

# **Why People Say No To Entrepreneurship? a comparative study**

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## **ABSTRACT**

Entrepreneurship has become an important subject for academics and for politicians all over the western world. Particularly for countries in the euro zone, whose ability to use demand side politics has been severely shortened, the need to improve economic growth through the stimulation of the aggregate supply is one of the priorities of these days. This paper looks for ways to convince people to use their abilities in an entrepreneurial career, by studying non-entrepreneurs and the reasons why they don't want to go that way.

### Objectives:

This communication takes data from a entrepreneurial intentions study and tries to identify differences between a) people who say they want to be entrepreneurs and b) people who clearly say they do not want to create their own organization.

### Prior work:

A large number of studies have been published studying successful entrepreneurs. That means entrepreneurship literature looks at people who, not only decided to create their own companies, but also succeeded at that activity. The work of Gartner (1988) provided reasons to believe entrepreneurs are not different from other people in their psychological attributes. Most studies don't look at people who created their own companies but failed. Much less do they look at people who do not create companies.

### Approach:

This communication looks at people who flat out say they don't want to be entrepreneurs. It tries to identify what distinguishes them from the ones who want to be entrepreneurs and it tries to answer the question: why? Why don't they want to become entrepreneurs? Are they concerned they will not be successful? Do they believe they will not be able to gather the necessary resources? Are they unable to identify entrepreneurial opportunities? Do they think society does not value entrepreneur's role?

### Results:

The results show interesting suggestions about the reasons people resist the entrepreneurial idea. They seem to value obstacles more than potential entrepreneurs and they trust their capabilities less than them. People who do not want to be entrepreneurs seem to give less importance to professional development and to creating jobs.

Implications:

These results make one believe that people still see firm creation as a "big deal". For that reason they don't trust their capacities to be successful in entrepreneurship and choose other career options. Of course, there are also those who have other goals in life and don't see job creation or professional development as an important thing. These implications give political authorities directions on the policies they can use to develop entrepreneurship

Value:

Entrepreneurship has become an important subject for academics and for politicians all over the world. It is a reasonable assumption that increasing entrepreneurship is an important objective. The thing is HOW. What can governments do to increase the creation of new companies? Conclusions are drawn, concerning what governments, universities and other interface structures can do to change these people's ideas about entrepreneurship.

Keywords: entrepreneurship, economic development, intentions, firm creation

## **INTRODUCTION**

Entrepreneurship has become an important issue for economic authorities who are looking for new ways to increase economic growth, job creation and innovation (Allen and Weinberg, 1988, Reynolds and Maki, 1991, Reynolds, 1994, Reynolds, Storey and Westhead, 1994, Palich and Bagby, 1995 and Henderson, 2002) .

Entrepreneurship is also increasingly important as a career choice, because the 21<sup>st</sup> century labor market more and more faces professionals with the choice of pursuing a career in other people's companies or creating their own. Other people choose creating their own company because they lack a job alternative, or fear losing their present one (Baumol, 1990 and Reynolds et al, 2002).

For the first or the second reason, entrepreneurship is a must in nowadays press, bookshelves, politicians' speeches and academia (Gaspar, 2006 and Gaspar, 2007).

Everyone seems to agree that increasing entrepreneurship and increasing the creation of new firms is good for the economy and for the development of society, therefore, it is an important objective for economic and political

decision makers (Allen and Weinberg, 1988, Reynolds, Storey and Westhead, 1994, Palich and Bagby, 1995, Shane and Venkataraman, 2000, Gartner, 2001, Reynolds et al., 2002 and Gaspar, 2007).

The real question is HOW (Sociedade Portuguesa de Inovação, 2001 and Gaspar, 2006). How to increase entrepreneurship? How can we convince people to take the risks and the pains of creating a new company?

On the root of entrepreneurship and firm creation is... people. The entrepreneur is a person, rational in some ways, emotional in others (Gartner, 1989).

Why does he or she decide to create his or hers company is a question often studied in the literature (Gartner, 1989 and Lillo and Lajara, 2002).

Why do everyone else decide not to do it, is a question even less studied.

A relatively small number of published studies makes some comparison between entrepreneurs and non-entrepreneurs (McGrath, MacMillan and Scheinberg, 1992, Amit et al, 2000, Markman, Baron and Balkin, 2005, Lindsay, 2005, Cools and Broeck, 2007 and Beugelsdijk, 2007). However, all these studies made a distinction between people who created a company (entrepreneurs) and people who didn't (non-entrepreneurs).

In the first group there were only those who were successful in identifying a business idea, gathering the resources to start a company, successfully creating it and making it survive.

