

MOTIVES FOR STARTING A BUSINESS

Key words: entrepreneurship, entrepreneur, business, motives of entrepreneurs

Abstract

The paper presents general characteristics of entrepreneurs and motives for starting a business, as well as empirical studies of motivation for starting a business. In the turbulent environment of constant changes and influences, economic, technologically-technical, social and international factors, we can say that at the beginning of the 21st century we live in the age of entrepreneurship, i.e. in the time of small and medium-sized enterprises, which are readier and more capable of reacting faster to market changes. Entrepreneurs make decisions for forming new enterprises on the basis of their personal, subjective motives. Regardless of what motivates them, entrepreneurs make an obligation towards a business idea, i.e. a project, and by means of that they also dictate a future success of enterprises.

Introduction

Today, in a great number, people see the future in entrepreneurship and have a wish to run their own business. Some of them are motivated by a wish to provide themselves a job or to do a kind of job in which they enjoy without a superior boss. Some other feel a need for a greater challenge or for a bit better working conditions. Many people search for activities which will make them financially independent. The reasons for creating an own business are numerous. Such reasons depend on personalities. Not everyone is capable of running a business or feels what is necessary to run a certain project. This indicates that there is a great number of those who may become entrepreneurs, who have entrepreneurial characteristics and who could express their potential in a right way. Entrepreneurship has been in focus during the previous years, due to the significant benefits realized by small and medium-sized enterprises in the overall development of national economies of developed countries. Entrepreneurship is a multidimensional phenomenon which is involved in many disciplines. The

entrepreneurship theories come from different schools, with different opinions, and many authors state different factors which lead to entrepreneurial ventures¹.

A multitude of factors affect the processes of intensifying the development of entrepreneurship (market-, financial-, urban-, communal-, legal-, human-ones etc.), which are the ambient in which the entrepreneurship is affirmed as an efficient way of running and developing of a business, and also the improvement of quality of life and work in certain environments².

Small and medium-sized enterprises are one of the holders of the economy development in European countries. They are significant initiators of innovations, employment and social and local integration in Europe. In the European Union, there are about 23 million micro, small and medium-sized enterprises, what makes 99% of all registered business subjects. The enterprises employ close to 75 million people and present the basis of the economic growth strategy³.

The process of quick technological changes, which characterizes the modern economy, is mostly the result of new entrepreneurial ideas⁴. Because of that, entrepreneurship becomes a chance for the countries in transition, because entrepreneurs can contribute to a greater utilization degree of available resources and a faster economic growth, by which it is possible to reach the developed countries⁵.

As it was shown by⁶, young entrepreneurs face with limitations in a greater extent, above all from the aspect of access to finances, of the credit ability of the young, and at the same time such limitations decrease the chances for the young people to build their own business by themselves.

¹ Kalyani B., Kumar M. D., *Motivational factors, entrepreneurship and education: Study with reference to women in SMEs*, Far East Journal of Psychology and Business Vol 3 No 3., 2011.

² Melović B., at al., *Preduslovi razvoja modernog preduzetničkog društva*, Časopis Preduzetnik No.6, 2011.

³ Medaković V., *Research of conditions for development of small and micro enterprises and development of entrepreneurial infrastructure model*, Doctoral thesis, Faculty of Mechanical Engineering, East Sarajevo 2012.

⁴ West P., Meyer D., *Temporal Dimensions of Opportunistic Change in Technology-Based Ventures*, *Entrepreneurship: Theory & Practice*, No. 22-2, pp. 31-52., 1997.

⁵ GEM - *Global Entrepreneurship Monitor*, "2011 Global Report", edited by D.J. Kelley, S. Singer & M.D. Herrington, 2012.

⁶ Ellis K., Williams Max C., *Imising impact of youth entrepreneurship support in different contexts - Background report, framework and toolkit for consultation*, Overseas Development Institute ,111 Westminster Bridge Road, London SE1 7JD, UK 2011.

On the basis of the research up to now⁷, an increasing number of young people will link the professional development with the sector of small and medium-sized enterprises in the future. Many learned lessons and experiences⁸, extracted from successful projects, confirm that entrepreneurs should have the following potentials and abilities: an emphasized perspicacity for new market chances and consumers' needs; general and personal management skills, good communication with potential investors/financers, partners, employees; analytical dexterity, enthusiasm, self-confidence and innovativeness.

