Motivating factors and barriers in the commencement of one’s own business for potential entrepreneurs

Marcin Staniewski & Katarzyna Awruk

To cite this article: Marcin Staniewski & Katarzyna Awruk (2015) Motivating factors and barriers in the commencement of one's own business for potential entrepreneurs, Economic Research-Ekonomska Istraživanja, 28:1, 583-592, DOI: 10.1080/1331677X.2015.1083876

To link to this article: http://dx.doi.org/10.1080/1331677X.2015.1083876
Motivating factors and barriers in the commencement of one’s own business for potential entrepreneurs

Marcin Staniewski\textsuperscript{*} and Katarzyna Awruk\textsuperscript{b}

\textsuperscript{a}Faculty of Management, University of Finance and Management in Warsaw, 55 Pawia Street, 01-030 Warsaw, Poland; \textsuperscript{b}Faculty of Psychology, University of Finance and Management in Warsaw, 55 Pawia Street, 01-030 Warsaw, Poland

\textit{(Received 12 February 2015; accepted 13 August 2015)}

This paper aims to recognise the factors that motivate potential entrepreneurs in the commencement of one’s own business activity and to determine factors that hamper potential entrepreneurs in starting up their own businesses. The study was conducted by surveying 255 people who planned to start their own business. The author’s questionnaire was administered to all participants. Respondents recognised three main factors that motivate people to the commencement of one’s own business activity: self-realisation and self-satisfaction, the possibility of higher earnings and independence in decision-making. Among the factors that hamper the commencement of one’s own business, respondents cited lack of experience, lack of capital and risk of failure. There was no difference between women and men with regard to motives and barriers. Younger entrepreneurs perceived more barriers than older entrepreneurs. There was no discernible relationship between age and motive to the commencement of one’s own business. Institutions handling financial aid should pay particular attention to the motives behind setting up a business. Deciding to aid a company should be preceded by an in-depth analysis of what the entrepreneur perceives to be the barriers to starting his/her own business as lack of funds is frequently not the only, or even the key, obstacle.

\textbf{Keywords:} entrepreneurial behaviour; motivating factors; barriers; entrepreneurship; start up; students

\textbf{JEL classification:} D01, L26, L20, L29.

1. Introduction

Entrepreneurship has many definitions, but from the perspective of a potential entrepreneur (a person who plans the commencement of one’s own business in the near future), two definitions are particularly important: entrepreneurship as an endeavour to commence one’s own business as well as one’s survival on the market while actively conducting business activities. These simple definitions imply two queries on which we base this study:

\begin{itemize}
  \item[(1)] What factors motivate people to commence their own business activity?
  \item[(2)] What factors hamper people in commencing their own business activity?
\end{itemize}

We pose these questions as we consider four general arguments rooted in the current literature. The first argument is the importance of entrepreneurship. Numerous papers...
show that entrepreneurship leads to development of enterprises and contributes to the creation of goods and services (Brzeziński, 2007). Entrepreneurship is also a main source of employment (especially for women) (Hisrich & Oztürk, 1999; Langan-Fox, 2005), innovation, and technological progress and can also have an influence on the economic growth of countries (Audretsch, 2007).

The second argument is that entrepreneurship is responsible for a large portion of all newly established enterprises. For example, in Poland, of the over 300,000 new enterprises established each year, 98% of these are small and medium-sized enterprises (SME) (Zołnierski, 2009). In terms of the number of enterprises, Poland is the sixth largest economy in the European Union (1.52 million companies) (Łapiński, Nieć, Rzeźnik, & Zakrzewski, 2013), whereas in terms of the number of newly established companies, Poland ranks second behind France (Łapiński et al., 2013).

The third argument is the existence of the ‘death valley’ period for newly established enterprises. Although young entrepreneurs (those who have just started their own businesses) receive support from government institutions, families or other social networks, only a small percentage of new entrepreneurs will achieve actual success, which is measured by the company surviving the critical period of the first four years following its establishment. For instance, in Poland, only three out of every four businesses survive their first year of operation (the rate was 76.6% in 2011) (Główny Urząd Statystyczny [GUS], 2014). The survival rate declines remarkably in subsequent years – to 54% in the second year and 32% in the fifth year of operation (Tarnawa & Zadura-Lichota, 2013).

