

POTENTIAL ENTREPRENEURSHIP

**STUDENT YOUTH AS AN ENTREPRENEURIAL
RESOURCE: EXPERIENCE OF RUSSIAN UNIVERSITY**

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ABSTRACT: The article reveals specific features of potential entrepreneurship based on statistical data of a local poll and analysis of resource potential and formation of sustainable motivation in a multidimensional environment. Possible typology of potential entrepreneurs in a study group was identified according to ratio “provision of resources - power of motivation”.

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Introduction

Development of entrepreneurship is a commonly recognized indicator of success of reforms and achieved level of competition in the economy. If the society has a stable generation of people wishing to start their own business, it is necessary to provide them with all possible governmental support, study and create the required conditions and resources for implementation of projects.

An important element of analysis is determination of potential entrepreneurship defined as a preliminary stage of realization of entrepreneurial potential. The basic definition of Global Entrepreneurship Monitor (GEM, 2011) identifies a category of people who have not yet started their own business but who positively assess their entrepreneurial abilities and the current economic situation - Embryo Entrepreneurship Activity (EEA). Other interpretations limit potential entrepreneurship to trying to start a new business; to internal motivation taking the form of active actions; to revealing self-realization; to the need to increase wealth by a legal and active form (Reynolds, 2005). It is also possible to define potential entrepreneurship as a special psychological stage of development of business activities (Baum, Frese, Baron, Katz, 2007). While considering the object of potential entrepreneurship, one needs to interpret in a special way its features of simplified organization and highly cultural communications (Kotsch and Rausch, 2001) producing a substantial positive effect. In some cases it is necessary to look at technological transfer as initiation of institutional entrepreneurship (George, 2007).

We believe that the most fruitful approach will be the one showing the growth of potential entrepreneurship based on accumulated and transformable knowledge leading to material embodiment of innovative ideas (Rothaermel, Agung, Jiang, 2007).

Here we note two most significant consequences of the study: a) the preliminary stage of the business is required for matching resource abilities and strategic horizons; b) the nuclear of the business potential is determined by the most skillful and motivated young people.

Methodology

The subject of this study is the statistical sampling which, taking into account social and demographic parameters, focuses on the audience which generates potential entrepreneurship among young students (Jang, 2013).

For their analysis, the authors use statistical data of polling of students and attendees of the Retraining Faculty of Scientific Research University of the Higher School of Economics of the city of Nizhny Novgorod. The total number of respondents was N=255 people. Sampling was “cleared” from categories of “non-entrepreneurial sectors of the population” and “acting entrepreneurs” by self-identification.

The work uses statistical and sociological methods of study based on GEM research with development of a questionnaire which included basic social and demographic parameters (age, gender, occupation, level of education). Selection of age groups was consistent with the time of accumulation of “entrepreneurial abilities” understood as skillful implementation of “means-target” (Tikhonova, Chepurenko, 2004), proceeding from three resource-age categories which capture the intensity of relations between business and life activities: initiative (18-25 years), active (25-32 years), labile (32-39 years). An essential criterion was allocation of a potential entrepreneur to one of income groups identified according to consumption: “social group” at the level of minimum subsistence with basic needs; “low-income group” with saving on long-term purchases; “low average group” with secured well-being without wasteful consumption; “average group” with elements of luxury; “high-income group” with satisfaction of any needs. “Low average group” and “average group” were allocated to real potential entrepreneurs according to their ability to form start-up capital. The first ones were qualified as “willy-nilly entrepreneurs” trying to increase personal or family income, while the second ones were qualified as “entrepreneurs by vocation” focusing on a reliable source of wealth (Eckhard, 2003). Identification of necessary personal features of a potential entrepreneur was dictated by the need to consider and explain its responses to environmental stress and conscious activity at the pre-start and start stages of business. Business motivation of potential entrepreneurs was presented as frequency of trustworthy contacts under ranked channels of environmental effects (Estay, Durrieu, Akhter, 2013). Eight most significant channels attributed to personal, network, tactile (product exchange) communications of a potential entrepreneur with the environment were identified. In conclusion, we presented a possible response to failures at the start stage as a test indicator of the wish to become a businessman taking into consideration the circumstances offered by “the external environment”.

Results

Basic resources of a potential entrepreneur. The overwhelming group of an initiative age (18-25 years) consists of working and studying young people (74.5% of the total number of respondents) which is due to a strong desire to realize its abilities and healthy ambitions (Table 1).

People of active age (25-32 years) of various occupations and achieved social status (19.61% of the total number of respondents) in their aspirations relate business activities to material well-being and social stability.

Labile age (32-39 years) has less presentation in the sampling (5.89% of the total number of respondents) and reflects that part of it which seeks to increase income through self-employment. Women (65.5% of the total number of respondents) prevail in the sampling which reflects a specific gender ratio in the target group.