1. Defining of entrepreneurship

In theory and practice, we often meet with the dilemma of making distinction between the functions of an entrepreneur and manager. The difference exists, for sure, but the distinction making depends on the amount of used entrepreneurship in particular enterprises, i.e. on the way of running an enterprise. In every case, it is impossible to imagine the business of an enterprise outside the chain (ownership – market – entrepreneurship – management). So, it is impossible to imagine the function of a manager without entrepreneurship, and, at the same time, it is impossible to imagine an entrepreneur who does not use at least some of the management methods.

The history of entrepreneurship dates back to the Middle Ages, and entrepreneurship gets its full blooming with the development of capitalism, which unites the preferences for personal wealth and the wish for profit maximization. Entrepreneurship is often defined even wider⁹, and it is related to the type of behaviour, and not only the running of a business, or self-employment. For example, the International Labour Organisation (ILO) defines entrepreneurship as the way of thinking and reasoning. That is much more in relation to a bare running of a business. That is a process in which individuals become aware of the options for self-employment and career building, development of ideas, taking and management of risks, learning of the process of taking initiative in the development and owning of a business¹⁰.

⁷ Ćosić I. et al., *Mogućnosti i ograničenja razvoja preduzetništva u odabranim opštinama Vojvodine*, Project Documentation, Novi Sad 2007.

⁸ Dollinger M., *Entrepreneurship Strategies and Resources*, Prentice Hall, Harlow, England 2005.

⁹ Ellis K., Williams Max C., *Imising impact of youth entrepreneurship support in different contexts - Background report, framework and toolkit for consultation*, Overseas Development Institute, 111 Westminster Bridge Road, London SE1 7JD, UK 2011.

¹⁰ Schoof U., *Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people*, SEED Working Paper No 76, 2006.

The theorists in the area of entrepreneurship are obsessed with the defining of the word “entrepreneur”. Priorities are maybe reversed. The entrepreneurship theory, as stated by¹¹ can solve the problem with a definition, and it becomes irrelevant.

Thus, for example, a famous theorist¹² points out nine important factors of entrepreneurship. Due to the fact that all the notions (in English) start with “F”, the concept has been known in literature as the 9F concept of successful entrepreneurship:

- Founders: significance of first-class founders, wise and respected;
- Focused: directing towards selected market segments (so called niches);
- Fast: fast decision making and fast application of the decisions made;
- Flexible: fast adaptation to changes;
- Forever-innovating: permanent quest for the new;
- Flat: permanent struggle to decrease all costs;
- Friendship: to be a friend with all stakeholders;
- Fun: it is fun to cooperate with an entrepreneurial enterprise.

The authors¹³ also point to these facts, stating the following characteristics of entrepreneurs:

1. Wish for responsibility. Entrepreneur feels a deep responsibility for the venture he has started. He/she wants to control own resources and use them to achieve the set goals.
2. Readiness to take a moderate risk. Entrepreneurs are not too comfortable with taking a risk, but are ready for a moderate, calculated risk.
3. Trust in their own ability to success. Entrepreneurs usually have great trust in their ability to success and are optimists in terms of their chances for success.
4. Wish for a quick reaction. Entrepreneurs enjoy in running their business and want to know that they make business decisions quickly and independently.
5. High level of energy. Entrepreneurs are much more energetic then ordinary people. The energy can be a critical factor for starting own enterprises.

¹¹ Bull I., Willard G. E., *Towards a theory of entrepreneurship*, Journal of Business Venturing 8, 183-195, Elsevier Science Publishing Co., Inc., 655 Avenue of the Americas, New York 1993.

¹² Bygrave W. D., *The Portable MBA in Entrepreneurship*, John Wiley & Sons, Inc., 1997.

¹³ Zimmerer T. W., Scarborough N. M., *Essentials of Entrepreneurship and Small Business Management*, Prentice Hall 2005.

6. Orientation towards future. Entrepreneurs have a well-defined feeling for finding opportunities. They look ahead and are less burdened with what they did yesterday, taking more care about what they will do tomorrow.
7. Skill in organization. Entrepreneurs know how to connect certain people to conduct a certain task. By efficient combining of people and jobs they achieve the transformation of own visions into reality.

The wish for success before money. It is a wrong judgement that the entrepreneurs are lead only by the wish for gaining money. On the contrary, the wish for success is in the first place at entrepreneurs, and the money is only one way of measuring the achievements.

