

## **REGIONAL DIFFERENCES ON ENTREPRENEURS' MOTIVATION TO START BUSINESS**

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**Abstract.** Motivating factors of willingness to start business are analysed around the globe in different parts of the world, in different countries; and even in different regions of one country; the results differ. The aim of the current paper is to analyse the results of motivating factors of new business starters in Latvia. The present research uses the same motivating factors as in the research performed in the USA, Canada, and Mexico. The comparisons with other countries are used as well. The survey (conducted at the end of 2013) of starting entrepreneurs is used as an empirical research method. The evaluation scale for evaluation of different motivation aspects is in the range from one to five, where one is the lowest evaluation and five is the highest evaluation for each of the factors. The authors used indicators of descriptive statistics and methods of statistical hypothesis testing for the survey data analysis. For the data processing, one of multivariate statistical methods - factor analysis is used to indicate the complex factors and compare them with the results obtained in other countries. The results of the research indicated that the evaluations of motivation factors are very high for new business starters in Latvia but the average evaluations differ within the regions of Latvia. In general, they correspond with the results in other countries.

**Key words:** business start, motivating factors, entrepreneurs.

**JEL code:** M13; M54; D20

### **Introduction**

Entrepreneurship is one of the driving forces for the economic development, thus, different aspects of entrepreneurship are covered in research worldwide including motivation to start business. The data of the statistical register of Latvia (Lursoft – the Enterprise Register of the Republic of Latvia, 2014) has shown that the number of newly founded businesses during the past two years has increased approximately by 3.1% in 2013 in comparison with 2012 and by 9.3% in comparison with 2011. This article investigates the motivation of entrepreneurs to create new companies. The empirical research is based on the survey of starting entrepreneurs. This approach is based on the research performed in the

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USA, Canada, and Mexico by initiative of Canadian researchers to compare results in different countries. The present research uses the same motivating factors that were used for the research in the USA, Canada, and Mexico. Comparisons with other countries are used as well. The survey of starting entrepreneurs is used to have opinions of new business starters in Latvia and to compare results with the results in other countries and regions of Latvia. The evaluation scale for evaluation of different motivation aspects is set in range from 1 to 5, where 1 is the lowest evaluation and 5 is the highest evaluation.