In the second group are all of those who didn't create a startup. That includes:

- those who couldn't find a business idea;
- those who had the idea, but couldn't gather the resources;
- those who had the idea and the resources but were unable to create and get the startup to the market;
- in some cases there may also be people in those samples who created a startup but didn't survive or survived but, meanwhile, sold it.

In this research project a different approach is adopted. The real purpose is to devise strategies to increase the level of entrepreneurial activity. If you want people to create startups, you need then to be willing to do so, otherwise, they won't see business opportunities even if they step on them.

When this work uses a sample of potential entrepreneurs, it is understood that many of them (maybe most of them) will never start a company. Some will but fail. Only a small part will create successful startups.

When it uses a sample of non-entrepreneurs, it is comprised of people who not just haven't created a startup but also say they do not want to do so. Not now and not in the foreseeable future. It is understood that some of these people may become successful entrepreneurs in the future, they may change their minds about entrepreneurship or they may be forced to create their own job, to escape unemployment (push entrepreneurship).

The purpose of the research is to understand why the later group does not want to create their own company, even after they went through college and an entrepreneurship course and to identify what (if anything) distinguishes these people from potential entrepreneurs.

Maybe with this knowledge in hand it will be possible to devise strategies to convince people of the advantages of entrepreneurship and to make them look for business opportunities.

This is particularly important for a country like Portugal, where entrepreneurial activity is so low as shown in GEM studies (Reynolds at al., 2002).

Taking the results of a study aimed at measuring university's last year student's, this work tries to identify what (if anything) distinguishes people who declare themselves interested in creating their own company in the future from people who flat say no, they do not want to be entrepreneurs.

## **METHODOLOGY**

Final year students in a small Polytechnic Institute in Portugal (Instituto Politécnico de Santarém) were subjected to a study of their entrepreneurial intentions, replicating the many similar studies published in the literature.

The data was used in this study with a different objective and the sample was divided into two subsets, based on a clear question asking whether respondents were interested in creating their own company in the future.

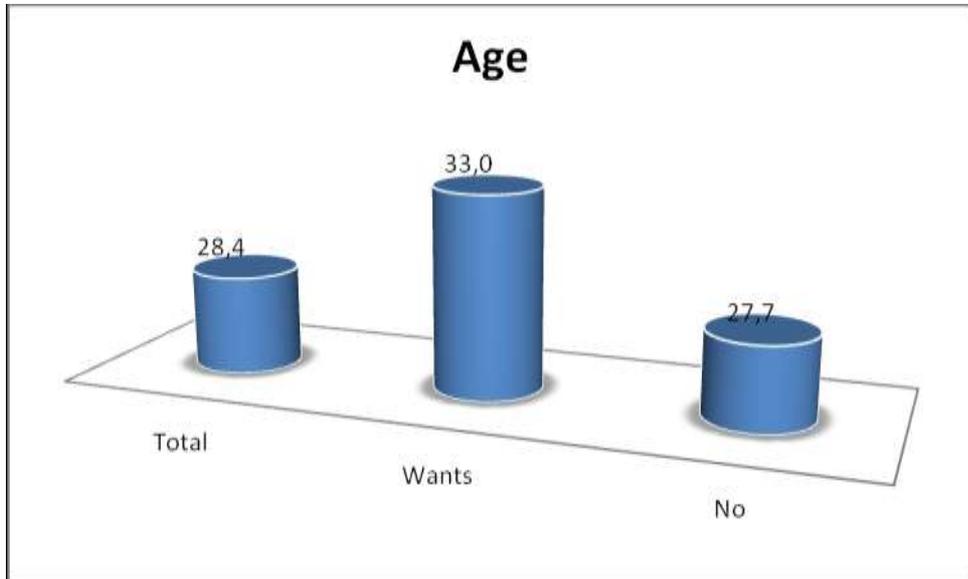
The two sub-samples were then compared.

A regression analysis completed the study, using the potential entrepreneur / non-entrepreneur variable as the dependent one, and the other variables as independent / explanatory ones.