2. Motives of entrepreneurs

Motives of all entrepreneurs are not the same¹⁴. Young entrepreneurs have different needs and, by means of that, different motivation for running a certain business. A few studies presents different ways of classifying young entrepreneurs¹⁵.

However, as stated by¹⁶, entrepreneurs take an opportunity informally and only formalize it after they have realized a significant benefit from it. This is mostly the case in the developing countries where local market propagates very fast, thus making the opportunities for a new beginning and business, of course with a favourable political environment and arranged legislation, because otherwise a deadlock in economic growth and development may occur.

A motive¹⁷ can also be an aspiration to potential growth and ambitions towards international market, as well as the level of innovations in products and services offered by entrepreneurs in an entrepreneurial process, with the aim to create new values and to open new jobpositions. Young entrepreneurs have a

¹⁴ OECD, *Fostering entrepreneurship and firm creation as a driver of growth in a global Economy*, paper for the second OECD conference on "Promoting entrepreneurship and innovative SMEs in a global economy: Towards a more responsible and inclusive globalisation", Istanbul, Turkey 2004.

¹⁵ Ellis K., Williams Max C., *Imising impact of youth entrepreneurship support in different contexts - Background report, framework and toolkit for consultation*, Overseas Development Institute ,111 Westminster Bridge Road, London SE1 7JD, UK 2011.

¹⁶ Desai S., *Measuring entrepreneurship in developing countries*, UNU-Wider, Research Paper No. 2009/10, 2009.

¹⁷ Ellis K., Williams Max C., *Imising impact of youth entrepreneurship support in different contexts - Background report*, framework and toolkit for consultation, Overseas Development Institute ,111 Westminster Bridge Road, London SE1 7JD, UK 2011.

tendency to have a greater potential of growth than the older entrepreneurs, i.e. the entrepreneurs in an older age.

Empirical research¹⁸ on the perspective of entrepreneurship and entrepreneurs, from the aspect of motivation and behaviour, which may lead to creation of new job positions, i.e. enterprises, as well as enterprise theories, in most papers, rely on the process of perceiving and analysis without inclusion of the enterprises themselves in the process. There are different motivation theories which try to explain the behaviour of the employed as a whole, while very few of such can be applied in the theory on studying entrepreneurship and entrepreneurs. In the paper are shown the following motives which lead to an entrepreneurial venture, and these are, above all: wish for independence, affinity to risk, affinity to innovations. The decision for starting a business, start-up, should be observed as the product of motive and intention, and the entrepreneurial features and abilities should be differentiated on the basis of that. Different entrepreneurial motives follow different intensities of the factors. On the other hand, the motivation system of a certain person should have a decisive influence to his/her behaviour, but that is not the only determinant. The perception and subjective opinion of a person depend on his/her internal nature. Inborn abilities of a certain persons, as well as potentials and variables, such as effort, ability, previous experience, age, education, family heritage and environment affect the behaviour and motivation of a person to decide to become an entrepreneur and establish his/her own business. It is also necessary, to take into account some other facts, such as the need for affiliation, need to achieve power, tolerance, innovations, readiness to take a risk and persistence.

What usually initiates a person to start a business is the achieving of own pleasure, and also the will to power, but the other thing is generally less important. The need for independence, as well as creativity, are always in the basis of the development of an own business project, i.e. a business.

Motivation factors include: readiness to take a challenge; pleasure in work and solving of difficult projects; setting of personal goals; talent, development of potentials and progress to efficient results; control of resources; pleasure in work with experts and constant striving to the performance improvement.

The other motivation factors include wish, such as: to be an own boss without the need to be responsible to other superior persons; pleasure in running a job, as well as in guiding other persons pursuant to the predicted plans;

¹⁸ Barba-Sanchez V., Atienza-Sahuquillo C., *Entrepreneurial behavior: Impact of motivation factors on decision to create a new venture*, Investigaciones Europeas de Dirección y Economía de la Empresa, 18:132-138., 2012.

mobilization of resources and engagement of labour power, the people, to accomplish their own goals; taking of responsibility; pleasure in competition and defeating the competitors; pointing out of personal abilities and to be the centre of attention; creation of reputation and status in the society.

