1. Entrepreneurial business and society: introduction

Friederike Welter, Robert Blackburn, Elisabet Ljunggren and Bjørn Willy Åmo

INTRODUCING RENT XXV IN BODØ

This volume represents a selection of best papers from the ones presented at the RENT XXV conference, hosted by Bodø Graduate School of Business and the Nordland Research Institute in Bodø in Norway, in November 2011. The anthology presents a window on contemporary European research in the field of entrepreneurship and small business. Its overall theme, entrepreneurial business and society, highlights the interplay between the entrepreneur, the entrepreneurial firm and the society.

Part II puts an emphasis on promoting entrepreneurial businesses, while Part III focuses on entrepreneurial people and entrepreneurial sectors, thus drawing our attention to that entrepreneurship also may contribute to social change and welfare and success could be measured in terms of the effect on the society.

RENT XXV emphasized how new firms are a result of entrepreneurs interacting with stakeholders in their environment, not only in the market but also with wider stakeholders such as interest groups and government institutions. As the book itself demonstrates, the themes of the conference span a wide range of contemporary issues. These include how governmental support programmes supporting entrepreneurial activity are reasoned, the red tape burden of small and medium-sized enterprises, how venture capital is offered and the role of technology transfer offices, through to issues in entrepreneurship education, intrapreneurship in public healthcare, how resources and capabilities shape the entrepreneurial opportunity and how the entrepreneurial opportunity itself is identified, evaluated and capitalized upon.
AN OVERVIEW OF CHAPTERS

Chapter 2, authored by Shaker Zahra, Rakesh Pati and Liman Zhao, focuses on counterproductive entrepreneurship. Entrepreneurship generally is seen as contributing to social, economic and technological change, whilst entrepreneurship research has focused mainly on formal, productive entrepreneurial activities. The authors argue that having a more accurate appreciation of the value of entrepreneurship for a society requires us to consider counterproductive entrepreneurship that occurs with the formal and informal parts of a nation’s economy. They identify its types, the forms it takes, the origins of these forms, and the potential effect on society. Thus, the authors highlight areas worthy of attention by public policy makers as they map their strategies to reduce the dysfunctional effects of counterproductive entrepreneurship. They also identify areas that require attention in future research, aiming to curb the dysfunctions of entrepreneurship and make it truly an important means of economic, technological and social transformation, progress and development.

Part II discusses approaches to promoting entrepreneurial business and society. In Chapter 3, Örsan Örge analyses entrepreneurship policy in Turkey, drawing on the example of a support programme, introduced in 2009, that was to provide seed financing to young entrepreneurs with technology-based venture ideas. In applying a discourse-based approach, the author goes beyond a quantitative analysis of costs and effects, emphasizing how power relations impact upon entrepreneurship policies. Empirically, the chapter draws on an extensive analysis of programme material, official documents and interviews with politicians, keynote speeches and press statements. A discourse-based approach serves to highlight the actors involved in supporting entrepreneurship as well as their respective agency and power relations. With this, the author emphasizes that the policy discourse not only helps to define the problem to be solved and offer solutions, but that at the same time it may restrict the means, or in other words, the support approaches, used by governments. The author shows how the policy discourse contributes to justifying and legitimizing the existence of specific policies. Young high-tech entrepreneurs in Turkey are seen as a ‘vulnerable’ and ‘weak’ group, which urgently needs particular policy support. By portraying the target group as dependent and passive, the discourse negates their entrepreneurial agency, while at the same time reconstituting government as ‘heroic’ political entrepreneur. This consequently serves political interests, because the discourse endows policy makers with much-sought-after
qualities such as vision, courage and benevolence. The author further suggests that the versatile nature of the concept of ‘entrepreneurship’ allows the Turkish government to put entrepreneurship forward as national imperative for progress without an alternative, and this in turn secures the political power of the ruling party. Here, the author’s analysis draws attention to the geopolitical context of entrepreneurship policy illustrating that, in countries where the institutional framework is less developed, powerful actors can influence the discourse to serve their own interests.

Chapter 4, by John Kitching, Eva Kašperová and Jill Collis, takes a fresh look at administrative burdens in relation to small firms. The chapter explores whether and how regulation, governing the public disclosure of financial information and allowing for abbreviated accounts, influences small business performance. Most research studying the impact of regulation on small businesses emphasizes regulation as an entry barrier, due to its administrative and psychological costs, and it is this view which is underpinning the current approach of the United Kingdom (UK) government in implementing facilitated reporting rules for small and medium-sized enterprises (SMEs).

