

a scientific open access quarterly



International Entrepreneurship Review

ISSN 2658-1841

2021, vol. 7, no. 3



CRACOW UNIVERSITY OF ECONOMICS
Department of International Trade
Centre for Strategic and International Entrepreneurship

a scientific open access quarterly



International Entrepreneurship Review

ISSN 2658-1841

2021, Vol. 7, No. 3



CRACOW UNIVERSITY OF ECONOMICS
Department of International Trade
Centre for Strategic and International Entrepreneurship

Publisher

Cracow University of Economics
Centre for Strategic and International Entrepreneurship
Department of International Trade
ul. Rakowicka 27, 31-510 Kraków, Poland
phone +48 12 293 5929, -5376, -5307, -5381, -5327
e-mail: ier@uek.krakow.pl
www.ier.uek.krakow.pl

Secretariat and Editorial Office

Mrs. Anna Marcinek-Markowska
Building U, Room 300, phone +48 12 293 5929

Executive Team for this Issue

Copyediting: Elżbieta Bombińska
Proofreading: Marek Maciejewski, Elżbieta Bombińska
Cover and DTP: Marek Sieja

Reviewers

All articles are double-blinded peer-reviewed at least by two independent reviewers.
The detailed list of reviewers is published at our website once a year.

Original Version

The online journal version has been the only one since 2019.
The online journal is the primary and reference version.

ISSN 2658-1841 (since 2019)
ISSN 2543-537X, eISSN 2543-4934 (in the years 2015-2018)

Copyright and License

Copyright by Authors and by Cracow University of Economics, CC BY-ND 4.0 License
IER is an open access journal according to DOAJ.



Editorial Board

Editor-in-Chief

Krzysztof Wach

Associate Editors

Armenia Androniceanu (Romania), Zoltán Bartha (Hungary), Krystian Bigos,
Elżbieta Bombińska, Beata Buchelt, Mariola Ciszewska-Mlinarič, Dương Công Doanh (Vietnam),
Burak Erkut (Cyprus/France), Wojciech Giza, Agnieszka Głodowska, Agnieszka Hajdukiewicz,
Gines Hernández Cánovas (Spain), Milós Kozma (Hungary), Michał Lemański (China),
Marek Maciejewski (scientific secretary), Ladislav Mura (Slovakia), Božena Pera, Áron Perényi (Australia),
Marcin Salamaga (statistics editor), Aidin Salamzadeh (Iran), Luboš Smutka (Czechia)

Consulting Editors – International Editorial Advisory Board

Adam P. Balcerzak, University of Warimia and Mazury, Poland
Yuriy Bilan, Rzeszów University of Technology, Poland; Tomas Bata University in Zilin, Czechia
Stawomir I. Bukowski, Kazimierz Pulaski University of Technology and Humanities in Radom, Poland
Victor Claar, Florida Gulf Coast University, United States
Dafnis N. Coudounaris, University of Tartu, Estonia, Aalborg University, Denmark
Elżbieta Czarny, SGH Warsaw School of Economics, Poland
Rasa Daugėlienė, Kaunas University of Technology, Lithuania
Bogusława Drelich-Skulska, Wrocław University of Economics and Business, Poland
Antonio Duréndez, Universidad Politécnica de Cartagena, Spain
Ondřej Dvouletý, University of Economics in Prague, Czechia
Geoff A. Goldman, University of Johannesburg, South Africa
Marian Gorynia, Poznan University of Economics and Business, Poland
Andrea S. Gubik, University of Miskolc, Hungary
Marian Holienka, Comenius University in Bratislava, Slovakia
Elena Horska, Slovak University of Agriculture in Nitra, Slovakia
Barbara Jankowska, Poznan University of Economics and Business, Poland
Doris Kiendl, University of Applied Sciences FH Joanneum in Graz, Austria
Blaženka Knežević, University of Zagreb, Croatia
Halyna Mihschuk, National University of Water and Environmental Engineering, Ukraine
Immanuel Azaad Moonesar, Mohammed Bin Rashid School of Government, United Arab Emirates
Cornelia Pop, Babes-Bolyai University, Faculty of Business, Cluj-Napoca, Romania
Ewa Oziewicz, University of Gdansk, Poland
Anna Pilková, Comenius University in Bratislava, Slovakia
Jurgita Raudeliūnienė, Vilnius Gediminas Technical University, Lithuania
Inna Romānova, University of Latvia in Riga, Latvia
Magdolna Sass, Hungarian Academy of Sciences, Hungary
Jurgita Sekliuckienė, Kaunas University of Technology, Lithuania
Maura Sheehan, Edinburgh Napier University, United Kingdom
Gerry Simons, Grand Valley State University, USA
Janusz Świerkocki, University of Łódź, Poland
Tomohiko Takahashi, Takushoku University, Faculty of Political Science and Economics - Tokyo, Japan
Josef Taušer, University of Economics in Prague, Czechia
Mike Troilo, University of Tulsa, USA
Meltem İnce Yenilmez, Yasar University, Turkey
Ana Mol Gomez Vazquez, Universidad de Alicante, Spain
Tiia Vissak, University of Tartu, Estonia
Marzenna Anna Weresa, SGH Warsaw School of Economics, Poland
Crystal Zhang, Coventry University, United Kingdom