TABLE 1. SOCIAL AND DEMOGRAPHIC PARAMETERS OF POTENTIAL ENTREPRENEURS

Age group	Total	Men	Women
Working young people, 18-25 years	35.29	11.37	23.92
Studying young people, 18-25 years	39.21	13.72	25.49
People of 25-32 years, workers	3.92	2.35	1.57
People of 25-32 years, white-collar staff	13.73	3.53	10.2
People of 25-32 years, managers	1.96	1.57	0.39
People of 32-39 years, without a permanent job	1.18	0	1.18
People of 32-39 years, with a permanent job	4.71	1.96	2.75

In general, with advance in age, we observed reduction of potential entrepreneurial activity due to change in dominance of business interests (change of attitude, accumulation) (Thornton, 1999).

Selection of education as a basic resource was also dictated by specific features of the target audience and the necessity to translate it into a clearly operative factor of business processes. This allowed for selection of available and sought for level of education as strictly interrelated parameters.

TABLE 2. IMPACT OF LEVEL OF EDUCATION ON BUSINESS MOTIVATION OF POTENTIAL ENTREPRENEURS

Level of Education (available / sought for), persons, total	Degree of Impact on Business, % of sampling		
	N/A	Insubstantial	Substantial
Two degrees 3/135	-	3.92	49.02
Industry-specific degree 56/175	8.24	6.67	53.73
Master degree 6/60	1.18	10.59	11.76
Bachelor degree 34/115	-	6.67	38.43

The opinion about significant impact of the level of education on establishment and operation of own business is quite widespread in the sampling in groups of industry-specific degree (53.7%), two degrees (49%), bachelor degree (38.4%) which testifies to the value of the resource (Table 2). The analysis shows that education is a potential resource which may be used under certain circumstances, while major and additional degrees are treated by potential entrepreneurs as complimentary benefits.

Distribution of respondents by fixed income groups allows for identification of potential abilities to form a start-up capital and the necessity to attract funding from external sources. In the sampling under study, 5% of the total number of respondents refer themselves to "social income group", 12% to "low-income group", 42% to "low middle class", 33% to "middle class", 8% to "high-income group". This income structure of respondents is negative during accumulation of start-up capital for 17% and reduces the horizon of successful entry into the real business for 42% of respondents. Sufficient start-up financial opportunities are observed with 41% of respondents. As a result, self-assessment of financial provision for start-up stage of business forms a series of definitions: insufficient, difficult, sufficient in the following quantitative proportion: 1 : 2.41 : 2.47. In reality, competition of initial financial

opportunities is related to an ability to find significant external sources of funding and government support.

As a result, in this sampling a generalized picture of a potential entrepreneur has the following social and demographic parameters: young people of 18-25 years, with predominance of women, taking their degree, with income not lower than the average one.

Personal and value-conscious features are an integral part of a potential entrepreneur.

TABLE 3. PERSONAL FEATURES OF POTENTIAL ENTREPRENEUR

Necessary features	Answers of respondents, % of the sampling
Decency in relations with counter-agents	12
Developed communicative skills	15
Ability to learn and analyze information	11
Pro-active attitude	15
Ability to take risks	13
Prudence	11
Rationality	11
Ability to assess the situation and draw up a plan of actions	12

In accordance with their grouping (Table 3) it is possible to select three groups of potential entrepreneurs: the first one believes to have pro-active attitude, developed communicative skills, ability to take risks; the second one implies decency in relations with counter-agents, ability to assess the situation and draw up a plan of actions; the third one selects “economic features”: prudence, rationality, ability to learn and analyze information. The most productive are those frequency combinations which objectively reflect particular social conditions of doing business: developed communicative skills, ability to assess the situation and draw up a plan of actions, rationality. Selection of “pro-active attitude” points at serious positive changes in attitude of society to a social role of entrepreneurship.

The following order of priority of values was identified during the poll: interesting job (33% of the sampling), high income (29%), freedom of actions and personal freedom (10%), management talent (7%), absence of scruples and spiritual harmony (7%), established traditions and patriotism (6%), power, ability to influence other people (5%), communication with other people (4%). Potential entrepreneurs “fit” in a traditional triangle of business values: most of all, they value an interesting job (33% of respondents) in combination with high income (29%), freedom of actions and personal freedom (10%).

As a result, we have a favorable personal picture of a potential entrepreneur as a socially proactive, communicative, decent person with ability to take risks, certain positive priorities in life and business values. However, the way they are revealed will depend on the ways to overcome a “psychological” gap between reported and actual conditions of doing business as practical experience is gained.

Environment provides a certain informational impact on a potential entrepreneur forming such entrepreneur’s outlook and business qualities by channels of influence (Lafuente et al., 2013) creating a multi-factor basis for success (Serra and Borzillo, 2013) (Table 4). Ranking of channels of influence in descending order is as follows: intensive information and network interaction, quick overcoming of infrastructural, organizational, and institutional barriers, comfort and abundance of living space,

public and social values. For respondents, the most significant carriers of business information are relatives (42% of respondents), friends (30%), colleagues (14%), and social networks (12%) which are believed by the youth to be its reliable and quick sources.