Some other factors include: wish for independence from other people and limitations; removal of limitations and directives; wish to evaluate the own decision; unwillingness to depend on other people on the emotional or social plan; insistence on freedom; wish for a different behaviour; pleasure in presenting and giving form to creative ideas; urge to produce new products.

3. Empirical studies of motivation for starting a business

Complete information about the characteristics of a set gives only statistical list. Since the census requires a lot of time to create a large cost, it is replaced by the sample, which is part of the basic set and chosen without bias, ie. objective and whose purpose is to provide a reasonably accurate information about the characteristics of the entire sample set from which it originates.

To be credible conclusions about the characteristics of the basic set, we make based on the sample, the sample should be representative, that should be their composition similar to a basic set.

The study was conducted in the Republic of Srpska, closer location from which the sample is appropriate Podrinje region or territory following municipalities of Bratunac, Srebrenica, Zvornik, Višegrad and Foča. Investigations were carried out in the business at this location, whose random sample I came up. The sample companies are: companies face - singular and partner companies, a capital company: joint stock companies and cooperatives. Research on this topic, not only in the Podrinje region, but also in the Republic of Srpska and Bosnia and Herzegovina are very rare or not implemented at all, so it is difficult from the standpoint of patients eligible and unpopular, mainly due to fear of public presentation of certain data.

The sample is formed by 40 enterprises, which by their nature, organization, number of employees, total annual income, be representative and fully meet the requirements set out in the order of this paper.

4. Results and discussion

The survey covered 34 enterprises whose legal form of organization singular - a partnership firm, then we have 4 companies that are organized as a corporation and two enterprises that are organized as a agricultural cooperatives.

The number of managers is 9 women and 31 men. In order guaranteed discretion of managers, their age will not be shown here, and the age of the company is classified into several categories, as shown in (Fig. 1).

It is obvious that small and medium-sized enterprises in the region of Podrinje fairly young, because the representation of companies under the age of 5 years 42%. Therefore subject to all the influences, both external and internal factors of instability.

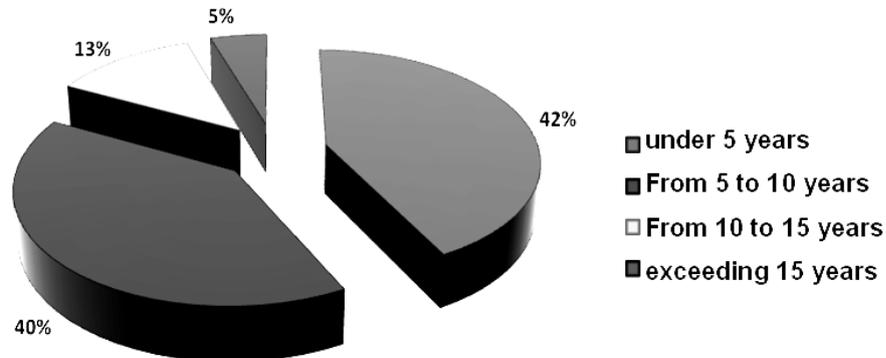


Fig. 1. The age of enterprises

Activities of companies that are the subject of the research are presented in (Fig. 2).

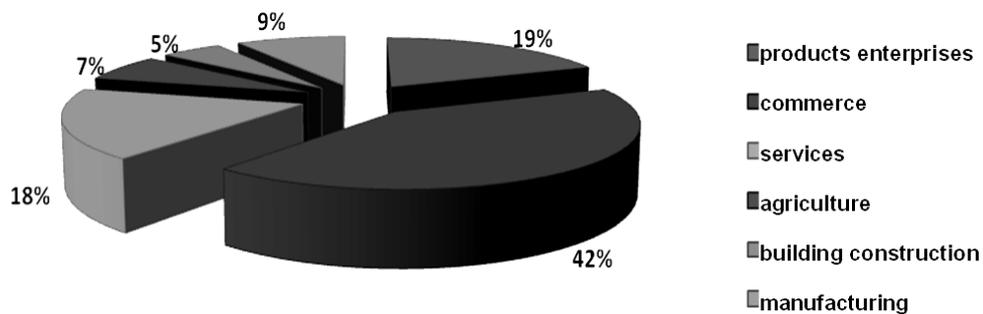


Fig. 2. Activities of the company represented

Based on Fig. 2., conclusions can be drawn that a large number of companies engaged in commerce (42%) and that there is market saturation and

competition is getting stronger, and those who want to survive have to adapt to that situation or reorient to a different activity. In the future business of the company in the field of services, or the provision of services in all areas of social, technical, educational, health, and so on., Tend to increase and the majority of small businesses will be exactly the service of character.

