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## Factors Influencing Opportunity Driven Nascent Entrepreneurs in Europe and Asia

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**Abstract:**

*The purpose of this study was to investigate factors influencing to become opportunity driven entrepreneurs. Based on Global Entrepreneurship Monitor (GEM) data in 2015, 7,465 samples of nascent entrepreneurs from 13 countries of Europe (n=3,678), and 10 countries of Asia (n=3,787) were analyzed by logistic regression technique. A range of cognitive and demographic factors were examined.*

*The result showed that perceived business opportunity, fear of failure, and education level are the significant antecedent factors to become an opportunity driven nascent entrepreneur for both Europe and Asia. Entrepreneurial networking and self efficacy were found to influence the likelihood to become an opportunity driven nascent entrepreneur for Asia but not in Europe. Logistic regression analysis also showed that young people seemed to become an opportunity driven nascent entrepreneurs than senior people.*

*Education level had a positive effect on a chance to become an opportunity driven entrepreneurs. Policy implications and finding results have been discussed.*

**Keywords:** Opportunity Driven Entrepreneurship, Global Entrepreneurship Monitor (GEM), Europe, Asia

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## **1. Introduction**

Entrepreneurship has played important roles for an economic growth and development of nations (Van Stel, Carree, & Thurik, 2005). Entrepreneurship contributes employment creation, productivity, growth, and innovation (Van Praag & Versloot, 2007). Shane and Venkataraman (2000) defined entrepreneurship as the process by which individuals pursue opportunities without regard to resources currently under control including the discovery, evaluation and exploitation of opportunities. Previous studies showed that Individuals decide to engage in entrepreneurial activity because of different motivations. Wide classification of entrepreneurial intention motions is push/pull motivations.

According to Shapero and Sokol 1982 cited in Peterman and Kennedy (2003), 'pull' motivations include the need for achievement, the desire to be independent, and opportunities for social development. 'Push' motivations may arise from unemployment, family pressure, and individuals' general dissatisfaction with their current situation. Reynolds, Camp, Bygrave, Autio, & Hay (2002) classified entrepreneurs into two different categories; namely, opportunity and necessity driven entrepreneurs. Each category of entrepreneurs has a different impact on a country's economic development. Economic development within these countries varies significantly by necessity and opportunity entrepreneurs. Consequently, in the future the ratio between opportunity and necessity entrepreneurs will determine a country's economic developmental indicators (Ács & Audretsch, 2006).

Anca, Viorel, & Elena (2009) stated that necessity driven entrepreneurs are common in developing countries and opportunity driven entrepreneurs are prevalent in mostly developed countries and entrepreneurial policies should focus more attention towards the OEs in the developed countries because of their high economic contribution to the society.

Previous studies have explored the characteristics of necessity and opportunity entrepreneurship (Bergmann & Sternberg, 2007; Block, Sandner, & Spiegel, 2015). However, there are few studies focusing on comparison between different continents. In order to fill the research gap, this paper will investigate the individual level antecedents of opportunity driven entrepreneurship in Europe and Asia.

## **2. Literature Review**

### **2.1 Necessity and Opportunity driven Entrepreneurship**

According to Thompson (2004), previous scholars have used various methods in order to explain motivation to start a new business. Gilad and Levine (1986) cited in Littunen (2000) classified the entrepreneurial motivations into two types, namely push and pull motivational factors. Push factors refer to negative influential factors for new business venture such as unemployment, job dissatisfaction. On the one hand, Positive factors are associated with positive situations such as taking a new

business opportunity. Pull factor driven entrepreneurs start a new business as a result of profit seeking opportunities. Entrepreneurs who would like to enhance their life satisfaction are commonly pull motivated and those who start their career because of job dissatisfaction are classified to push motivation. Verheul, Thurik, Hessels, & van der Zwan (2010) stated that pull motivation is considered as a requirement for autonomy and social recognition while entrepreneurial push motivations are generally investigated as a risk of unemployment and family pressure.