TABLE 4. CHANNELS OF INFLUENCE ON POTENTIAL ENTREPRENEUR

Meaningful channels of influence	Answers of respondents, % of the sampling
Communicative links and information influence	20
Comfortable living conditions and developed services sector	14
Choice of products	12
Speed of action and movement	15
Proximity to producers, suppliers, product distribution networks	6
Liaison with supervisory and regulatory authorities	10
Communication in social networks	18
Public opinion and accumulated potential of territory	5

As a result, a potential entrepreneur forms a prior picture of future business and possible strategies of doing it; he accumulates a certain amount of necessary personal relationships and forms a network form of information support.

Negative initial business experience. Barriers between virtual and real processes of entry into business cause failures at the start-up stage of entrepreneurship and show (Table 5) their division into avoidable and unavoidable ones in the medium term (Almeida, Ahmetoglu, Chamorro-Premusic, 2014).

TABLE 5. REASONS FOR NEGATIVE INITIAL EXPERIENCE OF ENTREPRENEURSHIP

Major reasons	% of the sampling
Insufficient life experience	18
Negative experience of team management	5
Absence of required personal features	4
Lack of funding	27
Absence of required connections with authorities	16
Absence of criminal "support"	1
Unfair competition	15
Devastating pressure of regulators	11
Chasing short-term interests	3

The majority of respondents believe that the major reason for their failure is lack of funding (27%); insufficient life experience (18%); while a part of them focuses on required informal connections (16%) and unfair competition (15%). A smaller part of respondents (4%) believes that the reason of initial failures in business is absence of required personal features. Potential entrepreneurs tend to focus on external circumstances as the major reason for 70% of failures at the initial stage of business development. Herein, ¼ of failures is attributed to lack of funding. In general, one may identify three groups of critical reasons for failure at the initial stage of entrepreneurship: a) lack of external resource; b) lack of internal resource; c) lack of motivation. A positive element is recognition of reasons depending on internal features of a potential entrepreneur: lack of special knowledge, absence of sufficient qualifications and creativity, communication skills and errors in management.

The response of potential entrepreneurs to a critical situation is drastically different: some (76% of respondents) prefer to continue pro-active actions to become an entrepreneur via increase of qualifications, accumulation of experience and increase of income by any legal and available method, while others prefer a passive way of getting income, economy and waiting for external assistance (Table 6).

TABLE 6. OPTIONS TO OVERCOME FAILURES AT THE INITIAL STAGE OF DOING BUSINESS

Options of actions	Answers of respondents, % of the sampling
Change nothing in own life habits and preferences	2
Go to economy and self-sufficiency	10
Live on rental income from real estate	8
Find an additional job to increase income	19
Retrain, find a better paid and more prestigious job	15
Wait for external assistance	4
Gain income from irregular entrepreneurship	23
Increase skills and work for hire	19

As a result, one may observe accumulation of initiative activity of potential entrepreneurs in the target group which is interpreted as persistent motivation to overcome organizational, financial, and institutional barriers.

Conclusion

Taken together, a picture of a potential entrepreneur in the sampling is formed by combination of certain degrees of provision of resources and persistence of motivation. This allows the authors to identify the following types of potential entrepreneurs (Table 7) which may be briefly characterized as follows:

- “maximalists” - “rely only on own efforts”, with or without little support, on the way to their own business, sensitive to conditions of “the external environment”;
- “minimalists” - “achieve results by own small efforts”, with paternalistic support, about to move to the group of active entrepreneurs, almost indifferent to conditions of “the external environment”;
- “optimalists” - “achieve results by optimal efforts”, joining the group of active entrepreneurs by full use of assistance and changing nuances of changes of “the external environment” in their favor;
- “visualists” - “probable achievement of results with minimal efforts”, passively accept external assistance and are permanently remote from real business, not being capable enough of using favorable conditions of “the external environment”.

TABLE 7. POSSIBLE TYPOLOGY OF POTENTIAL ENTREPRENEURS

	Motivation	
	Strong	Weak
Provision of resources	Sufficient	“optimalists” “minimalists”
	Insufficient	“maximalists” “visualists”

By its identified particularities, the target group mainly consists of “minimalists” and “optimalists” who, with the sustained motivation, may move to real entrepreneurship depending on the time of getting education as an additional resource. “Maximalists”

have a perspective of entry into real business, subject to implementation of programs of government support to small business, availability of real innovations, and creation of groups of like-minded people with the same strong motivation and determination to succeed.

Identification of such types among Russian potential entrepreneurs, to a certain extent, is not fixed, as the dynamics of life circumstances of an individual and business environment which surrounds such an individual lead to their mutual transition and combination in the medium term.

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