Fig. 3. shows the percentage of five motivational factors for starting a business.

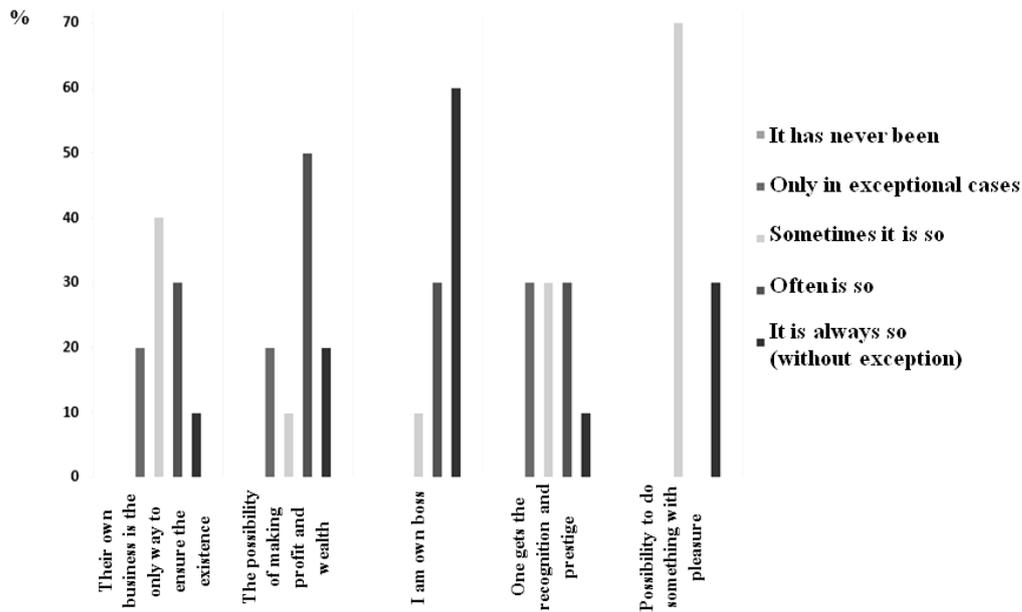


Fig. 3. Motivational factors for starting a business

In Fig. 3. we see it is very often the motivating factor the possibility of making profit and wealth, for 50% of respondents. Also, the motivating factor, I am own boss, for which is 60% of respondents answered, it is always so, and 30% of respondents gave a response, often is so. For questions, the possibility to do something with pleasure, for 70% of respondents, sometimes it is so.

Conclusions

Tekst Entrepreneurship has a key role in the process of transition, especially in terms of self-employment. A great support from all areas of human

activity is necessary, especially by educational institutions, to improve the entrepreneurial skills of the young.

If the entrepreneurial profile of a person is similar to the profile of entrepreneurs in general, these persons can be expected to exhibit entrepreneurial behaviour and to be more strongly motivated to start their own business. If certain conditions and events are favourable, the individuals with adequate entrepreneurial characteristics apply their forces and compensate the weakness to use an adequate favourable situation.

Empirical research tested the effects of five motivational factors, which are shown in Figure 3. The motivational factor, the possibility of making profit and wealth, as well as a motivating factor, I am own boss, excels compared to the other motivational factors.

None of the discussed motives of entrepreneurs gives an integral interpretation of the key factors for success of an entrepreneur, but they integrally enable the understanding and explanation of the reasons for success of entrepreneurial enterprises and, of course, entrepreneurs as owners of such enterprises. Success is the result of personal characteristics of an entrepreneur, the ability to learn from experience and to adapt to influences from the environment.

The personal characteristics of an entrepreneur are the most important in the stage of starting a new business. The ability to learn from experience becomes more important after the running of an enterprise, and the growth and development of the enterprise depend on gained experience, knowledge and ability to adapt to influences from the environment.

The efficient, motivated employees have to be mobilised at all stages of business development, especially at running a business. In that period, an entrepreneur has to perceive everything and, at the same time, to enable certain employees to learn the new job. The ability to build competitiveness is of crucial importance for the success of an enterprise. Entrepreneurial behaviour depends on motivation, ability, a person's attitudes and intention.

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