The authors draw on empirical research conducted in the UK, consisting of 12 interviews with small business respondents (most of them micro firms) who are preparers and users of abbreviated accounts, and complemented by expert interviews with account users from 18 intermediary organizations such as banks, credit insurance companies, professional bodies, public sector organizations and a small business membership organization. Their results illustrate that, on the one hand, it is less ‘administrative burdens’ that result in small companies filing abbreviated accounts, but rather administrative ease, and in particular also suggestions made by their accountants for whom abbreviated financial reporting appears to be the default option in the case of a small firm. On the other hand, stakeholders presented varied opinions, with some believing that abbreviated accounts are, up to a point, useful to support credit risk assessments and abbreviated credit decisions, and others favouring more comprehensive information. The empirical results presented emphasize that abbreviated accounts provide only limited financial transparency, with important consequences for users, small companies themselves and the wider economy. With their analysis, the authors provide a more comprehensive perspective on regulation and its effects, by both studying the direct impact of regulatory burdens, in the form of the responses of small enterprises as well as analysing indirect effects, namely stakeholders’ responses to abbreviated financial regulations.
In Chapter 5, Fabio Bertoni, Annalisa Croce and Massimiliano Guerini study the effectiveness of public venture capital in supporting young high-tech companies in Europe. Young high-tech companies face severe financial constraints because of information asymmetries and the mismatch in their investment and revenue cycles. It is here that venture capital may contribute both directly, through expanding the capital base of the firm, and indirectly, through reducing information asymmetries. In an effort to stimulate the development of high-tech industries, many governments in Europe have introduced public venture capital (VC). In contrast to independent venture capital, public VC often focuses on a broader (and less clear-cut) set of goals, including political aims such as developing links between universities and the private sector, supporting the development of the VC industry and fostering employment. It is surprising, however, that public VC has received but little attention in research. In this regard, the authors ask whether public venture capital is as effective as independent venture capital in closing financial gaps for young firms.

The authors study the effectiveness of public VC based on a sample of 1312 European high-tech companies from the manufacturing sector, of which 74 are backed by venture capital. Their results show that independent venture capital can help to alleviate the financial constraints faced by young high-tech companies in Europe: companies which had received independent VC were able to invest more in the long term and their investment policy was unaffected by shocks in their current cash flows. The picture on public venture capital is more bleak: direct support is limited to the financing round and its immediate aftermath; financial constraints of high-tech companies persist, also because public VC invests smaller amounts per round and is active in fewer subsequent investment rounds. Moreover, there is little evidence that public VC conveys a positive signal to other potential investors, thus generating an indirect negative effect. It may be that public VC lacks the credibility or networks of contacts that are required to attract other, independent VC into the syndicate or to provide follow-on investment. The authors point out that while they evaluated the effects of public VC on high-tech companies, there may be other, more indirect effects, such as contributing to a regional venture capital culture, that their study has neglected.

High-tech companies are also discussed in Chapter 6, co-authored by Mattia Bianchi, Davide Chiaroni, Federico Frattini and Tommaso Minola. The authors study the role of technology transfer offices (TTOs) for entrepreneurial universities, applying a dynamic capability view to be able to identify determinants of superior performance of such offices. In particular, they focus on the management and organization of technology
transfer activities as key levers to overcome market failure and increase the productivity of TTOs. Technology commercialization is complex, it requires a wide range of diverse competencies and skills, and it occurs in conditions of high uncertainty; therefore, managerial and organizational aspects of TTOs gain importance. In this context, the authors suggest a framework which attempts to identify those managerial antecedents that underlie superior capabilities in commercializing academic research, as well as allows studying the complex set of tasks and actors involved in technology transfer at multiple levels.

Empirically, the chapter draws on the case of two TTOs at Italian universities, which have been active in technology transfer for many years, albeit with very different degrees of success. Their qualitative approach allows an in-depth exploration of the micro-foundations of the commercialization and transfer process, thus generating new insights into a topic which has been dominated by quantitative studies. The cases demonstrate sensing, seizing and reconfiguring as important dynamic capabilities of TTOs and the people employed there. Their findings suggest that processes and organization need to move between standardization, systematization and flexibility in order to successfully support technology transfer, while as regards people, a strong scientific background together with an entrepreneurial mindset and business skills are required.

Part III of this anthology moves to entrepreneurial people and entrepreneurial sectors. In Chapter 7, René Mauer, Philipp Eckerle and Malte Brettel discuss entrepreneurship education, attempting to add pieces to the entrepreneurial intention puzzle. The authors set out to study the factors that play a role in the formation of entrepreneurial self-efficacy and entrepreneurial intentions of students. They argue that entrepreneurship education research still lacks detailed knowledge on the drivers of entrepreneurial self-efficacy. Therefore, entrepreneurship education researchers should focus on the development of entrepreneurial self-efficacy, because we need a deeper understanding as to the effects of entrepreneurship education, pedagogies and methods on students’ self-efficacy and entrepreneurial intentions.

The authors draw on social cognitive theory in order to study the antecedents of entrepreneurial self-efficacy. Their empirical sample includes 211 responses from non-business students, most of them industrial engineers in machinery constructions, at RWTH Aachen University. Their study is among the first to simultaneously measure all main antecedents for entrepreneurial self-efficacy, derived from social cognitive theory: mastery experiences, vicarious experiences, social and verbal persuasion and judgements of one’s own physiological states. Findings
from the empirical study show that, with the exception of social persuasion, all antecedents significantly contribute to the emergence of entrepreneurial self-efficacy. In other words, all sources of self-efficacy identified by social cognitive theory are important within the entrepreneurship environment.