Abstracting/Indexing

The journal, and all its articles, is abstracting and/or indexing in international databases, including:

DOAJ (England, UK)
Sherpa Romeo (England, UK)
ERIH Plus (Norway)
Publons (Beijing, China)
ProQuest (USA)
EBSCO (USA)
Google Scholar (USA)
EconPapers – RePEc (Sweden)
Crossref (USA)
BazEkon (Poland)
BazHum (Poland)
Index Copernicus (Poland)
ROAD (USA)
WorldCat (Netherlands)

Identification and Originality

All articles published in IER are tagged with an identification number employing the Digital Object Identifier (DOI) System.
IER uses the Crossref Similarity Check service powered by iThenticate to verify the originality of articles submitted to the journal.



Table of Contents

How do intergovernmental organizations embed themselves in global value chains: A case study of Gavi	7
Melodena Stephens Balakrishnan, Immanuel Azaad Moonesar	
Trust and other factors impacting the platform choice in sharing economy: A case from Poland	23
Wiktoria Rakowska	
Restarting for the thrill: Behavioural addiction to entrepreneurship	37
Ndivhuho Tshikovhi, Farai Dziike, Sibusiso Moyo	
Conditions and challenges for Polish-Chinese trade cooperation in high-tech goods	47
Celestyna Miłoś	
Complexity of culture and entrepreneurial practice	61
Kerstin Bätz, Patrick Siegfried	
Do entrepreneurial characteristics and education influence start-up potentials among undergraduates? Evidence from a developing country	71
Caleb M. Adelowo, Oluwatosin E. Ilevbare, Jhalukpreya Surujlal	

How do intergovernmental organizations embed themselves in global value chains: A case study of Gavi

Melodena Stephens, Immanuel Azaad Moonesar

ABSTRACT

Objective: The article's objective is to understand how non-MNE actors in the global arena, like intergovernmental organizations (IGOs) embed themselves in the global value chain by using their strong ties to states.

Research Design & Methods: For this study, a qualitative methodology approach investigates an underexplored area of research using a single case study, GAVI, that utilizes thick data.

Findings: The paper contributes to our understanding of IGOs and how they internationalize. New motives are identified, and the concept of soft power has been extended to IGOs.

Implications & Recommendations: IGOs in the humanitarian or developmental sector use soft power strategies to embed themselves in the global value chain. The paper's implications are for policymakers and practitioners in the third sector, including those who invested interest at state-represented foreign direct investment. Future studies can look at how networks are leveraged, spillover occurs from a personal level to an institutional level, and vice-versa combining diplomacy, bargaining, and legitimacy.