## **ANALYSIS AND DISCUSSION**

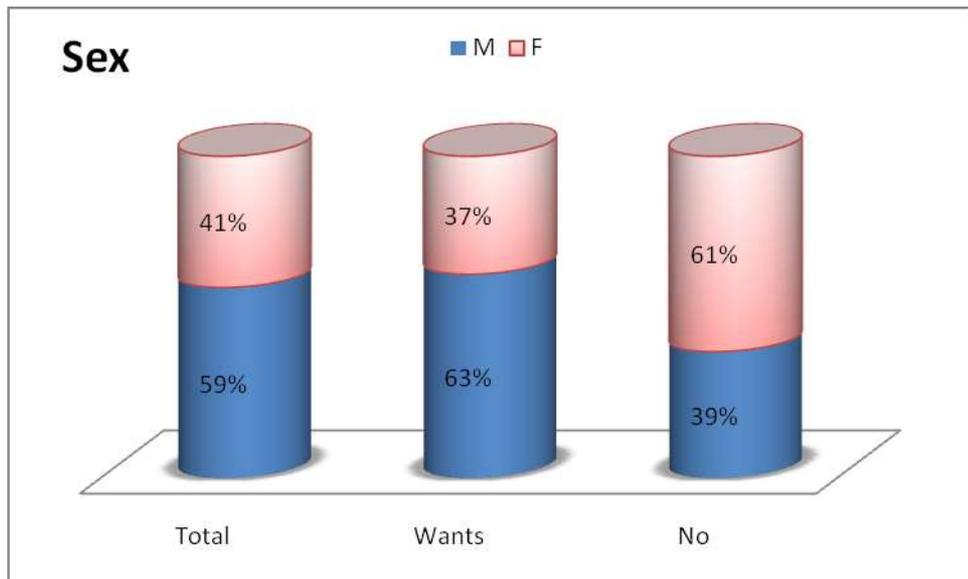
Comparing the two sub-samples showed that people who declared they did not want to create their own companies in the future (they will be called NE – non entrepreneurs) were younger (Figure 1). More than five years younger.

**Figure 1 – Average Age**



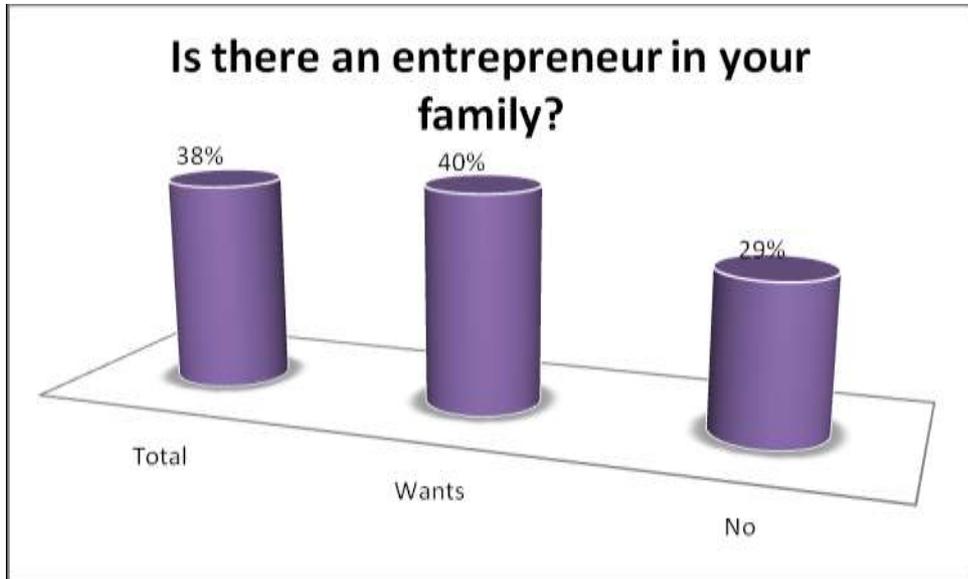
The same comparison showed (Figure 2) that NE were mostly women (61%), while potential entrepreneurs were mostly men (63%).

**Figure 2 - Gender**



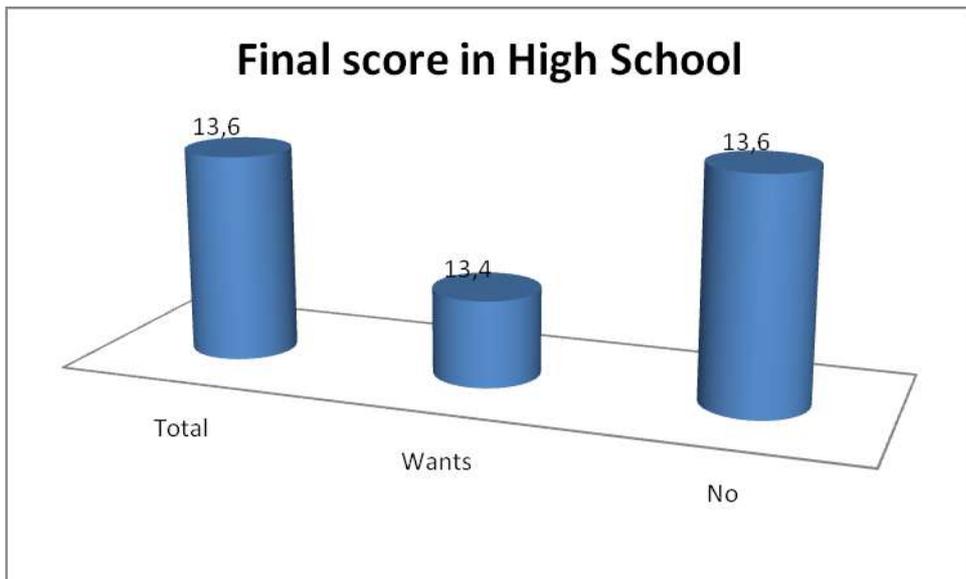
There was another big difference in what concerned family antecedents (Figure 3). NE have less entrepreneurs in their family (only 29% have) than potential entrepreneurs.

