Abstract

This paper is based on the E-World research programme focusing on international perspectives of entrepreneurship. In the first stage of this international research project, each country had to conduct focus groups in order to develop a preliminary list of traits and behavioural patterns of successful entrepreneurs. Focus groups combined with individual assessments were used for this task. The following features of successful entrepreneurs in Estonia in 2007 were pointed out most often by all categories of respondents: courage to take risks, openness to new information, flexibility, creativity and determination. Networking and acquiring capital, but also selecting the right team and following agreements were described as ways to success. The focus groups stressed some success factors that were seen as being more important for entrepreneurs operating in Estonia in 2007 than in the 1990s: broad world view, wide social network, innovativeness and creativity and lobbying within EU-related structures.

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1. Introduction

The research programme “Entrepreneurship Work in Organizations Requiring Leadership Development (E-WORLD)” will explore the following research questions: Are different entrepreneurial characteristics needed for success in different cultures and international ventures? Which characteristics are universal, meaning they are needed across most or all cultures? Which features are most culture-specific? How can critical entrepreneurial competencies be trained or developed in a particular culture?
The programme has been initiated by Missouri State University in USA, but involves partners from many countries. E-WORLD is proposed as a cross-cultural research programme based on data collected by numerous scholars from many different countries. The research programme takes both a contingency and an implicit/attributional approach to entrepreneurship. It is anticipated that a typology of entrepreneurs will be developed based on the results of the research. The results should be especially valuable for businesses and entrepreneurs desiring to operate in cross-cultural contexts. At the present stage, research collaborators are needed to provide qualitative information about characteristics, traits and behaviours that are seen as features of successful entrepreneurs in the culture of their country.

There has been a long debate between followers of the trait approach—looking for universal personality characteristics that predict entrepreneurial success—and supporters of contingency thinking that link the characteristics of a successful entrepreneur with the business environment and prevailing context of the enterprise (Aldrich 2000; Littunen 2000). It is, however, important to study how features of successful entrepreneurs are perceived by present and potential entrepreneurs in order to understand how the image of entrepreneurs and entrepreneurship is transformed in the changing social context. Such research will also help to reflect role models of entrepreneurs and related expectations of potential entrepreneurs and interest groups that are interacting with entrepreneurs. Social expectations towards entrepreneurs are among important drivers of entrepreneurial behaviour. Culture and norms affect the way individuals perceive the social role of entrepreneurs and the formation of new ventures (Licht and Siegel 2006).

An entrepreneur acts as an innovator, initiating changes and generating new opportunities that in the long run cause economic growth. The standard theory of the firm analyses repetitious decisions in an enterprise that already exists and is fully grown (Baumol 2005). Such a context does not fully reveal the role human resources play in creating new business opportunities. Peter Drucker (1985) has described entrepreneurs as individuals who exploit opportunities that changes create. New organizations create new jobs and broaden social mobility (Carroll and Hannan 2000).

The main research question in the present study is: what features of entrepreneurs are perceived as success drivers in a small open economy, where the opportunities for entrepreneurship emerged 20 years ago and have gone through radical changes as part of the transition to market economy and integration within the EU? In order to answer this research question, the paper at first provides an overview of some key concepts of entrepreneurship and entrepreneurial success factors that are later used to interpret the focus group results. The next section of the paper reviews earlier research into entrepreneurs in the transition economy in Estonia. The results of the focus group are discussed within the framework of changing entrepreneurial success patterns in Estonia, but these are also linked to the international entrepreneurial success discourse and to entrepreneurship development priorities.

2. Personality and Behavioural Patterns among Entrepreneurs

The entrepreneur has been defined as someone who specialises in making judgemental decisions about the allocation of scarce resources (Casson 1982). Judgmental decisions may be more or less risky and can be innovative by nature. Schumpeter (1928) linked the role of the entrepreneur to creative destruction by transforming existing production systems. Kirzner (1978) in his theory of entrepreneurship concluded that the
entrepreneur is a driving force in the market due to his or her role in discovering unused opportunities in the marketplace, and the competitive behaviour of entrepreneurs is operational in restoring the equilibrium of the market. The innovative entrepreneur described by Schumpeter is more related to introducing creative business ideas that may change the nature of markets, whereas the entrepreneur described by Kirzner is more an opportunity seeker able to perceive market gaps and mistakes made by other entrepreneurs in the situation of incomplete information supply. Shane (2003) links Kirznerian entrepreneurial opportunities to equilibrating forces, to limited discovery of common and less innovative solutions that do not require radically new information, whereas Schumpeterian opportunities are disequilibrating, rare, innovative, involve creation and require new information. Schumpeter’s views about entrepreneurship have provided a framework for many scholars interested in innovative entrepreneurship (Metcalfe 2006).

