

CHAPTER 1

Research Background

1 Introduction

Entrepreneurship is a wide-ranging term which is an important topic everywhere in the world. What would the world be without entrepreneurship and especially without entrepreneurs? There would be no changes in the product and service world, no innovations that makes the life easier and no new foundations of firms. Additionally, the work places would be more limited and the economic growth would more or less stagnate. In 2011, the Global Entrepreneurship Monitor (GEM) counted almost 400 million entrepreneurs in 54 countries (GEM Consortium, 2012). This number of entrepreneurs shows the importance and relevance of studies relating to entrepreneurship. All over the world people live who want to realize their wishes and desires by founding a new company. Furthermore, the interest regarding to entrepreneurship rises. Many academies give classes about how to create and handle ideas, start a business and communicate necessary know how, although working for a fast-growing firm seems to be easier than to start an own business. The decision to become self-employed is amongst others affected by various factors that have an impact with different intensities on individuals.

This thesis will present and describe different important characteristics concerning the field of entrepreneurship. After a short introduction with definitions and the historical development, a closer look is taken on different types of entrepreneurs, models describing the entrepreneurial process and motivation and followed by a broad overview of entrepreneurial characteristics. The adduced research investigates driving factors regarding their strength of influence on individuals in different countries.

1.1 Research Background

Entrepreneurship is important because it leads to increased economic efficiencies, brings innovation to the market, creates new jobs, and sustains employment levels (Kumara and Sahasranam, 2009). Small businesses make an important contribution to the success of a country's economy. However, despite decades of research, scholars currently have only a limited understanding of the personal characteristics and decision processes that lead an individual to become an entrepreneur (Kumara and Sahasranam, 2009). Decisions of people influence the development of their entrepreneurial process which is made because of different factor peculiarity. Even if someone has an idea of a business concept then it is not sure that she/he will exploit the chance. There are many differential factors and circumstances which influence this decision (Shane et al., 2003). Reynolds (1997, p. 449) points out that it exists “a strong suspicion that those starting new firms are unique individuals or in distinctive situations.” Studies about entrepreneurial activities and establishments of new companies are important, especially due to its economic relevance. Hence, a few facts will be presented in the following. The development of new markets and industries, for example mobile phones or computers, will not occur without new firm creations. Therefore, in the early stage of emergence, several competitive business creations are necessary and after a certain time some of those will dominate the new sector (Hannan, Freeman, 1989; Carroll, Hannan, 2000; Klepper, 2002; PSED, 2007

For decades, researchers have been interested in the question why some college educated people become entrepreneurs. The concept of opportunity entrepreneurship raises researcher's interest and can be found even in the early entrepreneurial contributions of Schumpeter (1934, 1950) and Knight (1971) and in the later contributions of Shane and Venkataraman (2000) and Audretsch (2007) (Petrakis and Kostis, 2014). For Schumpeter, the entrepreneur is indeed the one who disturbs the neo-classical equilibrium by executing new combinations in the means of production

and who puts the economy on the path of motion and development (Uzunidis, Boutillier and Laperche, 2014). Venture capitalists have traditionally placed more emphasis on the personal characteristics of entrepreneurs than on other factors in assessing new ventures (Shepherd, 1999). Moreover, recent research has confirmed that, in the business startup process, human resources and their characteristics are more important than environmental factors (Rotefoss and Kolvereid, 2005). A vast body of literature studying the entrepreneurial personality has found that certain traits seem to be dominant in case of entrepreneurs. They are action oriented and highly motivated individuals who take risks to achieve goals. Such a capability is the outcome of certain personality traits in an individual, which can be acquired by training and practice. An entrepreneur possesses distinct qualities like risk dealing, goal setting, decision making, information seeking, problem solving, time planning and maintaining good interpersonal relations in addition to other set of special characteristics, such as innovativeness, creativity, communication skills, high-level of confidence, perception, team building, trustworthiness, hard work, consistency and analytical strengths (Motilal and Umesh, 2005). Previous researches had also found that a tendency to become an entrepreneur could be affected by entrepreneurial characteristics mentioned previously such as achievement motivation, need for affiliation risk taking propensity, and locus of control, tolerance for ambiguity, self-efficacy and fear to failure. The global entrepreneurship monitor and its most recent data from 2013 shows that the level of entrepreneurial activity in Indonesia is high; furthermore, it is notable that both men and women are equally likely to be engaged in entrepreneurial activities. On the other side, United States has only twelve percent of entrepreneurial intention also known as tendency to be entrepreneur. It is often argued that this dynamism and flexibility has enabled the US economy to adapt to changing economic circumstances and recover from recessions in a robust manner. While the evidence provides broad support for this view, the outcomes of entrepreneurship are more