**Figure 3 - Is there an entrepreneur in your family?**



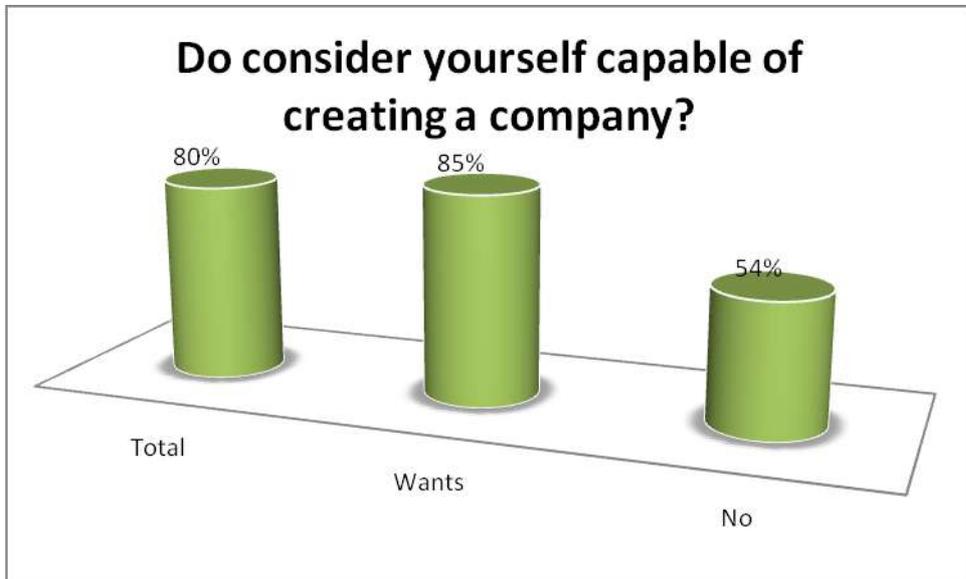
NE showed a slightly higher classification in the national tests for admission in higher education (Figure 4).

**Figure 4 - Classification in national admission exams**



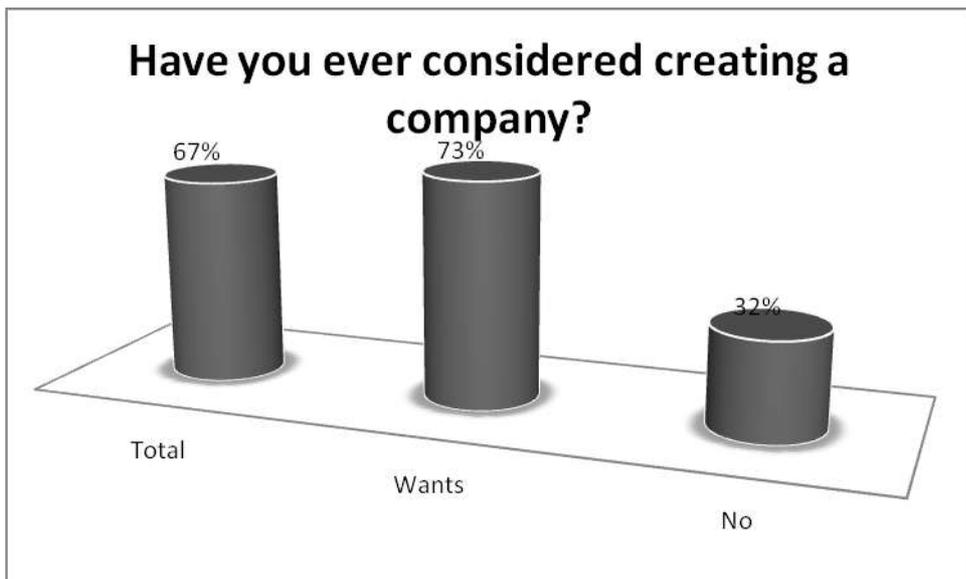
Not surprisingly, NE considered themselves less capable of creating a company than potential entrepreneurs (Figure 5).