In the line of this push/pull motivation concept, according to the Global Entrepreneurship Monitor (GEM) 2002 report all GEM countries' entrepreneurship activities have been categorized into two broad groups like - necessity and opportunity driven entrepreneurs followed by aforementioned motivational concepts (Reynolds et al., 2002). In accordance to Devece, Peris-Ortiz, & Rueda-Armengot (2016), the concept of push and pull factors have replaced the necessity and opportunity entrepreneurial motivations that are used for new business creation and as a basis for decision-making for entrepreneurs. Necessity entrepreneurship is focused primarily on needs; whereas opportunity entrepreneurship is mainly operating based on voluntary engagement or unique market opportunity. The following table represents the major motivating factors regarding to pull (necessity) and push (opportunity) entrepreneurs (Ivanova *et al.*, 2017).

**Table 1:** Major motivating factors for pull and push entrepreneurs

Opportunity Driven Entrepreneur	Necessity Driven Entrepreneur
Market opportunity	Unemployment
High economic profit	Lower education
Social recognition	Language barrier
Personal development	Dissatisfying labor market
Independence and autonomy	Family pressure
Rejecting stereotypical feminine identities	Lower income

Source: Rasel (2014)

## 2.2 Entrepreneurial cognition approach

According to Krueger (2003) cited in Zamberi Ahmad, Roland Xavier, & Rahim Abu Bakar (2014) stated that every human activity is influenced by mental processes, such as motivation, perceptions or attitudes. Entrepreneurial cognitions are the knowledge structures that people use to make assessment, judgment or decisions involving opportunity evaluation, venture creation, and growth (Mitchell et al., 2004). According to Abu Bakar, Ahmad, Wright, & Skoko (2017), GEM variables in Adult Population Survey (APS) can measure the range of cognition approach that affect propensity to start up a business venture. The summaries variables based on cognition approach are summarized in the Table 2.

**Table 2:** *Cognition approach*

Cognitive factors	Terminology description
Perception of opportunities	Based on the theory of planned behavior, individuals' attitudes influence their behavior. All behavior is seen as the concurrent result of the operation of both intuitive and rational systems. An entrepreneurial behavior is defined as the creation of a new institute to pursue an opportunity, which is also the product of both intuitive and rational systems of entrepreneurs. Entrepreneurs are distinguished by their capability to recognize and take advantage of opportunities unseen by others
Self efficacy	Entrepreneurial efficacy influences a decision of an individual to start a new business. Entrepreneurial efficacy is represented by perception of opportunities and confidence in his or her skills. Perceptions of entrepreneurial skills indicate how confident respondents are in their possession of an adequate level of certain skills related to entrepreneurship. Possessing these skills could make individuals feel more capable to start a business.
Entrepreneurial network	Generally, Personally knowing other entrepreneurs should generate positive attitudes toward entrepreneurs. Development and the related possibility of discovering business opportunities and increasing the willingness to start a new business are influenced by role models. Based on the networking point of view, an individual is able to access support, information and other resources by establishing and maintaining a network within an entrepreneurial society.
Fear of failure	The theory of planned behavior holds that individuals' fear of failure leads to the perception that they are unable to control the behavior required to venture into business. The nonexistence of this fear would get rid of the perception of incapability to handle a situation and an unfavorable attitude towards the behavior.

*Source:* Abu Bakar, Ahmad, Wright, & Skoko (2017)

### 3. Research Methodology

#### 3.1 Samples

GEM data of Adult Population Survey (APS) in 2015 was used in this study. According to Reynolds, Camp, Bygrave, Autio, & Hay (2002), the total entrepreneurial activity (TEA) is defined as the "percentage of the adult population (18–64 years) that is either actively involved in starting a new venture or is the owner/manager of a business that is less than 42 months old". Based on the first screening of the data set, there were 7,465 samples indicated that they are either actively involved in starting a new venture or is the owner/manager of a business that is less than 42 months old (TEA). GEM also classified the motive of those people involved in TEA - opportunity and necessity entrepreneurship. In total, there are 5,507 samples indicated that they involved in opportunity early-stage entrepreneurial activity. In other words, they can be defined as opportunity driven nascent entrepreneurs (Duguleana & Duguleana, 2016; Sultanova & Chechina, 2016).

### 3.2 Measurement

The constructs and questions of this study are summarized as the Table 3.