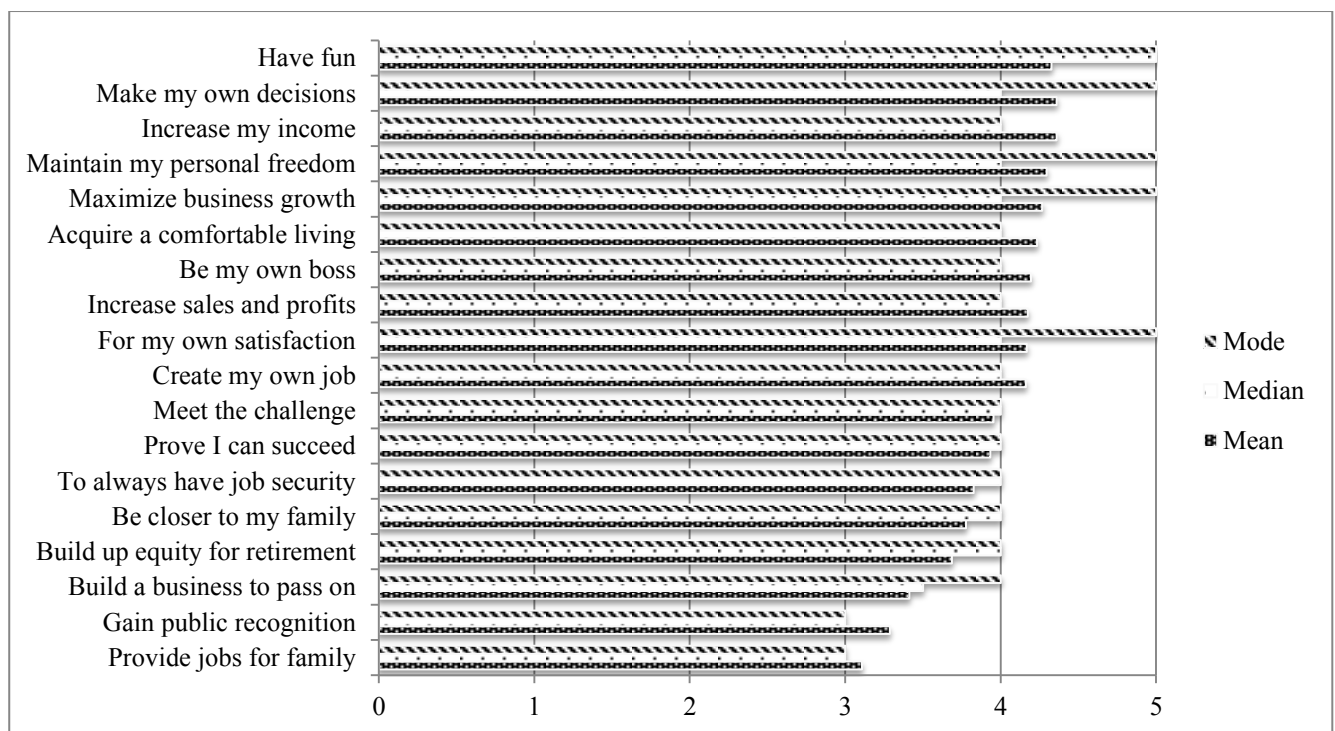
## **Theoretical background**

Academic research on business start has been performed around the globe, as this is one of the most important issues for the economic development. The factors affecting success in business, i.e. many management theories and tools, have been examined versus practicing changes (Makridakis, 1996). Regarding the influence of motivation and environment on business start-ups, some hints for public policies have been examined and evaluated to find the best practical and applicable recommendations (Dubini, 1989). Andrea N. Kiss, David W. Williams, and Susan M. Houghton, the researchers from the Netherlands have researched details of risk bias and the link between motivation and new venture post – entry international growth (Kiss et al., 2013). The researchers from Canada and the Netherlands have evaluated the **entrepreneurs' mode of entry, business takeover, or new venture start** (Parker et al., 2012); whereas, the motivation to start or not to start the business has been researched by scientists from the United States (Townsend, 2010). Gavin Cassar, a French researcher (Cassar, 2014) has researched new firm performance. Moreover, the researcher group from Canada, the United Kingdom, and Belgium has made investigations and comparisons of motivation factors of new business start in different countries (Clrercq et al., 2012). Virginia Barba-Sanchez and Carlos Atienza-Sahuquillo have examined 101 entrepreneurs – company founders and **have evaluated different aspects of entrepreneurs' motivation to start a business as well as they have established that making money or being one's own boss does not appear to be sufficient reasons to create a new venture** (Barba-Sanchez and Atienza-Sahuquillo, 2012). The key factors **motivating tomorrow's workforce are covered in the research by studying the indicators of workforce** (Latham & Ernst, 2005). The questions on importance of entrepreneurial goals and resource allocation in new owner-managed firms have been on the research agenda for many researchers who have found different approaches (Dunkelberg et al., 2013). Many researchers have studied the issues of gender influence on business start-ups and women business owners in traditional and non-traditional industries. The studies have investigated the issues of those women entrepreneurs who have made a change from employment to small and medium business ownership and challenges in those aspects as well as linking family-to-business enrichment and support **to entrepreneurial success. Many researchers' studies have tried to answer the research question whether female and male entrepreneurs experience different outcomes** (Anna et al., 2000; Xavier et al., 2012, Powel and Edellston, 2013). Different approaches and success stories of small business financing have been analysed and some recommendations suggested for better solutions (Vos et al., 1999). International commitment, post-entry growth, and survival of international new ventures are the topics of the research agenda for several researchers (Sleuwaegen et al., 2014). Several methods have been applied for researching of start-ups, including the use of personality and the five-factor model to predict

new business ventures from outplacement to start-up (Wooten et al., 1999) and the use of empirical investigation of competency factors affecting e-business success in European SMEs (Elkebrokk and Olsen, 2007). Moreover, a study has been carried out on investigation of innovation and SMEs exploring perspectives and goals among entrepreneurs and academics (Masa and Testa, 2008).