**Figure 5 - Do you consider yourself capable of creating a new company?**



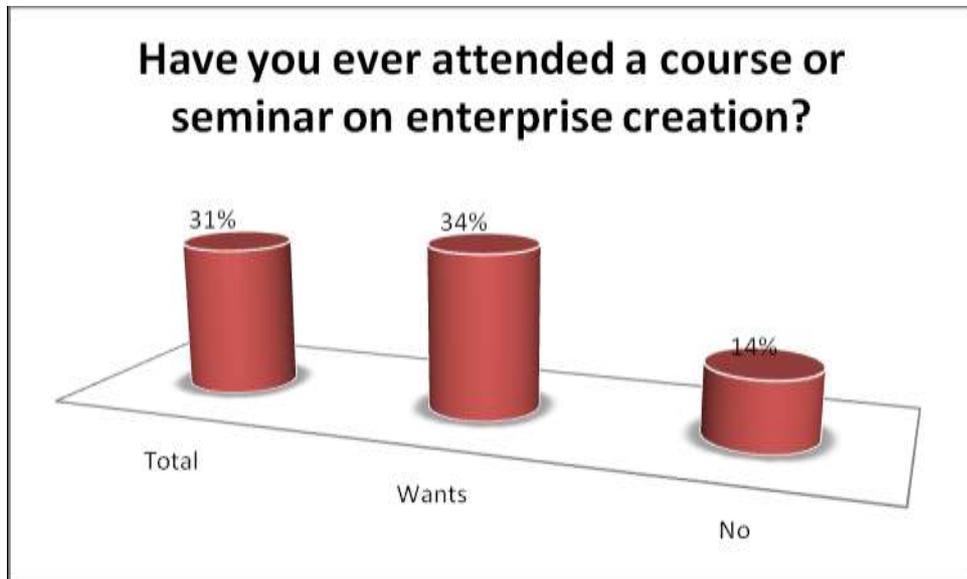
The potential entrepreneurs who have previously considered creating a company (Figure 6) were much more (73%) than NE (32%).

**Figure 6 - Have you ever seriously considered creating a company?**



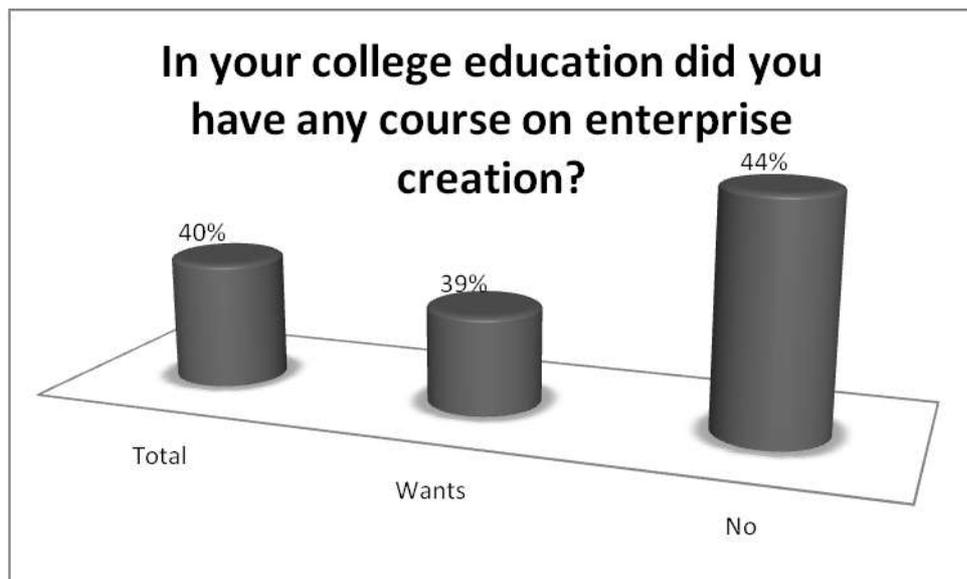
Only 14% of NE have assisted a seminar on firm creation, against 34% of potential entrepreneurs (Figure 7).