Scarce resources are not limited to finances, but often include human resources and knowledge. Entrepreneurs have also been characterised as individuals that believe something that nobody else believes (Witt 1998). Such differential beliefs open the way to use new business opportunities and new allocations of resources. Access to information that is influenced by life experiences, social networks and information search processes can be linked to such individual features of entrepreneurs as absorptive capacity, intelligence and cognitive properties (Shane 2003, p. 46).

The choice to become an entrepreneur is based on the individual’s past activities, present situation and future aspirations that can bring change to an individual’s life space (Kjelmann and Ehrsten 2005). The entrepreneurial personality is characterised by a self-motivation that makes overcoming risks possible and is driven by new business opportunities. Shaver and Scott (1991) have pointed out the achievement motivation as the only personality trait that in many studies has demonstrated convincing association with new venture creation. Rauch and Frese (2000) in their overview of psychological approaches to entrepreneurial success conclude that the most frequently studied personality characteristics during previous decades were the need for achievement, risk-taking and internal locus of control. Their meta-research of entrepreneurship studies stresses the need to take into consideration moderators of entrepreneurial success factors such as the life cycle of the venture, culture, and the hostility and dynamism of the business environment.

Cognitive heuristics have been studied in order to understand, for instance, the start-up decisions of entrepreneurs based on over-confidence and over-optimism biases (Wadeson 2006). An entrepreneur’s propensity to take risks has not distinguished them from non-entrepreneurs in all research results, and several studies have established a negative association between risk-taking and business success (Rauch and Frese 2000). The more differentiating factor has appeared to be risk underassessment in line with the general over-optimism of entrepreneurs (Sarasvathy et al. 1998). Although entrepreneurship assumes risk-taking, in the post-modern society it can be a greater risk not to be entrepreneurial, not to see self-employment as a personal career alternative (Kjelmann and Ehrsten 2005). Visionary leadership, communication, delegating and performance facilitation have been identified as leadership factors positively related to the success of entrepreneurial companies (Eggers et al. 1996), but these results do not differentiate entrepreneurs from managers.

In order to overcome the limitations of the trait approach, entrepreneurship researchers have developed the entrepreneurship orientation constructs that integrate innovation, proactiveness and risk-taking (Morris and Paul 1987) or the five dimensions: innovation, proactiveness, risk-taking, autonomy and competitive
aggressiveness (Lumkin and Dess 1996). The construct of a single entrepreneurial orientation can be further developed by differentiating several entrepreneurial orientations: imitative entrepreneurship, individual innovative entrepreneurship and co-creative entrepreneurship (Elenurm et al. 2007). Co-creative entrepreneurship is based on social networks and clusters as information dissemination mechanisms that facilitate entrepreneurship (Gompers et al. 2005, McCann 2006). Business networks mean continuous exchange and the other co-operative relationships that a business organisation is engaged in with other organisations (Håkansson and Snehota 1995). The role of networking is especially important in building competencies for internationalization of entrepreneurs (Hinttu et al. 2004).

Entrepreneurs representing different orientations have the chance to succeed depending on the match between their personalities and their specific entrepreneurial orientation, selected business sector and the changing business environment.

3. Entrepreneurs in Estonian Transition Economy

A comprehensive overview of entrepreneurship and SME research in Estonia is presented by Venesaar (2006). Several research projects have focused on changes in the economic environment and on the main problems facing entrepreneurs at different stages of economic transition, privatization and restructuring. At the beginning of the transition towards a market economy in the 1990s, an interview-based study conducted mainly among members of the Estonian Association of Small Enterprises (EVEA) revealed that the changes in the society and emerging legislative framework were the main reason for entrepreneurial initiatives among more active people (Klaamann 1992). In the context of identifying knowledge gaps among entrepreneurs facing the challenges of internationalization during the early stages of the transition process, research by Smallbone (1998) identified demand in SMEs for increasing access to information about international market opportunities, advice about international distribution and export promotion and also about export development grants and training courses. Elenurm (2000, 2001) analyzed the export training needs of Estonian SMEs and came to the conclusion that many entrepreneurs that started subcontracting for foreign clients did not pursue an active internationalization strategy, but were found by foreign entrepreneurial business people who visited Estonia. Small entrepreneurs in wood, furniture and clothing industries saw finding additional foreign partners and legal issues in foreign trade as a top priority, but knowledge in fields such as export strategy, export development planning and market research were seen as low priority due to the limited organizational and financial capabilities of such companies. Finding markets was mentioned as the main business constraint by 42% of the respondents in a large-scale survey of 1912 SMEs conducted in 2002 in the context of preparations for joining the European Union (Smallbone and Venesaar 2006, pp. 19–46). Alas and Sharifi (2002) pointed out the importance of changes in enterprise mission and strategy in the transformation process of privatized Estonian enterprises. The research project on entrepreneurial strategies and trust (Venesaar 2005) indicated that if during the early stages of transition towards the market economy, personal trust was a key to successful business relationships. The role of institutional trust has increased during later stages of transition. Miettinen and Teder (2006, p. 57) pointed out that in comparison with the 90s, more founding capital is needed at present in order to start a successful new venture. They also question the extent to which the growth of the total number of enterprises is advisable if the average size of enterprises declines. It has been suggested
that the regulatory and competitive environment of the EU will reduce the role of arbitrary entrepreneurship and will support knowledge-based entrepreneurship (Roolaat 2006).