Contribution & Value Added: The study highlights new areas of research like that of soft power. The current internationalization models of SMEs and MNEs may not neatly fit in the context of IGOs (which are born global). We reiterate that existing IB theories need to be applied to other state actors like sovereign wealth funds and non-governmental organizations. The above case study, a detailed historical analysis using thick data, is a methodology not often published.

Article type: research article

Keywords: Global value chain, soft power, legitimacy, strategic seeking FDI, GAVI, Global factory

JEL codes: E22; F21; F01

Received: 17 March 2021

Revised: 3 June 2021

Accepted: 13 June 2021

Suggested citation:

Stephens, M., & Moonesar, I.A. (2021). How do intergovernmental organizations embed themselves in global value chains: A case study of Gavi. *International Entrepreneurship Review*, 7(3), 7-21. <https://doi.org/10.15678/IER.2021.0703.01>

INTRODUCTION

The 'global factory' is a concept introduced by Peter Buckley (Buckley, 2004). He argues that globalization has led to multinational enterprises (MNEs) using the global arena to distribute their business in such a way to ensure maximum profits (Buckley, 2009a). While much of international business (IB) using the concept of global value chains in regards to the private sector, nations, and non-profits also use this concept. The earliest example is the Dutch East India Company (VOC), founded in 1602, and the English East India Company (EIC), founded in 1600. These organizations moved from private initiatives to institutional state-funded organizations, to later Company-State (Weststeijin, 2014), with VOC being the first to be listed on a stock market. Other state-funded global firms are state-owned enterprises (SOEs) or sovereign wealth funds (SWFs).

However, intergovernmental organizations (IGOs) are a neglected category in IB literature (Milner, 1999) and often clubbed with non-government organizations, which may not all be international. The number of institutions of 7658 influence foreign direct investment (FDI) (Union of International Associations [UIA], 2018) or trade (Ingram *et al.*, 2005). Research finds that IGOs impact member countries

more than non-member countries (at least in trade) through a relationship of direct exercise of organizational and bureaucratic control, often through NGOs and MNCs (Ingram *et al.*, 2005). This research category falls into the area of an “institutional abyss,” with most studies focusing on the World Trade Organisation and International Monetary Fund (Alacer & Ingram, 2013, p. 1056). IGOs tend to signal relational governance and overcome trade distance through transactional costs (Alacer & Ingram, 2013; Ingram *et al.*, 2005). Suddaby (2010) finds part of the challenge is that institutional theory may not be enough to explain how NGOs operate. The theory needs to be refocused “*to explore more fully the interpretive capacities of organizations and consider closely the possibility that organizations are much more sophisticated managers of symbolic resources than organizational theory presently admits to*” (p. 18).

IGOs are an outcome of economic and political factors globally and nationally (Lee, 2010). Teegeen *et al.* (2004) highlight the importance of non-governmental organizations (making no distinction between them and IGOs) in value creation and governance from the lens of institutional theory and the bargaining model. However, they state there are similarities with MNEs, especially if you look at the purpose as “value creation and distribution,” where profits are just one outcome (Teegeen *et al.*, 2004, p. 476). The value IGOs create maybe debatable. Moore *et al.* (2019), in their study of IGOs, looked at 272 country-year panel observations across 68 countries from 2000 to 2011 and found that IGOs promote formal entrepreneurship but hindered informal entrepreneurship in the least developed countries, irrespective of the type of IGO (social, political, or economic). Shenkar (2004) and Teegeen *et al.* (2004) call for more research in this area and encourage a revisit of theories like that of ownership, location, and internalization factors (OLI) (Dunning 1988, 2001), to see its relevance in international business, primarily as they operate as multinationals.