**Figure 7 - Have you ever attended a seminar on firm creation?**



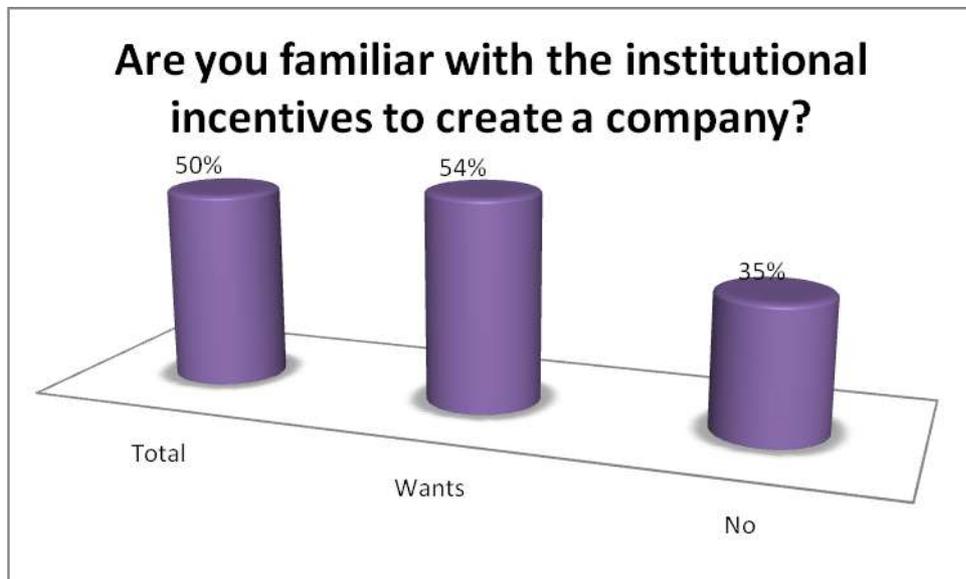
Curiously there were more NE (44%) saying they had had disciplines on firm creation at school (Figure 8) than potential entrepreneurs (39%).

**Figure 8 - Have you ever had a discipline in school on firm creation?**



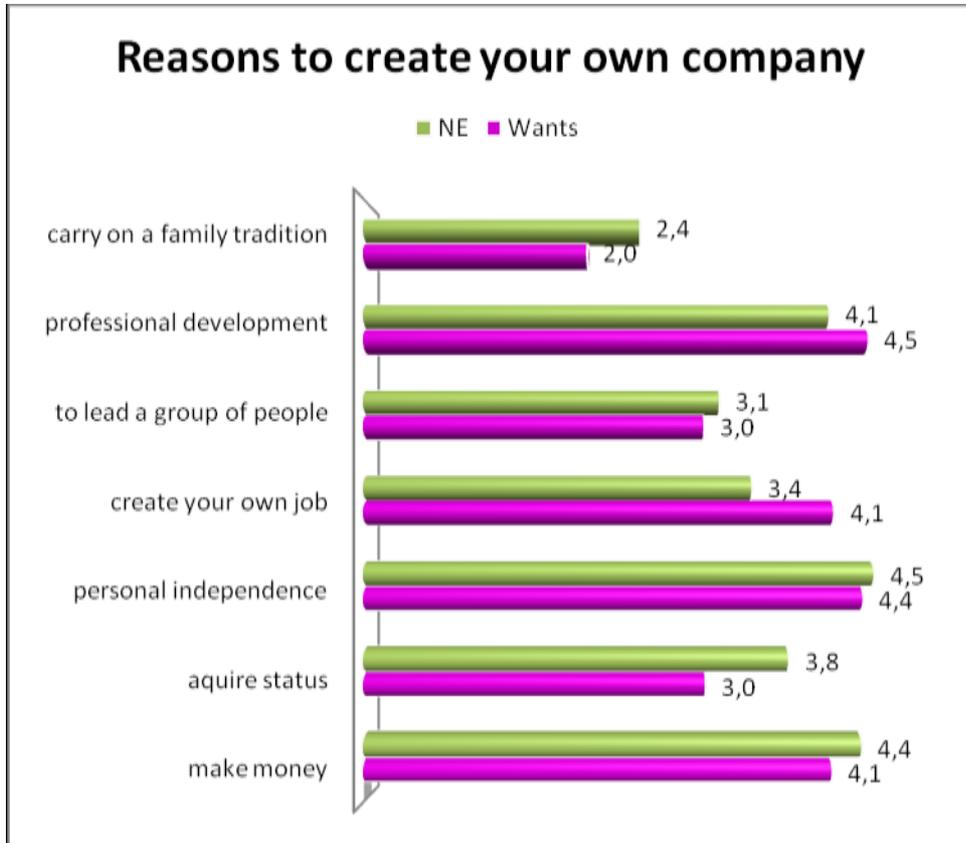
NE were not as conscious of institutional incentives to create companies than potential entrepreneurs (Figure 9).

**Figure 9 - Are you aware of the institutional incentives for firm creation?**



When comparing the reasons people see to create a company, potential entrepreneurs give more importance to family tradition, status and money, while NE place greater weight on professional development and on creating one owns job.

