NASCENT ENTREPRENEURS’ PERCEPTIONS OF ENTREPRENEURIAL CLIMATE IN LATVIA AND THE UNITED STATES (SUMMARY)

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SUMMARY

NASCENT ENTREPRENEURS’ PERCEPTIONS OF ENTREPRENEURIAL CLIMATE IN LATVIA AND THE UNITED STATES

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Principal Topic

This paper explores nascent entrepreneurs’ (NEs’) perceptions of the entrepreneurial climate in Latvia and the United States. Because of Latvia’s relatively recent transition to a market economy, we hypothesize that Latvian NEs perceive their environment more negatively than Americans. Further, we hypothesize that women NE’s perceive the entrepreneurial climate more positively than men (Carter 1997) and that NEs with previous startup experience perceive entrepreneurial climate more negatively (Reynolds and White 1997). We also hypothesize that climate perceptions differ depending on NEs’ motivation (necessity vs. opportunity). Since actual business opportunity is not present to motivate necessity-entrepreneurs, a positively perceived entrepreneurial climate may be a more important motivator for them than for the opportunity-entrepreneurs. Since there is a link between a positive entrepreneurial climate in terms of labor force growth and taxes (Armington and Acs 2002) and firm formation rates, we hypothesize a positive relationship between NEs’ perception of entrepreneurial climate and their venture growth expectations.

Method

The data come from the first waves of the American Panel Study of Entrepreneurial Dynamics (PSED) II (collected September 2005-March 2006) and the Latvian PSED (November 2006-Summer 2007). The American PSED II offers a random sample of 1,214 NEs and the Latvian PSED – 400 NEs. The interview questions in both panels are identical with regard to the variables of this study. The results are based on ANOVA, t-tests, and regression analysis.

Results

Surprisingly, Latvian NEs scored significantly higher on the entrepreneurial climate index than did American NEs. Reynolds and White (1997) found that the greater one’s involvement in entrepreneurial process, the more negative one’s judgments about the entrepreneurial climate. Since entrepreneurship has always been commonplace in the US, this “exposure” may have made Americans more critical of their entrepreneurial environment. No differences in perceptions of entrepreneurial climate in regards to gender or start-up experience were found. As hypothesized, necessity-entrepreneurs perceive the entrepreneurial climate more positively in both countries, but more so in Latvia. Since actual business opportunity is not present to motivate necessity-entrepreneurs, it is possible that NEs’ positive outlook on the entrepreneurial climate compensates for the opportunity. No relationship between NEs’ perceptions of climate and firms’ growth expectations was detected. Possibly, a time lag would show these effects. Implications of the results are discussed in the full paper.

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