The fourth argument pertains to the high rate of potential entrepreneurs. In Poland, students who plan to start their own business just after graduation from university make up the largest group of potential entrepreneurs (Bernat, Korpysa, & Kunasz, 2008).

Taking into account these four arguments, we assume this study should be aimed at recognising the motives and barriers to starting up a business perceived by a group of potential entrepreneurs.

2. Literature review

Numerous studies have shown that entrepreneurship plays an important role in contemporary societies. Entrepreneurship influences economic growth, creates better workplaces, secures social unity, prevents social marginalisation (Dimitriadis, 2008, p. 84), creates something new and valuable (Janasz, 2004, pp. 18–24), leads to development of enterprises, improves productivity of the labour force, contributes to the creation of new technologies, goods and services, changes and revives competition in the marketplace (Brzeziński, 2007, p. 21), provides people with an opportunity to take chances (Dimitriadis, 2008, p. 85), solves new problems in a creative way, and secures flexible adaptation to changes in the environment (Drucker, 1999, p. 58). If entrepreneurship produces so many benefits, it seems essential to explore the factors that could facilitate or hinder the commencement of one’s own business activity.

Thus, two questions arise:

- What motives are essential and/or pivotal for potential entrepreneurs?
- What variables encourage people to the commencement of their own businesses?

The main theories of entrepreneurial motives are grouped into two categories: drive theory and incentive theory (Carsrud & Brännback, 2009). Drive theory suggests there
is an internal need (for example, for achievement or autonomy) that has the power to motivate an individual to start a new venture, which thereby reduces the resulting tension. On the other hand, incentive theory suggests that people are motivated to act because of external rewards. For example, entrepreneurs may be motivated by a combination of incentives such as flexibility, income, or prestige (Fayolle, Liñán, & Moriano, 2014). Studies show that the diversity of motives is dependent on the background of the entrepreneur (Armengot, Parellada, & Carbonell, 2010) as well as the wealth of the country in which the potential entrepreneur resides (Hessels, van Gelderen, & Thurik, 2008).

As far as content is concerned, the concept of pull and push factors is similar to the concept of drive and incentive theories presented above. Accordingly, people who start their own business activities may be inspired by either pull motives: *I do it because I see an opportunity* or push motives: *I do it because it is necessary* (Williams, Rounds, & Rodgers, 2009). In other words, there is a clear distinction between positive factors that pull and negative situations that push people into entrepreneurship (Verheul, Thurik, Hessels, & van der Zwan, 2010). The pull factors are mostly motives covered by drive theory, including among others, self-realisation and personal satisfaction (Staniewski, 2009), the need for autonomy/independence in making one’s own decisions and directing one’s own actions (Staniewski, 2009; Van Gelderen & Jansen, 2006), the need for achievement (Verheul et al., 2010), creativity, one’s knowledge about business, one’s endeavour to manage one’s own activities, the acquisition of priceless experience, the opportunity to realise one’s potential and be satisfied with one’s work, and the endeavour to achieve high earnings and the accumulation of wealth (Bernat et al., 2008; Czyżewska et al., 2009; Staniewski, 2009; Van Gelderen & Jansen, 2006). In turn, push factors may include motives such as risk of unemployment, family pressure, dissatisfaction with one’s present situation (Verheul et al., 2010), a bad situation in the labour market, and the lack of interesting offers and job positions (Bernat et al., 2008; Czyżewska et al., 2009).

Essentially, we might risk a statement that all of the motives present in the relevant literature may be placed into one of the two categories provided above. However, it is worth highlighting that people starting their own businesses are rarely inspired by a single motive. Most commonly, a decision to start a business is based upon a complex configuration of external (push factors) and internal (pull factors) motives. The results of other studies confirm this as well.

