6-10-2006

MOTIVATION BASED POLICIES FOR AN ENTREPRENEURIAL EU ECONOMY (SUMMARY)

Marco van Gelderen
Massey University, M.vanGelderen@massey.ac.nz

S. Jolanda A. Hessels
EIM Business & Policy Research

A. Roy Thurik
Erasmus University Rotterdam and EIM Business & Policy Research

Recommended Citation
SUMMARY

MOTIVATION BASED POLICIES FOR AN ENTREPRENEURIAL EU ECONOMY

Marco van Gelderen, Massey University
S. Jolanda A. Hessels, EIM Business & Policy Research
A. Roy Thurik, Erasmus University Rotterdam and EIM Business & Policy Research

Principal Topic

The EU is giving more and more emphasis to entrepreneurship in its economic policy, as research has shown that newly founded businesses have a large share in creating growth, innovation, and employment. The latter can be considered an example of Adam Smith’s invisible hand operating. How important growth, innovation, and employment may be from a macro point of view, they are not what motivate the large majority of business starters themselves. This research paper investigates how entrepreneurship policy can be directly tied to individual entrepreneurial motivation. The focus is specifically on the situation in the EU member states, and on the possibilities for policy intervention. Entrepreneurial motivation is considered to be determined by opportunities on the one hand and by (amongst others) autonomy, wealth, and risk perception (with financial security as a reversed predictor) on the other hand. Our goal is to provide policy proposals directly based on each of these determinants.

Method

We show the relevance of our approach by testing for some of our hypothesized relationships between macro-economic indicators, individual-level measures of ambition, and individual level measures of entrepreneurial motivation in a sample of EU countries. As macro-economic indicators we use measures of income (GDP per capita) and of uncertainty (Social Security contribution rate). Measures of individual-level ambition are taken from the GEM dataset, using job growth expectation, newness of product/service, degree of competitiveness, export orientation, and use of new technology. Motivation measures are necessity versus opportunity entrepreneurship, the independence motive and the wealth accumulation motive.

Results and Implications

The results show entrepreneurial motivation, the macro-economic indicators, and the ambition outcomes mostly to be related in expected directions, though with stronger results for GNP per capita than for the Social Security contribution rate. Furthermore, the results shed light on how entrepreneurial motives are related to entrepreneurial ambitions. For example, it is found that the wealth accumulation motive is especially related to high growth ambitions in terms of employment, newness of product and use of technologies, whereas independence motivated entrepreneurs are less growth oriented. Policy prescriptions are outlined for each component of the individual entrepreneurial motivation. Autonomy policies are generic and should be enabling in nature. Wealth policies concern financial incentives and compliance costs. Risk perception policies concern the provision of risk capital, insolvency laws, and social safety nets and labour law protection. Opportunity policies aim at diversity and interaction of people, knowledge decentralization, and knowledge spillovers.

CONTACT: Marco van Gelderen; Massey University, College of Business, Department of Management and International Business, Private Bag 102904, NSMC, Auckland, New Zealand; (T): +64 9 4140800 ext 9338; (F): +64 9 4418109; m.vangelderen@massey.ac.nz

van Gelderen et al.: MOTIVATION BASED POLICIES FOR AN ENTREPRENEURIAL EU ECONOMY
Frontiers of Entrepreneurship Research 2006