**Table 3: Constructs and items of this study**

	Constructs	Operational terms in the questionnaires
Dependent variable (Binary variables; 0=No, 1=Yes)	TEAyyOPP	Involved in Opportunity early-stage Entrepreneurial Activity
Independent variable (Binary variables; 0=No, 1=Yes)	EN	Whether you personally knew someone who had started a business in the last two years?
	OR	Would be good opportunities to start a firm in the area where you live in the six months?
	SE	Do you believe you have the required skill and knowledge to start a business?
	FF	Whether fear of failure would prevent you from setting up a business or not?
	Age	-
	Gender	-
	Education	-

## 4. Results

### 4.1 Samples profile

As stated earlier, the data of this study derived from GEM Global APS Individual Level data in 2015. In this study, we defined the operational term of a nascent entrepreneur in this study by using the “TEAyy” variable (person who involved in Total early-stage Entrepreneurial Activity). In total, there are 7,465 samples of nascent entrepreneurs form 13 countries in Europe; namely, Greece (N = 138), Netherlands (N = 162), Belgium (N = 128), Spain (N = 1304), Hungary (N = 158), Italy (N = 103), Romania (N = 219), Switzerland (N = 132), United Kingdom (N = 529), Sweden (N = 301), Norway (N = 120), Poland (N = 184), Germany (N = 200), and 10 countries in Asia; namely, Malaysia (N = 59), Indonesia (N = 1,110), Philippines (N = 394), Thailand (N = 399), South Korea (N = 185), Vietnam (N = 273), China (N = 457), India (N = 344), Iran (N = 421), and Taiwan (N = 145) were used. The brief demographic of samples profile represent as Table 4.

**Table 4: Demographics of samples in this study**

	Europe		Asia		Total	
Gender						
Male	2,271	61.7%	2,002	52.9%	4,273	57.2%
Female	1,407	38.3%	1,785	47.1%	3,192	42.8%
Ages						
18-24	320	8.9%	550	14.7%	870	11.9%
25-34	934	26.0%	1,205	32.2%	2,139	29.2%
35-44	1,129	31.5%	988	26.4%	2,117	28.9%
45-54	788	22.0%	652	17.4%	1,440	19.7%

55-64	417	11.6%	342	9.2%	759	10.4%
Family members						
1-2	1,290	35.7%	393	10.5%	1,683	22.8%
3-4	1,862	51.5%	1,953	52.1%	3,815	51.8%
5-6	413	11.4%	1,125	30.0%	1,538	20.9%
more than 7	51	1.4%	280	7.5%	331	4.5%
Education						
None	65	1.8%	333	8.8%	398	5.4%
Some Secondary	420	11.5%	592	15.7%	1,012	13.7%
Secondary Degree	1,368	37.5%	1,499	39.8%	2,867	38.7%
Post-Secondary	1,441	39.5%	1,226	32.6%	2,667	36.0%
Grad Exp	350	9.6%	116	3.1%	466	6.3%

*Note: missing data were not included and calculated percentages.*

Descriptive statistics shows that 57.2% and 42.8% of the respondents were male and female respectively. The majority group of this study was male (57%) age between 18-24 years (29.2%) with secondary degree education (38.7%). Next step, in order to classify, an opportunity driven nascent entrepreneur, the author used the TEAyyOPP variable (Involved in opportunity early-stage Entrepreneurial Activity; binary variable (Yes=1/ No=0)) to identify those opportunity driven nascent entrepreneurs and use as the dependent variable for binary logistic regression technique for analysis factors influencing opportunity driven nascent entrepreneurship. The descriptive statistics of cognitive approach variables are shown in Table 5.

**Table 5: Descriptive statistics of opportunity driven nascent entrepreneurs**

	Europe		Asia	
	Yes	No	Yes	No
Entrepreneurial network	63.1%	36.9%	73.0%	27.0%
Opportunity perception	57.3%	42.7%	65.3%	34.7%
Fear of failure	28.4%	71.6%	38.4%	61.6%
Self-efficacy	85.3%	14.7%	79.3%	20.7%
Age (Average)	40.34		37.12	

A preliminary analysis was conducted to make sure there was no multicollinearity issue. In accordance to Hair et al. (1995) cited in Awang, (2015), the value of VIF less than 10.0 was acceptable. The results showed that the multicollinearity test was acceptable as the highest VIF was 4.912 below than 10. Consequently, there was no a multicollinearity problem and the data was suitable for further analysis. The series of the binary logistic regression analysis in both Europe and Asia countries were tested. The author first tested the overall samples at once following by separation between Europe and Asia. Table 6 represents the result of logistic regression analysis.