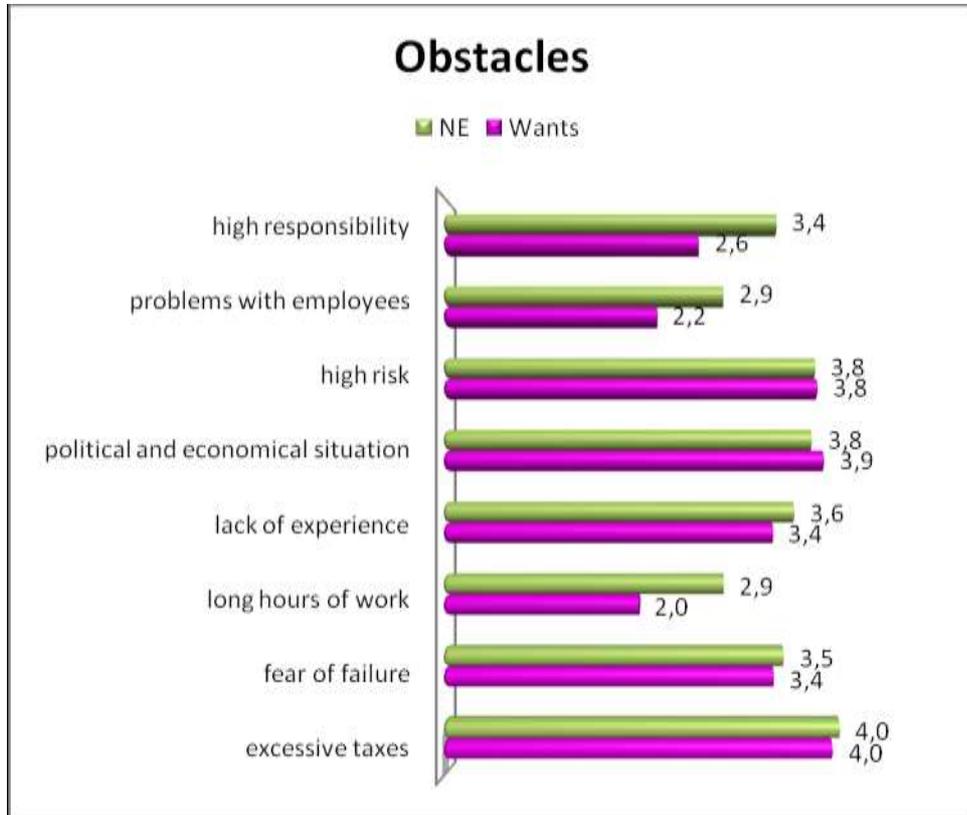
**Figure 10 - Why would you create your own company?**



Comparing reasons people see not to create a company (or obstacles), one can conclude that NE give greater importance to responsibility, dealing with staff, lack of experience and to the long hours they think are required to create a company (Figure 11).

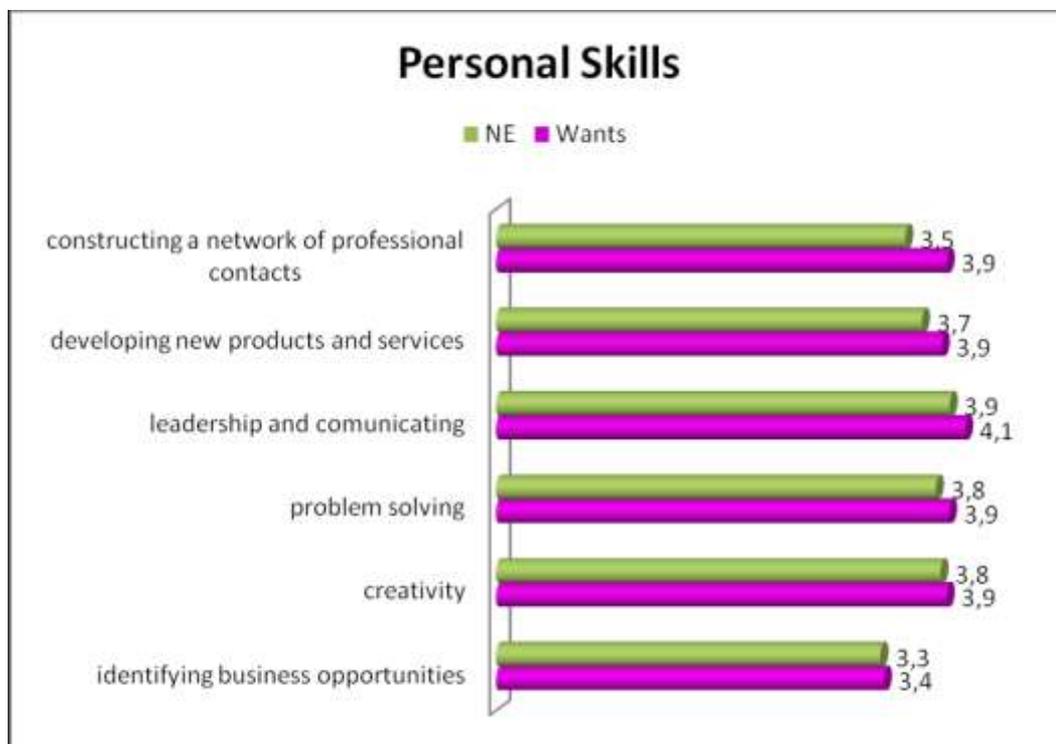
Potential entrepreneurs saw fewer obstacles in every item, except of the political and economic situation.