### Research results and discussion

A survey of starting entrepreneurs was conducted in 2013 to compare the motivation factors of business start in different countries. The average evaluations (arithmetic mean, mode, and median) are reflected in Figure 1.



**Source: authors' construction based on the entrepreneurs survey in October - December 2013 (n=150)**  
**Estimation scale 1 – 5 (where 1 – not significant, 5 – very significant)**

Fig. 1. **Entrepreneurs' average assessments of the significance of motivation variables in business start in Latvia**

Statistical indicators of motivation statement evaluations are reflected in Table 1.

Table 1

**Statistical indicators of motivation variables' significance**

<b>Motivation variables</b>	<b>Mean</b>	<b>Std. Error of Mean</b>	<b>Median</b>	<b>Mode</b>	<b>Std. Deviation</b>	<b>Range</b>	<b>Minimum</b>	<b>Maximum</b>
Make my own decisions	4.36	0.055	4	5	0.668	3	2	5
Acquire a comfortable living	4.23	0.058	4	4	0.709	4	1	5
Build up equity for retirement	3.69	0.084	4	4	1.024	4	1	5
Maximise business growth	4.27	0.070	4	5	0.857	4	1	5
Meet the challenge	3.95	0.079	4	4	0.972	4	1	5
Prove I can succeed	3.93	0.084	4	4	1.034	4	1	5
Create my own job	4.16	0.072	4	4	0.878	4	1	5
Increase sales and profits	4.17	0.065	4	4	0.801	4	1	5
Be my own boss	4.19	0.068	4	4	0.836	4	1	5
Increase my income	4.36	0.053	4	4	0.648	3	2	5
Gain public recognition	3.29	0.087	3	3	1.064	4	1	5
Provide jobs for family	3.11	0.091	3	3	1.116	4	1	5
For my own satisfaction	4.17	0.073	4	5	0.888	4	1	5
To always have job security	3.83	0.086	4	4	1.048	4	1	5
Build a business to pass on	3.41	0.092	3	4	1.124	4	1	5
Maintain my personal freedom	4.30	0.068	4	5	0.834	4	1	5
Be closer to my family	3.78	0.089	4	4	1.081	4	1	5
Have fun	4.33	0.067	5	5	0.823	4	1	5

**Source: authors calculations based on the entrepreneurs' survey in October - December 2013 (n=150) Estimation scale 1 – 5 (where 1 – not significant, 5 – very significant)**

The authors have used factor analysis for identifying the key factors that motivate entrepreneurs to start business and determining the mutual statistical relations of the factors. After factor analysis, the initial 18 factors through six iterations (by using the Varimax rotation with Kaiser Normalisation) of principal component analysis were grouped into six complex factors (Table 2).

Table 2

**Analysis of motivation factors in Latvia**

(Complex factors' matrix after rotation)

	Factors					
	F1	F2	F3	F4	F5	F6
Be my own boss	<b>0.866</b>	0.068	0.010	-0.011	-0.007	0.170
Create my own job	<b>0.802</b>	0.215	0.140	0.014	0.229	0.067
Make my own decisions	<b>0.614</b>	-0.056	0.091	0.253	0.082	0.109
Provide jobs for family	-0.014	<b>0.790</b>	0.063	0.050	-0.050	0.228
Build a business to pass on	0.075	<b>0.732</b>	0.286	0.021	0.329	-0.021
Be closer to my family	0.152	<b>0.715</b>	-0.096	0.323	0.125	0.092
To always have job security	0.426	<b>0.543</b>	0.116	-0.220	0.196	0.083
Prove I can succeed	0.198	0.185	<b>0.821</b>	0.040	0.001	0.003
Gain public recognition	-0.072	0.028	<b>0.763</b>	0.036	0.068	0.060
Meet the challenge	0.087	-0.004	<b>0.687</b>	0.228	0.270	0.129
Have fun	0.060	0.040	0.102	<b>0.814</b>	0.130	0.165
For my own satisfaction	0.086	0.091	0.416	<b>0.674</b>	0.169	-0.005
Maintain my personal freedom	0.520	0.243	-0.186	<b>0.522</b>	0.025	0.040
Increase sales and profits	0.275	0.250	0.080	0.047	<b>0.809</b>	0.037
Maximize business growth	0.006	0.081	0.254	0.279	<b>0.773</b>	0.102
Acquire a comfortable living	0.165	0.037	0.060	0.249	-0.074	<b>0.758</b>
Build up equity for retirement	0.035	0.245	0.267	-0.042	0.017	<b>0.702</b>
Increase my income	0.201	0.079	-0.146	0.013	0.347	<b>0.653</b>