The next three chapters focus on entrepreneurship in less-researched sectors. Jarna Heinonen, Ulla Hytti and Eeva Vuorinen, in Chapter 8, shift our attention to public healthcare and intrapreneurship. In an era of ageing population, shrinking public budgets and increasing competition from private sector clinics, public healthcare faces enormous challenges in attracting competent personnel, finding new ways to customer-oriented services, to renew organizations and to develop new, innovative services. In this context, the concept of intrapreneurship gains importance, referring to the practice of developing new ventures and strategic renewal within an existing organization in order to exploit new opportunities and generate economic value. So far, little is known about intrapreneurship in public sector healthcare organizations, which also have a social mission shaping key processes and their outcomes. In this regard, the authors explore intrapreneurship in the context of a public healthcare organization.

Empirically, the chapter draws on an ethnographic study of a large Finnish public university hospital, and particularly its eye clinic. The authors combined a survey of all staff members with several interviews, participant observations of everyday activities within the clinic, feedback sessions and other workshops. The case selected for this particular chapter, a nurse’s account of her daily activities within the clinic, highlights the difficulties and opportunities of intrapreneurship in a public health organization, where intrapreneurial risk taking goes hand in hand with challenging existing boundaries of supervisors, the clinic organization and the sector of healthcare. The findings helped to identify five boundaries which could constrain intrapreneurship. With this fine-grained understanding of intrapreneurship within a public health organization, the chapter adds to our knowledge by complementing previous research on intrapreneurship and corporate entrepreneurship.

Chapter 9, by Jorunn Grande, studies resources and capabilities that are deemed as critical for successful entrepreneurship in agriculture. The author is especially interested in exploring entrepreneurial efforts, the ability to change and resources that are of critical importance to new value-added ventures on farms. In light of the declining agricultural sector, diversification of farm businesses and other efforts to increase entrepreneurship at farms are seen as means to increase income and employment as well as sustain economic development in rural communities. Farm firms
may encounter specific difficulties in adding new entrepreneurial activities, due to type of industry, traditions and their liability of smallness.

The chapter draws on an in-depth and longitudinal study of three Norwegian farm businesses engaged in new, value-added businesses. A case study research design was set up with the farm business as the unit of analysis. The cases selected represent different firm sizes, type of operations, farmer’s background, location and resource endowment. The empirical findings illustrate that a simultaneous focus on resources, entrepreneurial orientation and dynamic capabilities is needed to provide a more complete picture on how a firm’s internal factors may leverage competitive advantage in new value creation processes. This is of interest for policy makers, emphasizing that a focus on building entrepreneurial skills may help rural business owners in exploring and expanding the uniqueness of new activities.

In Chapter 10, Leila Hurmerinta and Eriikka Paavilainen-Mäntymäki revisit the entrepreneurial opportunity process. The authors set forth to study the process of how entrepreneurs identify, evaluate and capitalize on opportunities. They apply a novel approach, namely diaries, aiming to provide some fresh insights on opportunities. Diaries are time-sensitive, and informants in diary research are active data providers and creators instead of passive participants. In particular, diaries capture emotions, feelings, attitudes and impressions that informants may not be able to or may hesitate to describe in retrospective interviews or narratives.

The empirical context is Finnish small enterprises operating in the food industry, where in recent years opportunities were essential to create new inputs and changes in a traditional industry. During recent years, Finnish food SMEs strived to increase their competitiveness, growth and international market share, while at the same time international food chains and imported produce and groceries have gained a firmer foothold in Finnish food markets. This chapter draws on diaries of three small-scale entrepreneurs from the food industry.

Results highlight the complexity and dynamics of opportunities as well as their contextual dimension. Opportunities do not emerge outside a social context; the opportunity process is a contextually bound iterative learning process, stimulated by a range of events. Moreover, there is a temporal dimension to the opportunity process, with time being a scarce resource that influences the nature of the opportunity process, although opportunities as such are not bound by time or place. The authors also conclude that the diary method proved a fruitful and rich data source as well as a means for the entrepreneurs themselves to reflect on their business and management practices.
Overall, this anthology offers new insights to our understandings of the conditions for entrepreneurship and entrepreneurial behaviour. The chapters represent a rich variety of topics and research methods reflecting the multidimensional nature of the entrepreneurship construct. Clearly, the conditions for entrepreneurship and entrepreneurial activities differ across time and locations, and entrepreneurship research is inspired from other research disciplines and streams in order to understand and explain this complex social phenomenon. As this collection of recent research indicates, there is a multitude of analytical levels in entrepreneurship research. The many aspects of entrepreneurial activity and the many societal arrangements that affect such activities necessitate different lenses for investigating the entrepreneurship phenomenon. The diversity and creativity in utilizing scientific methods reported here may act as a basis to inspire others to find new ways to build new knowledge and hence enrich our joint understanding of the forces that shape our economy and society.