For example, Staniewski (2009) found that people who set up a business are inspired by the idea of developing new technology as well as by other strong motives such as the affirmation of one’s own values or acquiring a higher social status.

In turn, Dubini (1989) identified three classes of entrepreneurs, driven by different sets of motivations. The first type of entrepreneur is the self-actualiser. These entrepreneurs are driven by a thirst for achievement and a sense of independence and autonomy. The second type is the discontent entrepreneur. These people are dissatisfied and unhappy with their present working conditions. The third type of entrepreneur follows the traditional role models in his/her family.

Other researchers have identified four crucial entrepreneurial drivers or motives (Parker, 2004; Schumpeter, 1952; Wagner & Ziltener, 2008). These four motives are (1) self-realisation and independence, (2) enhanced status and income, (3) economic contribution and impact, and (4) upholding tradition and securing income.

It would seem, however, that a decision to start one’s own business is rarely dependent on the motives that inspire the potential entrepreneur. Much more commonly, the decision is a product of combined reasons and barriers held by the entrepreneur.
Unfortunately, as demonstrated by research, many entrepreneurs, including university graduates who plan to set up a business, believe that there are numerous obstacles and barriers not only to running the business but to starting it as well. Interestingly, research also shows that reality does not always reflect the barriers that the potential entrepreneur believes exist. In many cases, the perceived barriers may depend on the personality of the entrepreneur. A study conducted with a group of students in various majors (including Technology, Business Administration, Management, Hotel Management and Catering Technology, Pharmacy, and Computer Applications) has confirmed the above. The findings confirm that many students believe there is an array of barriers to starting a business – 41.89% perceive them as serious and 49.81% as moderate. Merely 8.3% of the students perceive the number of barriers to starting one’s own business to be relatively small. The same study indicates quite an interesting correlation between the personality traits of the potential entrepreneur and the severity of the barriers to setting up a business (Sharma & Madan, 2013).

Another question arises at this point: which factors are perceived to be hurdles by potential entrepreneurs?

In order to answer the above question, we refer to research carried out with a group of potential entrepreneurs (students who plan to start a business) and businessmen who have run a business. Research results show that most students perceive that numerous hurdles hinder or completely restrict the commencement of their own businesses. Among the barriers, students indicate a lack of professional experience and funding (Staniewski, 2009), lack of skills, lack of assistance, lack of capital, lack of awareness, and fear of the future (Tanveer et al., 2011). In turn, entrepreneurs from the SME sector recognise that the most important barriers and challenges are lack of sufficient knowledge of management skills, lack of adequate investment to start and run a business, difficulty in discovering information about markets, products and prices, troublesome rules, obtaining bank loans, and difficulty in recruiting good and reliable staff (Jafarnejad, Abbaszadeh, Ebrahimi, & Abtahi, 2013).

However, Smith and Beasley (2011) identified several constraining factors: lack of general business knowledge, contradictory advisory support from external agencies, lack of sector-specific mentors, lack of finance and experience of familiar entrepreneurship.

As demonstrated above, setting up a business is largely dependent on the motives that inspire a potential entrepreneur. It is traditionally acknowledged that the reasons people start businesses are mainly economic in nature (Carsrud & Brännback, 2009). Nevertheless, contrary to this common-sense approach that organisations responsible for granting financial aid frequently rely upon, money is not always the sole reason. This fact is confirmed by research results showing that non-monetary reasons for being self-employed play a much greater role than monetary aspects, and it is debatable that people choose self-employment as a means of gaining higher income than they could attain as employees (Douglas & Shepherd, 2002; Parker, 2004; Wagner & Ziltener, 2008).