Extraction method: principal component analysis

Rotation method: Varimax with Kaiser normalisation

a. Rotation converged in 6 iterations.

**Source: authors' calculations based on the entrepreneurs' survey in October - December 2013 (n=150)  
Estimation scale 1 - 5 (where 1 - not significant, 5 - very significant)**

The interpretation of the identified complex factors with regard to the indicators with which the initial indicators have relatively high burdens:

1) the complex factor F1: independent entrepreneurial activities - the factor has relatively high burdens on the following motivation variables: to be my own boss; to create my own job; to make my own decisions;

2) the complex factor F2: job to support family - the factor has relatively high burdens on the following motivation variables: to provide jobs for family; to build a business to pass on; to be closer to my family; to always have job security;

3) the complex factor F3: personal motivation of realisation - the factor has relatively high burdens on the following motivation variables: to prove I can succeed; to gain public recognition; to meet the challenge;

4) the complex factor F4: personal job satisfaction - the factor has relatively high burdens on the following motivation variables: to have fun; for my own satisfaction; to maintain my personal freedom;

5) the complex factor F5: profit generation factor - the factor has relatively high burdens on the following motivation variables: to increase sales and profits; to maximise business growth;

6) the complex factor F6: income factor - the factor has relatively high burdens on the following motivation variables: to acquire a comfortable living; to build up equity for retirement; to increase my income.

The authors checked entrepreneurs' average evaluation of two motivation variables in different statistically significant regions of Latvia. The motivation variables – "to build up equity for retirement" and "to always have job security" were significantly different in Riga and Kurzeme regions (Mann-Whitney test:  $z = -2.141$ ,  $p=0.032$ ;  $z = -1.888$ ,  $p=0.050$ ). The main calculation results of the analysis of motivation factors (to build up equity for retirement and to have always job security) are reflected in Table 3.

Table 3

**Mann-Whitney test**

	<b>Build up equity for retirement</b>	<b>Always have job security</b>
Mann-Whitney U	1214.500	1262.000
Wilcoxon W	2925.500	2973.000
Z	-2.141	-1.888
Asymp. Sig. (2-tailed)	0.032	0.050

**Source: authors' calculations based on the entrepreneurs' survey in 2013 October - 2013 December (n=112) Estimation scale 1 – 5 (where 1 – not significant, 5 – very significant)**