**Table 6: Logistic regression results of Europe and Asia**

	Overall	Europe	Asia
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	B	EXP(B)	B	EXP(B)	B	EXP(B)
Constant	.542	.177	1.360	.261	.388	.231
Age	-.011***	.989	-.014***	.986	-.009***	.991
Gender	-.097*	.907	-.175*	.839	-.061	.941
Education	.207***	1.230	.197***	1.217	.225***	1.252
Entrepreneurial network	.203***	1.225	.040	1.041	.379***	1.461
Opportunity Recognition	.431***	1.539	.551***	1.735	.345***	1.412
Self efficacy	.200***	1.221	.045	1.046	.294***	1.342
Fear of failure	-.369***	.691	-.521***	.594	-.241***	.786
Omnibus Tests of Model Coefficients (Sig. level)	0.000		0.000		0.000	
Nagelkerke pseudo R2	0.068		0.075		0.070	
Percentage correct	74.3		74.9		73.6	

**Notes:** \* significant level  $p$  less than 0.05; \*\* significant level  $p$  less than 0.01; \*\*\* significant level  $p$  less than 0.001

According to Table 6, opportunity recognition and fear of failure was significantly effect a chance to become opportunity driven nascent entrepreneurs in both Europe and Asia. The result of analysis based on odd ratio shows that people who perceived a business opportunity will have 1.54 times higher probability to be an opportunity driven nascent entrepreneurs than not perceived a business opportunity. And, people who perceived their self efficacy also have 1.22 times higher a probability to be an opportunity driven nascent entrepreneurs than not perceived their self efficacy. Entrepreneurial network also generate 1.23 times higher for becoming opportunity driven nascent entrepreneurs. On the one hand, based on the analysis, the fear of failure has a negative effect on becoming an opportunity entrepreneur. People who possess fear of failure seem to have a lower probability to become an opportunity driven entrepreneurs than counterpart (Exp(b) = 0.691). Education also has a positive effect to become an opportunity driven nascent entrepreneurs. On the one hand, age has a negative effect. Younger people seem to become an opportunity driven entrepreneurs than senior people (Exp(b) = 0.989).

Next step, the logistic regression was separately performed to test for the existence of significant differences between Europe and Asia. According to the results of logistic regression, opportunity recognition and fear of failure still significantly effect the likelihood for becoming opportunity driven nascent entrepreneurs. Self efficacy and entrepreneurial network significantly affects the likelihood to become an opportunity driven nascent entrepreneurs only Asia but not found in Europe. Male was found to be an opportunity driven nascent entrepreneur than female significantly

in Europe. And, Education was found to positive affect the likelihood to be an opportunity driven nascent entrepreneur in both Europe and Asia.

## 5. Conclusion and Future Research

Opportunity driven entrepreneurship has been paid attention from previous researches (Bergmann & Sternberg, 2007; Williams, 2008; Kelley, Singer, & Herrington, 2012; Sahasranamam, & Sud, 2016). This study endeavored to fulfill this gap for more understanding to what extent the difference of cognitive approach impact the likelihood for becoming opportunity driven nascent entrepreneurs. The results showed that opportunity recognition, and risks taking enhance the likelihood for becoming opportunity driven nascent entrepreneurs in both Europe and Asia whereas entrepreneurial network and self efficacy were found to significantly affect only Asia but not in Europe.

The results of this study also contribute some practical implications. Since opportunity driven entrepreneurship is one of the most vital mechanisms contributing to economic and social development, and also is a major driver of job creation and national prosperity than necessity entrepreneurship. Policy makers need to not only focus on the “quantity of entrepreneurship” but also the “quality of entrepreneurship” issue into account in order to establish sustainable competitive advantage for nations.

Nonetheless, this study has few limitations. Firstly, all of perception variables were measured with a binary scaling. The data limits the possibility of a more various analysis to examine the causal relationships between the independent and dependent variables. Secondly, this paper used only Europe and Asia data from GEM2015. Therefore, the findings should be carefully generalized for other continents. Including a multi-item measurement is recommended for further research. And, Future researches should expand this line of research to include other relevant factors and more countries so as to provide more comprehensive theoretical framework for explaining opportunity driven entrepreneurship.

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