IGOs are global by membership. IGOs strongly influence member state economic policies, including FDI and knowledge flows (Jandhyala, & Phene, 2015). Contrary to the perceptions that IGOs are neutral, there is the field of thought that IGOs are vehicles of states used to mold the global system (Mearsheimer, 1995). This was reinforced in the study of IGOs working for peace, where the authors concluded, “*The contribution of IGOs to peace depends not so much on forging common bonds or on converting international anarchy as it does on creating conditions that encourage effective interstate bargaining*” (Boehmer *et al.* 2004, p. 28). This paper aims to understand how other influential actors in the global arena like IGOs embed themselves in the global value chain to using their strong ties to states (Moore *et al.*, 2019). The paper will look at existing theories on motives, strategic seeking FDI, legitimacy, and soft power concerning how IGOs embed themselves in the global value chain. Soft power is a relatively unexplored concept in IB literature.

The paper’s structure is as follows: first, we will recap the current research on IGOs. This will be followed by a brief introduction to the literature on strategic asset-seeking FDI, networking, soft power, and legitimacy, areas that IGO literature does not fully explore from a global supply chain perspective. Then the methodology will be discussed, and the case analyzed. Using thick data (qualitative/case-rich), we will open a “black box” of how and why IGOs internationalize (Doz, 2011). Finally, a conceptual model will be presented, followed by a brief discussion.

LITERATURE REVIEW

Internationalizations of IGOs

IGO are entities created by treaty, involving two or more nation-states to work in good faith, on issues of common interest, and subject to international law. Often, they consist of memberships of states. IGOs are significant actors in the diplomatic arena, providing ties that more formal diplomatic missions may not be able to create (Vabulas & Snidal, 2013). IGOs are embedded into the global value chain. The development of strategic location bases is often attributed to IGO-IGO linkages (Ingram *et al.*, 2005). It is estimated that trade between countries increases by 58%, doubling the strength of IGO connections between the nations, and increasing economic effect for social/cultural IGOs to 24% to 80% (Alacer & Ingram, 2013; Ingram *et al.* 2005). This may appear to be preconditioned by the salience of the field of activity of the IGO, or the degree of similarity between two actors (Lorrain & White, 1971).

Motives of IGOs

Some work on IGOs and motives exists depending on purpose, membership, or logic of behavior (see Table 1).

Table 1. Motives of IGOs

Classification	Categories	Author
Purpose	(1) general-purpose (2) military, (3) economic or (4) social/cultural.	Jackson (2006)
Membership	(1) universal – allows membership from all nations like the UN (2) international, across countries and continents like ASEAN (3) regional, across countries in the same continent like EU and (4) purpose defined (single purpose or multi-purpose), can be selective in membership, like NATO and OPEC.	Hough <i>et al.</i> (2010)
Logic of behaviour	(1) Functional IGOs focussing on pragmatic legitimacy (immediate target audience's self-interest – donor states). (2) Normative IGOs focus on moral legitimacy (broader societal welfare of the community over donors).	Suchman (1995)

Source: own study.

In terms of purpose, IGOs may be exclusive. The fact that many more prosperous states belong to IGOs (e.g., Beckfield, 2003) may be in line with the Demographic-Structural theory that highlights the oversupply of elites (and elites' aspirants), leading to the creation of vehicles for the maintenance of status and wealth (Goldstone, 1991; Turchin & Nefedov, 2009). Membership is restricted to ensure compliance with institutional rules (Koremenos *et al.*, 2001). This may lead to a perception that IGOs may act like cartels and control the prices of world commodities (Haynes *et al.*, 2017). Surprisingly little research exists in the field of IGOs in the arena of international business, though they influence non-member states and can benefit member states.