Attitudes of vocational school students towards entrepreneurship were studied by Melin (2002). A comparison of Estonian and Finnish students revealed that Finnish students are more proactive, whereas Estonian students are more creative and have stronger achievement motivation. Andrejevskaja (2006) concluded in her overview of empirical studies on entrepreneurship that the psychology and sociology of entrepreneurship has received less attention from Estonian researchers than the environment of entrepreneurship, entrepreneurship support measures or economic development via entrepreneurship. Earlier research has, however, revealed the role of active opportunity-seeking people in entrepreneurial initiatives in the early stages of the market economy. The importance of personal trust among business partners and the active search for new information has also been related to successful entrepreneurship in earlier studies of Estonian entrepreneurs.

4. Results of Focus Group Discussions

At this stage of the E-world research project, the aim of the focus groups was to develop new insights into the characteristics and behavioural patterns that are associated with successful entrepreneurs in order to provide input for the further more quantitative stages of cross-cultural research. Each focus group focuses clearly upon a particular topic and encompasses the interactive discussion among its participants (Carson et al. 2001). We used the following procedure for conducting focus group discussions. First, participants spent 20 minutes filling in individual work sheets by compiling a list of at least 5 personality features that characterize successful entrepreneurs in Estonia. Participants were also asked to describe the behaviour and other success factors of entrepreneurs currently operating in Estonia. Second, participants were asked to compare successful entrepreneurs in Estonia in the 90s with those in 2007 in 4-5 member focus groups, and after 30 minutes to present their common position, but also the differences revealed by their group discussion. The facilitator and members of other focus groups would then ask questions if some conclusions needed additional clarification. The Estonian sample consisted of 12 doctoral students from the Estonian Business School (EBS), 32 EBS bachelor students majoring in entrepreneurship and 16 master students from the Estonian Academy of Music and Theatre majoring in arts administration. Separate focus group sessions were conducted with these categories of participants.

In the individual work sheets, to summarise all categories of respondents, the following characteristics of successful entrepreneurs in Estonia in 2007 were most often pointed out:

1. courage to take risks
2. openness to new information
3. flexibility
4. creativity
5. determination

However, bachelor students majoring in entrepreneurship, 54% of whom already had some practical entrepreneurial experience, stressed self-confidence and communicative skills more often than the others. Potentially conflicting personality characteristics such as egoism and empathy were pointed out by entrepreneurship
students, whereas the students of arts administration mentioned trust and greediness. Such behavioural patterns as active involvement in networking and acquiring founding capital, but also selecting the right team and following agreements were especially described as ways to success by participants that had entrepreneurial experience. Other students most often highlighted innovative behaviour and the search for new knowledge. Table 1 summarizes the results of the focus group discussions.

Table 1. Summary of Focus Group Results: Main Differences of Entrepreneurial Success Factors at Different Stages of Market Economy Development

<table>
<thead>
<tr>
<th>Success factors of an entrepreneur operating in Estonia that were more important in the 90s than in 2007</th>
<th>Success factors of an entrepreneur operating in Estonia that are more important in 2007 than in the 90s</th>
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<tr>
<td>2. Individualism and making almost all the decisions by himself</td>
<td>2. Team approach and sharing of responsibilities</td>
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<tr>
<td>4. Understanding the basics of market economy, basic foreign language skills</td>
<td>4. Broader international network, skills to use internet as a networking tool for global business</td>
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<tr>
<td>5. Questionable ethics, authentic personalities</td>
<td>5. Honesty and trust is stressed more, learning from the others’ mistakes</td>
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<tr>
<td>6. Firm hand, coping with stress</td>
<td>6. Analytical and communication skills, ability to process large amounts of information</td>
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<tr>
<td>7. Limited capital base, loans from friends</td>
<td>7. Capability to link all types of resources in order to go international</td>
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<tr>
<td>8. Finding empty market niches</td>
<td>8. Professional skills and specialization for competitive advantage</td>
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<tr>
<td>9. Workaholic style, long working hours</td>
<td>9. Balance between work and family</td>
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<tr>
<td>10. Capability to redirect processes and to restructure the “ruins of the command economy”</td>
<td>10. Bohemian creativity, open to innovative opportunities on a global scale</td>
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</table>