Apparently, starting a business is to a greater extent determined by an array of motives and external and internal factors, with the potential threats and losses taken into account. Therefore, if setting up a business is a product of the entrepreneur’s motives and perceived barriers, it seems interesting to further explore the issue of the potential entrepreneur’s subjective perception of the relevant reasons and dangers. It appears to be equally interesting to verify the differences between the sexes in terms of the causes and difficulties that they perceive as far as setting up one’s own business is concerned, as well as to examine the possible impact of the age of the potential entrepreneur on the diversity of the motives and severity of the barriers.
3. Methodology

3.1. Study procedure

This cross-sectional study was carried out in March 2013 at the University of Finance and Management in Warsaw (Poland). We invited 500 people to participate in our study but only analysed responses from 255 potential entrepreneurs (students who declared that they plan starting their own business in the near future). The research was completely anonymous in order to guarantee the sincerity of the answers. All participants were informed about the purpose and the subject of this study.

3.2. Methods

We used the questionnaire that was developed by us for the purpose of this study. Generally, we used a 28-item measure survey to evaluate motives (e.g. Why do you want to start your own business?) and barriers to the commencement of one’s own business activity (e.g. What factors hinder you the commencement of your own business activity?). This questionnaire also asked respondents about the experience of running a business (e.g. Have you ever had your own business?) and future plans to start a business (e.g. Do you think about starting up your own business?). Several items were used to collect information about hobbies of the respondents as well as socio-demographic data such as sex, age, origin, course and year of study. All items in this survey were closed questions. Respondents were required to choose the variant/variants of the responses with which they agreed.

3.3. Participants

Data were gathered from 255 potential entrepreneurs (students who want to start their own businesses in the near future). Men under 25 whose studies were in the departments of political science, management, psychology and informatics dominated this group. Of these, 60% had a concrete vision of their business activity. The main sources of students’ business ideas were their hobbies (36% responses) and their professional activities (26% responses). Fewer students were inspired by their specific abilities (19% responses), studies (17% responses) and Mass Media (press, television, radio, Internet – 15% responses). Among individuals interested in the commencement of their own business activity, a considerable number were aware of the financial resources necessary for the commencement of their businesses (51%). Older individuals, whose studies were in the department of political science and who were financially independent and employed, dominated this group. However, the majority of these people did not have the necessary financial resources (85%). Those who had such resources are mainly men above the age of 25, studying informatics (35%) and management (18%). These people were financially independent and came from large cities (over 50,000 inhabitants). One positive trait uncovered by this study was that the majority of those who did not have the necessary financial resources knew where to get these resources (66%). Students from political science and management departments dominated this group. These people were financially independent (79%), studied by correspondence (71%) and worked (69%). Respondents claim to know the market in which they intended to work (67%). Men over the age of 25, studying at informatics and management departments, were the main demonstrators of this knowledge and were mostly the same individuals as those who declared having financial resources necessary for the commencement of business activities.
4. Results

In the first step of our analysis, we attempted to determine the factors that motivate potential entrepreneurs to the commencement of their own businesses. Three factors were found to exist as crucial motivators: self-realisation and self-satisfaction (63%), the possibility of higher earnings (as compared with other companies) (48%) and independence in decision-making (30%). Less important motivators were independence in actions (25%), pursuit of self-testing, the affirmation of one’s own value (21%) and higher social status (5%).

Potential entrepreneurs recognised numerous factors as hurdles. In their opinion, the most burdensome obstacles were lack of experience (47%), lack of capital (35%) risk of failure (the loss of the invested capital) (26%) and inefficient and complicated rules and procedures related to the implementation of business activity (21%). Among the types of knowledge, civil, commercial, economic, taxation legislation (59%), financial reporting, accountability (51%) and regulations concerning the registration and implementation of business activity (45%) were considered to be the most harmful obstacles. All barriers that were reported by students are shown in Table 1.

In the second step, we attempted to evaluate the relationship between sex and motives. This association was found to be statistically insignificant ($\chi^2 (4) = 3.32, P \geq 0.05$). The relationship between sex and perceived obstacles was also statistically insignificant ($\chi^2 (20) = 25.51, P \geq 0.05$).