**Figure 11 - Why wouldn't you create your own company?**



When asked to judge their own personal skills, NE believed were less confident in their capacities than potential entrepreneurs, in every item, building a network of contacts, developing new products, leadership and communication, problem solving, creativity, and identifying business opportunities.

**Figure 12 - Evaluate your personal skills**



The two sub-samples showed some differences, even though these were not radical.

NE were females, younger, with less family antecedents, consider themselves less capable of starting a company and they did not consider creating their own company.

NE have not assisted seminars on firm creation, but had disciplines in school on the same subject. They were also less aware of incentives to create one's own company.

NE were less motivated by money and status to start their own company and were most fearing of the long hours, the responsibility and the problems with staff that task would require.

They were also less confident on their skills.

After this initial analysis, a statistical comparison between the two samples was performed, using Levene's F test, to verify the equality of variances, and t-tests to verify the equality of means.

**Table 1 - Comparing the samples**

	Var		Levene's Test for Equality of Variances		t-test for Equality of Means			
			F	Sig.	t	df	sig	Mean Dif
Importance	Create one's own job	Equal variances assumed	0,428	0,514	-1,9594	137,00	0,052	-0,979
	Professional development	Equal variances assumed	0,310	0,578	-2,8026	139,00	0,006	-0,751
Obstacles	Assuming big responsibilities	Equal variances assumed	0,001	0,981	2,0227	137,00	0,045	0,515
Skills	Iniciative	Equal variances not assumed	5,827	0,017	-2,1826	41,35	0,035	-0,376
	Leadership and Communicating	Equal variances assumed	0,347	0,557	-2,1875	138,00	0,030	-0,384

The two samples presented differences in some interesting variables:

- NE see obstacles where PE don't
- NE don't consider creating their own job as important as do PE
- NE don't value professional development as much as PE do
- NE rate their own initiative, leadership and communication skills worse than PE

These differences can give some clues on how to motivate people to increase their entrepreneurial activities.

### Regression Analysis

The regression analysis performed with this data showed a reasonable explanatory capacity, because the adjusted R<sup>2</sup> showed that independent variables explained 56.6% of the variance in the dependent variable.

**Table 2 - Model Summary**

Model	R	R Square	Adjusted R Square	F	Std. Error of the Estimate	Durbin-Watson
4	,775	,600	,566	11,553	,274	1,633

Four variables and a constant explained this part of the variation in the dependent variable, that is to say, four variables contributed (in this sample) to the choice of people wanting to be entrepreneurs or not.

**Table 3 - Coefficients**

	Standardized Coefficients			Collinearity Statistics	
	Beta	t	Sig.	Tolerance	VIF
(Constant)	2,033	9,485	,000		
Developing new products and services	-,497	-5,254	,000	,971	1,030
Create one's own job	-,444	-4,624	,000	,943	1,060
Problem solving	-,455	-4,707	,000	,928	1,078
College transmits a positive idea about entrepreneurship	,274	2,799	,007	,908	1,102

Table 3 shows that people who trust their abilities to develop new products and services are more likely to be willing to be entrepreneurs. The same thing goes for people who value creating their own job and people who trust their abilities to solve problems.

Curiously, in this sample, those who said college gave them a positive idea about entrepreneurship were less likely to be in the potential entrepreneurs sub-sample.

Also curious is the fact that there was a positive constant, meaning there was a tendency for people being non-entrepreneurs that was not explained by this set of independent variables.

This regression analysis further confirmed that trusting one's own skills contributes to people's willingness to become entrepreneurs.

It also contributed to believe that people who believe it's important to create their own job are more likely to be potential entrepreneurs.

## **CONCLUSIONS**

This was a first attempt to study the people who say they do not intend to become entrepreneurs.

The objective is to understand the reasons behind that career choice.

By comparing the answers given to an entrepreneurial intentions questionnaire by potential entrepreneurs and people who say they do not want to be entrepreneurs, a few differences were spotted.

Further research needs to be done, but confidence on their own skills seems to be an important difference.

The results show interesting suggestions about the reasons people resist the entrepreneurial idea.

These people seem to value obstacles more than potential entrepreneurs and they trust their skills less than potential entrepreneurs.

Finally, people who do not want to be entrepreneurs seem to give less importance than potential entrepreneurs to professional development and creating one's own job.

Future research should be done with larger samples, from a broader set of formation areas, to overcome one of the limitations of this research.

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