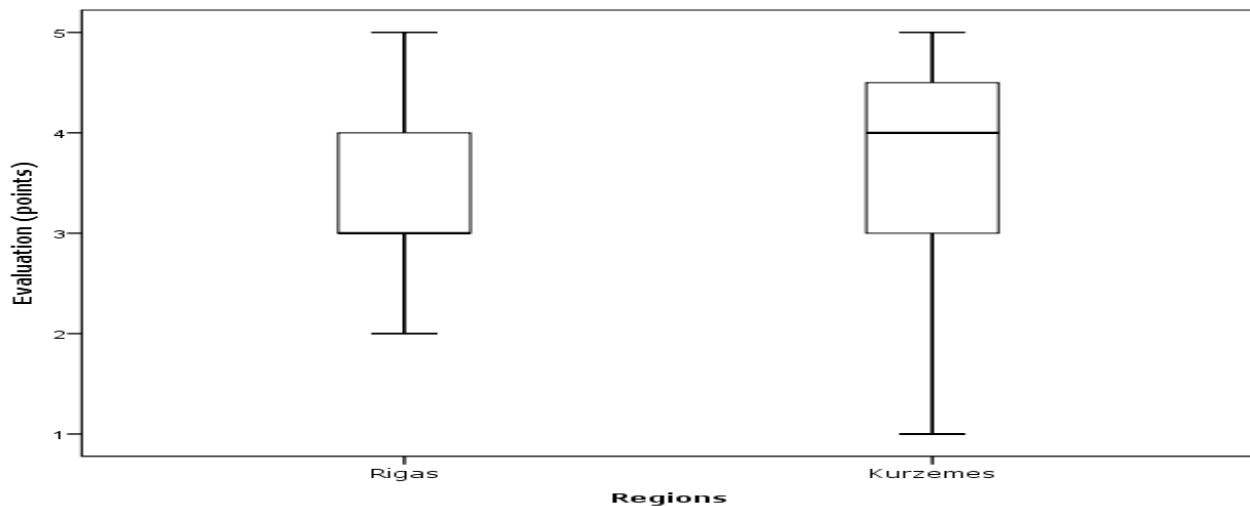
Figure 2 reflects the average evaluations and the variability of evaluations of new business starters regarding their willingness to have job security.



**Source: authors' construction based on entrepreneurs' survey in October - December 2013 (n=112) Estimation scale 1 – 5 (where 1 – not significant, 5 – very significant)**

**Fig. 2. Assessment of the significance of the motivation variable "to always have job security" in the regions of Riga and Kurzeme in Latvia**

The evaluations of the statements claimed by business starters regarding their willingness to have job security are higher in Kurzeme region in comparison with Riga region but the variability of evaluations in Riga region greatly differ in comparison with Kurzeme region. The average values of evaluations and the variability of evaluations of new business starters are reflected Figure 3.



**Source: authors' construction based on entrepreneurs survey in 2013 October - 2013 December (n=112). Estimation scale 1 – 5 (where 1 – not significant, 5 – very significant)**

**Fig.3. Assessment of the significance of the motivation variable "to build up equity for retirement" in the regions of Riga and Kurzeme in Latvia**

The evaluations of the statement claimed by business starters regarding building up equity for retirement are higher in Kurzeme region in comparison with Riga region and the variability of evaluations in Kurzeme region greatly differ. The main statistical indicators of evaluations of new business starters are reflected in Table 4.

Table 4

**Statistical indicators of motivation variables "to build up equity for retirement and "to always have job security" significance**

Statistical indicators	Build up equity for retirement		Always have job security	
	Riga region	Kurzeme region	Riga region	Kurzeme region
Mean	3.46	3.90	3.64	4.06
Standard Error of Mean	0.151	0.120	0.160	0.127
Median	3	4	4	4
Standard Deviation	1.128	0.855	1.197	0.904
Range	4	4	4	4
Minimum	1	1	1	1
Maximum	5	5	5	5

**Source: authors' calculations based on the entrepreneurs' survey in October - December 2013 (n=112) Estimation scale 1 – 5 (where 1 – not significant, 5 – very significant)**

The evaluations of the future material security for starting businesses are covering a full range of the evaluation scale but average evaluations are higher in Kurzeme region in comparison with Riga region.

## Conclusions

1. Latvia has big challenges for starting new businesses as, in general, new business starters in Latvia are less than in other countries, and many companies are closed down in the first years of operation.

2. Generally, motivating factors of starting a new business vary within different countries, especially within different parts of the world.

3. In Latvia, new business starters most of all are willing to have fun (gave higher evaluations) than are willing to make own decisions and only then to increase income.

4. The complex factors of factor analysis on new business starters in Latvia are independent entrepreneurial activities, job to support family, personal motivation of realisation, personal job satisfaction, profit generation factor, and income factor.

4. The evaluations of starting entrepreneurs regarding their motivating factors differ among the starters in Latvia, but average values (arithmetic mean, mode, and median) of all the evaluated factors are rather high in comparison with evaluations in other countries. Moreover, the variability of responses (especially in Riga region) varies within different regions of Latvia.

5. It is necessary to perform a more detailed analysis for comparison of different regions of Latvia.

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