In the third step, the association between age and motives was assessed. In order to evaluate these relationships, our study sample was divided into three age groups (less than 25, between 26 and 35, between 36 and 45). This association was also found to be statistically insignificant (Cramer’s $V = 0.09, P \geq 0.05$). However, age was unrelated to declared barriers. Young entrepreneurs (younger than 25) declared more obstacles than the remaining groups (Cramer’s $V = 0.25, P \leq 0.05$), and they chose high taxes (87.7%), lack of experience (84.8%), regulations concerning the registration and implementation of business activity (38.6%) and high competition (28.4%) as barriers more frequently than their older counterparts.

5. Discussion

Numerous studies have shown the benefits and the importance of entrepreneurship (Audretsch, 2007; Dimitriadis, 2008, p. 84; Hisrich & Oztürk, 1999; Langan-Fox, 2005). However, many potential entrepreneurs baulk at the thought of starting their own business, and most of them finally reject the idea of self-employment. The decision-making process of self-employment is therefore a complex process that includes potential entrepreneurial benefits, motives and obstacles. Within the scope of motives that influence the commencement of one’s own business, a potential entrepreneur uses various reasons at the same time, and generally these motives might be classified into two factors (pull/push factors) (Verheul et al., 2010) or theories (drive/incentive theories) (Carsrud & Brännback, 2009). However, an entrepreneur is motivated by complex constellations of internal and external motives rather than by a single motive.

Our findings support these previous results. First of all, they provide evidence that people consider various reasons before they make a final decision about starting up their own businesses. In our study, respondents indicated self-realisation, self-satisfaction, the possibility of higher earnings and independence in decision-making as the most important motives. This result confirms that people consider various complex configurations of mixed motives (both external and internal ones) before starting their own business.
activities. Moreover, these results coincide with proposition of four groups of motives presented by Schumpeter (1952), Parker (2004), Wagner and Ziltener (2008). The authors demonstrate that essentially any motive inspiring one to set up a business may be included in one of the four general categories of motives: (1) self-realisation and independence, (2) enhanced status and income, (3) economic contribution and impact, and (4) upholding tradition and securing income. Three motives identified in our study are also partially similar to two of the three classes of entrepreneurs – self-actualizers and discontent entrepreneurs (Dubini, 1989).

It is also worth emphasising that motives revealed in this study are pull factors rather than push factors. Therefore, it is possible that while the potential entrepreneur is driven by various motives when he or she plans to start his/her own business, pull factors (or in other words internal motives) are more powerful than push factors (external

| Table 1. Barriers hampering the commencement of one’s own business. |
|------------------------|------------------|
| Barriers               | %                |
| Lack of experience     | 47               |
| Lack of capital        | 35               |
| Risk of failure (the loss of the invested capital) | 26               |
| Inefficient and complicated rules and procedures relate to the implementation of business activity | 21               |
| High competition       | 19               |
| Lack of the precise business ideas | 19               |
| High taxes             | 17               |
| Inefficient and complicated rules and procedures related to the registration of business activity | 17               |
| Lack of knowledge and skills | 16               |
| High costs of labour   | 12               |
| Fear of eventual loss of current job and permanent income | 12               |
| Lack of qualified assistance and advice, concerning business activity | 11               |
| Lack of contact with potential customers | 10               |
| Absence of business partners | 9                |
| Rapidly changing legislation | 8                |
| Inefficient labour legislation | 6                |
| Doubt of one’s opportunities, the lack of self-confidence, low self-esteem | 5                |
| Lack of the expected support from the relatives and close friends | 3                |
| Fear of responsibility | 2                |
| Other                  | 7                |
| Low prestige of the profession of entrepreneur | 1                |

Types of knowledge considered as barriers

| Civil, commercial, economic, taxation legislation | 59 |
| Financial reporting, accountability | 51 |
| Regulations concerning the registration and implementation of business activity | 45 |
| Obligations, arising from the implementation of business activity | 38 |
| Negotiations in business | 33 |
| Management methods and skills | 23 |
| Marketing | 21 |
| Human resource management | 17 |
| Logistics management | 15 |
| Team management | 10 |
| IT-skills (use of computers and office software) | 10 |
| Quality management | 10 |
| Other | 7 |

Source: Author’s own investigation.
motives). Interestingly, it appears that the internal motives may be playing a more important role in initiating business activity, regardless of the sex or age of the potential entrepreneur. In our study, we found no major differences between the sexes in terms of the choice of the motives, and thus, both women and men more often declared being influenced by internal motives when planning to set up their own business. Likewise, the respondents from various age groups were similarly inspired by internal motives when planning their own business to a larger extent than by the external ones.

