476–494.

Aubry, M., Bonnet, J., Renou-Maissant, P. (2015). "Entrepreneurship and the business cycle: the 'Schumpeter' effect versus the 'refugee' effect. A French appraisal based on regional data", *Annals of Regional Science*, **54** (1), 23–55.

Audretsch, D.B. (2007). "Entrepreneurship capital and economic growth", *Oxford Review of Economic Policy*, **23** (1), 63–78.

Audretsch, D.B. (2008). "Creating the entrepreneurial society", Conferencia Magistral, Fundación Rafael del Pino, April 23.

Bögenhold, D., Fachinger, U. (2008). "Do service sector trends stimulate entrepreneurship? A socio-economic labour market perspective", *International Journal of Services, Economics and Management*, **1** (2), 117–134.

Bonnet, J., Brau, T., Cussy, P. (2011). "Entrepreneurial decision-making", in Léo-Paul Dana, ed., *World Encyclopedia of Entrepreneurship*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar Publishing, 65–79.

Bonnet, J., Dejardin, M., Madrid-Guijarro, A., eds (2012). *The Shift to the Entrepreneurial Society: A Built Economy in Education, Sustainability and Regulation*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar Publishing.

Bonnet, J., García-Pérez-de-Lema, D., Van Auken, H., eds (2010). *The Entrepreneurial Society: How to Fill the Gap between Knowledge and Innovation*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar Publishing.

Carree, M., van Stel, A., Thurik, R., Wennekers, S. (2007). "The relationship between economic development and business ownership revisited", *Entrepreneurship and Regional Development*, **19** (3), 281–291.

Dejardin, M., Fritsch, M. (2011). "Entrepreneurial dynamics and regional growth", *Small Business Economics*, **36** (4), 377–382.

Estache, A., Iimi, A. (2011). *The Economics of Public Infrastructure Procurement in Developing Countries: Theory and Evidence*, London: Centre for Economic Policy Research.

Global Entrepreneurship Monitor (2009). *Executive Report*, Babson Park, MA: Babson College.

Hermans, J., Vanderstraeten, J., Van Witteloostuijn, A., Dejardin, M., Ramdani, D., Stam, E. (2015). "Ambitious entrepreneurship: a review of growth aspirations, intentions, and expectations", *Advances in Entrepreneurship, Firm Emergence, and Growth*, **17**, 127–160.

Koellinger, P.D., Thurik, A.R. (2012). "Entrepreneurship and the business cycle", *Review of Economics and Statistics*, **94** (4), 1143–1156.

Naudé, W. (2010). "Entrepreneurship, developing countries, and development economics: new approaches and insights", *Small Business Economics*, **34** (1), 1–12.

Puppim de Oliveira, J.A., ed. (2008). *Upgrading Clusters and Small Enterprises in Developing Countries: Environmental, Labour, Innovation and Social Issues*. Aldershot: Ashgate.

Szerb L., Aidis R., Acs, Z.J. (2012). "A comparative analysis of Hungary's entrepreneurial performance in the 2006–2010 time period based on the Global Entrepreneurship Monitor and the Global Index methodologies", Carbocomp Ltd, Pecs, Hungary.

Thurik, R., Carree, M., van Stel, A., Audretsch, D.B. (2008). "Does self-employment reduce unemployment?", *Journal of Business Venturing*, **23** (6), 673–686.

van Stel, A., Carree, M.A. (2004). "Business ownership and sectoral growth; an empirical analysis of 21 OECD countries", *International Small Business Journal*, **22** (4), 389–419.

van Stel, A., Carree, M.A., Thurik, A.R. (2005). "The effect of entrepreneurial activity on national economic growth", *Small Business Economics*, **24** (3), 311–321.

Verheul, I., van Stel, A. (2010). "Entrepreneurial diversity and economic growth",

in J. Bonnet, D. García-Pérez-de-Lema, H. Van Auken, eds, *The Entrepreneurial Society: How to Fill the Gap between Knowledge and Innovation*. Cheltenham, UK and Northampton, MA, USA: Edward Elgar Publishing, 17–36.
Wennekers, S., van Stel, A., Carree, M., Thurik R. (2010). "The relationship between entrepreneurship and economic development: is it U-shaped?", *Foundations and Trends in Entrepreneurship*, **6** (3), 167–237.
Wong, P.K., Ho, Y.P., Autio, E. (2005). "Entrepreneurship, innovation and economic growth: evidence from GEM data", *Small Business Economics*, **24** (3), 335–350.