In the focus group discussions additional behavioural patterns of successful entrepreneurs were identified. During focus group discussions, without any special guidance, the participants moved from general personality traits to more specific descriptions of success factors that tend to reflect the behavioural patterns. These behaviours are linked to features of the business environment; although, the majority of them are also enabled by personality characteristics. For instance, in the 90s, the
courage to take risks is linked to short-term thinking that was sometimes inevitable as “windows of business opportunities” opened and closed rapidly in the changing legal environment and macroeconomic situation. Such interpretations are in line with the risk underassessment and over-optimism features of entrepreneurs that were identified by Sarasvathy et al. (1998) when they compared bankers and entrepreneurs in a more advanced market economy. In Estonia, however, at the beginning of the 90s, founding commercial banks was also an important field of entrepreneurship. Vision and long-term view are seen as the success factors in present entrepreneurs assuming a link between innovation and business sustainability.

Friends in the public sector and among early foreign investors were already a success factor for entrepreneurs in the 90s, but in later stages the focus has moved towards more systematic lobbying in local state and municipal agencies, but also in international institutions without getting lost in the already extensive Estonian business legislation and EU regulations. Basic foreign language skills served as a tool for finding initial foreign partners in the 90s, but networking among present successful entrepreneurs is seen as using the internet to facilitate global business connections in a much broader international network. A firm hand and coping with stress as key features of a successful entrepreneur in the 90s have become less important compared with analytical and communication skills that enable processing of large amounts of business information. Changes in management in the early stages of transition were mostly associated with the ability to redirect production processes and to restructure the “ruins of the command economy” by transferring solutions from advanced market economies, whereas Schumpeterian creative innovation has become a more important success factor in 2007. The image of the successful entrepreneur of the 90s can be more easily associated with Kirzner’s discovery of unused opportunities although at that time the marketplace was not especially demanding and business opportunities were often enabled by access to resources and by finding “loopholes” in laws and regulations. Entrepreneurs that at present manage to pursue innovative opportunities on a global scale are assumed to have a long-term vision, a broad international network and a team approach.

Within the framework of the entrepreneurial orientation concept (Lumkin and Dess 1996), the perceptions of focus group members about entrepreneurial success factors in the 90s stress risk-taking, proactiveness and autonomy. Innovation appears more as a rapid adjustment to external socio-economic changes and not hesitating to use “windows of business opportunities” in the local business environment even if these were temporary. In 2007, the focus has sifted to innovation that is based more on the systematic use of business opportunities in foreign markets and on the creative development of new ideas that have a chance of succeeding globally.

5. Conclusions

Some comparisons between entrepreneurial success factors in the 90s and in 2007 that have been presented by the focus groups may in reality be wishful thinking: the individualism, questionable ethics and workaholic style of the past in contrast with honesty and trust, balancing work and family of the present. But even if such comparisons are not always valid in real business life, they reflect social trends and the desires of the experienced and potential entrepreneurs that participated in the focus groups.

The image of the successful entrepreneur as a promoter of the long-term vision, a team player, a cross-border network developer, a person that integrates
professional skills with creativity and manages to balance work and family is a socially desirable role model. In order to meet such expectations it is, however, not enough to accept and promote related values as verbal slogans. A universal challenge for entrepreneurs is to make and implement business decisions to combine and apply scarce resources, but the nature of these resources and the patterns of their mobilization are changing. Co-creation in a global value chain or participation in communities of practice for generating synergetic entrepreneurial ideas assumes knowledge sharing readiness. Mutual trust has to develop in broader entrepreneurial communities where, as in a brainstorming session, it is not always possible to fix and protect authorship of the business idea.

A task for entrepreneurship education and training is to increase the awareness of entrepreneurial role models among present and future entrepreneurs. Pursuing entrepreneurial opportunities is not limited to rational decision-making – linking values and behavioural patterns, intuitive and emotional components are also important. Self-reflection upon the motives of entrepreneurial activity in order to decide what kind of entrepreneurial self-development vision, if any, would make sense for different individuals, and to choose the type of business opportunities to pursue is an entrepreneurial learning task that is not less important than acquiring the technical skills to compile a business plan. The concept of one single entrepreneurial orientation does not reflect the choice between imitating already existing business models, individual innovation based on inventions or other types of intellectual property that can be protected by an individual entrepreneur and co-creative entrepreneurship that is based on networking. The results of the focus groups reflect a trend towards innovative and co-creative entrepreneurship. In order to avoid disappointment in real business situations, prerequisites, and pluses and minuses of different entrepreneurial orientations have to be discussed in the training process by using self-assessment questionnaires to identify preferences towards different entrepreneurial orientations (Elenurm and Moisala 2007). Real cases about the implications of entrepreneurial orientations at the level of enterprise behaviour have to be linked to characteristics of entrepreneurial personalities and action principles that correspond to the orientation that has shaped the competitive behaviour of the organization.

References