Similar to other studies (Jafarnejad, Abbaszadeh, Ebrahimi, & Abtahi, 2013; Sharma & Madan, 2013; Smith & Beasley, 2011; Staniewski, 2009; Tanveer et al., 2011), our findings revealed that people who plan to start their own businesses perceive numerous burdensome obstacles. In the opinion of our respondents, the most harmful barriers were lack of experience, lack of capital and risk of failure. Respondents also indicated that complicated regulations concerning the registration and implementation of business activity, civil, commercial, economic, and taxation legislation and financial reporting, and accountability produce some difficulties. Once again, the results demonstrate that the issue of hurdles in starting one’s own business remains open to discussion, meaning that despite many efforts to remove the above-mentioned barriers (i.e. research into the matter, programmes supporting young entrepreneurs, formal and legal facilitation, trainings, and so on), there is no significant decrease in the number of difficulties that entrepreneurs perceive.

Our study revealed an additional interesting result. Namely, the perception of barriers to starting a business seems unrelated to the sex of the respondent. To put it differently, the results of the present study indicate that women and men perceive similar barriers for an entrepreneur. Conversely, interesting differences in terms of the perception of barriers are found when various age groups of potential entrepreneurs are analysed separately. We performed a division of the respondents based on their age by forming three age groups: respondents younger than 25 years of age, respondents between 26 and 35 years of age, and respondents between 35 and 45 years of age. Analysis of these three age groups revealed interesting differences in the perception of barriers. Younger potential entrepreneurs, i.e. those in the first age group (below 25 years old) saw considerably more barriers to starting their own business in comparison to the remaining groups of respondents. In turn, people in the second (between 26 and 35 years) and third groups (between 36 and 45 years) identified the lack of expected support from relatives and close friends as a barrier more often than the younger respondents.

6. Conclusions and recommendations

In our study, we attempt to identify the motives inspiring a potential entrepreneur, i.e. a person who plans to set up their own business in the near future, as well as any barriers they encounter. Our results indicate that the potential entrepreneur is influenced by an array of motives in the decision-making process, and internal motives appear to be more important (irrespective of the sex or age of the respondent) than external ones. Unfortunately, in the collective opinion of the respondents, there are a number of barriers that hinder starting and conducting a business, or even make it impossible to do so. Young people in particular perceive many barriers. The fact that young people often lack experience, appropriate knowledge, or funds may account for this observation, as the lack of these qualities may cause feelings of insecurity.

Our study has several practical implications. First of all, government institutions or other organisations supporting potential entrepreneurs should consider the motives that
inspire would-be entrepreneurs to start a business, paying close attention to the pull and push factors. It seems that internally motivated people (e.g. by the need for self-realisation) may be more persistent in sustaining their own businesses than people who are inspired by external motives (e.g. a desire to generate quick profits). As for those inspired by external motives – a lack of quick effects or initial adversities may eventually lead them to give up in conducting a business.

Organisations aiding young entrepreneurs should also take into consideration the barriers perceived separately by each potential entrepreneur. As the present study demonstrates, a lack of funds is not always the only or key obstacle. In particular, institutions offering financial aid to entrepreneurs should bear this fact in mind. It appears that frequent allocation of these funds to training, internship programmes, and so on, may be a much better solution, as these programmes will allow young entrepreneurs gain the skills and experience necessary to facilitate the appropriate use of one-time financial aid.

**Disclosure statement**

No potential conflict of interest was reported by the authors.

**References**