heterogeneous than commonly appreciated and appear to be evolving in ways that could raise concern. Evidence along a number of dimensions and a variety of sources points to a US economy that is becoming less dynamic. Of particular interest are declining business startup rates and the resulting diminished role for dynamic young businesses in the economy.

1.2 Research Purpose

Due to the above mentioned arguments, a specific problem for conducting the research is formulated as follows: to describe the main entrepreneurial characteristics among university students in two countries; Indonesia and United States, also to examine the tendency to become entrepreneurs among the students sample of the countries in the sample.

1.3 Research Questions

In order to answer the problem statement, the following research questions are formulated. The first research question is set up to give some insight in the field of entrepreneurship and the various entrepreneurial characteristics of the students in the sample including both countries: Indonesia and United States. The second describes the relation between the entrepreneurial characteristics of the students in the sample and the tendency to be an entrepreneur.

1. What entrepreneurial characteristics can be found in University Students in Indonesia and United States?
2. Is there any relationship between the entrepreneurial characteristics and the tendency to start a business?

1.4 Research Benefits

Among the expected benefits of the researcher from this thesis are: increasing personal knowledge and contributing to the humanity, developing skills and interests. It can also benefit the academic sector as a useful empirical evidence to increase knowledge and experience in applying theories acquire in university as starting material information in writing new researches or thesis.

1.5 Thesis Structure

This section presents the structure of the thesis and describes the subsequent chapters and its particular content. Chapter one, the introduction chapter contains a background introducing the reader into the topic and aims to make them interested in continuing reading. After the problem discussion which outlines the importance of entrepreneurship and the influence of various factors on individuals to become entrepreneurs, it ends up with the presentation of the research problem and the purpose.

Chapter two starts with introducing definitions of the terms ‘entrepreneurship’ and ‘entrepreneur’ and continues with information about historical development of entrepreneurship, types of entrepreneurs and different models explaining the entrepreneurial process and entrepreneurial motivation. Furthermore, numerous entrepreneurial characteristics are introduced. Next, the theoretical framework summarizes the theory approaches that are needed at a later stage for analyzing the empirical findings. Based on the literature review in the theoretical chapter, seven hypotheses are developed which will be tested in the analysis part.

Chapter three; the research method chapter presents aspects of qualitative and quantitative research, discusses alternative research methods and digs deeper into the topic of survey methods using questionnaires and case study research..

Afterwards, the cases for conducting the further research are introduced. In this thesis, two countries are chosen as cases to investigate entrepreneurial characteristics in each of them and to do a comparison in the end by using ANOVA.

Chapter four is the chapter about empirical findings and provides an overview of the results gained by analyzing the used data set with the software SPSS. First, there is a descriptive statistics part, followed by regression analysis also ANOVA. Then, in the analysis part the findings are analyzed based on theoretical statements and by comparing the results with previous conducted studies. The hypotheses are tested on basis of the findings by deciding if they are accepted or rejected and the ranking showing the distribution of influential factors within the investigated countries is created.

Finally, chapter five summarizes the results of the thesis, restrictions of this study are recognized in the limitation part and implications and recommendations for future research are presented.