In IB literature, strategic asset-seeking FDI is crucial for internationalization to create or gain access to resources and capabilities complementing the existing core competencies (Dunning, 1993; Dunning & Lundan, 2008). It is used as a strategy to manage assets and resources via (1) leveraging or augmenting existing assets (e.g., Meyer *et al.*, 2009; Narula, 2006; Narula & Dunning, 2000; Narula & Zanfei, 2004); or asset exploration (Meyer, 2015) or accumulating new strategic assets (e.g., Narula, 2006). This may be upstream or downstream (Pananond, 2015), which gives a strategic competitive advantage. But the challenge in applying this concept to IGOs is highlighted by the central premise of strategic seeking FDI. Dunning believes that "*a firm's ability to benefit from such activities must be related to the assets which it possesses before the act of internalization*" (Dunning, 2001, p. 175), which limits its application to IGOs as they are not investing in either horizontal or vertical FDI in the conventional meaning of the terms, as they do not create subsidiaries and often do not exploit markets in the terms with which we refer to MNEs. In one of the few studies that exist, an IGO contributed to local, national innovation by leveraging external knowledge (Jandhayala & Phene, 2015). Hence this is an area for further research.

Networks: Sources of Legitimacy and Soft Power

The global factory presupposes global differentiated networks (Buckley 2009a, 2009b). In these networks, the state often becomes an active partner (Gereffi & Korzeniewicz, 1994). It will lobby for trade, help build capabilities, give access to resources, or protect at an incentivized rate, making the organization more competitive in the global marketplace. Many well-known IGOs are strategically based in Washington, New York, Geneva, or Brussels, so location matters. However, they do not directly get involved in manufacturing but can facilitate it. Since they can attract enormous resources and reallocate them – this is significant. For example, the three largest IGOs are the United Nations (UN), the World Trade Organization (WTO), and the North Atlantic Treaty Organization (NATO) (See Table 2). IMF, which has its HQ in Washington, and 189 members, gives loans at reduced interest rates to member countries and for 2018 had a budget of US dollars 1,104 million (majority for personnel) and gave US dollars 91 billion to four countries and US dollars 2.4 billion to low-income countries (IMF,

2018). World Bank has 189 member countries, and in the financial year, 2017-18 committed US Dollar 67 billion in financing, investments, and guarantees. WB works through other organizations like The International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). There is little research available on the global networks of IGOs – donors, affiliated organizations, or locational choices that affect how they impact, influence, or do international business of money management, investments, human resources management, or its impact on GDP.

Table 2. Funding of the Three Largest IGOs and IMF and WB since its inception

Organisation	Creation	Members	2018 Budget (€ million)	Mission	Headquarters
UN	1945	193	2 295	Peace & Security	New York
WTO	1995	164	173.5	Trade	Geneva
NATO	1949	29	1 546.5	Defence	Brussels

Source: European Parliament (2020).

In the country-of-origin studies in IB, we see the impact of the country's reputation; however, for IGOs, legitimacy is more critical (Deephouse & Carter, 2005) as it is considered a capital asset of the state (Gallarotti, 1989). Buckley (2009a) mentions that the global factory strategy is designed to achieve global legitimacy but does not give details on the process discussed above. IGOs have to achieve legitimacy as an entity, and they gain legitimacy from their donor countries, which gives them influence in markets that they work in or with. As in WB or IMF, the recipient countries are at a lower economic status than funding countries. In some cases like NATO, funding members will take decisions that will also impact countries not aligned to their interests. This concept is in line with the quality of hard power – the ability to coerce another country to do what is in its interest.

Most IGOs work with soft power – the ability to influence other courtiers to do what is in their interest (Nye 1990, 2009), which is tied to legitimacy (Nye, 2008). This concept of soft power is relatively new in IB theory. GOs are exposed to (1) their domestic political arena, (2) the national political arenas of recipient economies, and (3) the international public policy arena-making (Behrendt, 2009). In addition, (4) the third sector political arena and (5) the impact policy arena. There is a need to focus on building legitimacy as an asset through the role of soft power.

In conclusion, the literature on the internationalization of IGOs is scarce. Therefore, there is a need to understand how motives like strategic seeking FDI with few case examples are needed.

RESEARCH METHODOLOGY

A qualitative methodology to work in an underexplored area of research (Birkinshaw *et al.*, 2011) using a single case study (Bourdieu 1990; and Grant, 2003). The case study is Gavi, the Global Alliance for Vaccines and Immunization, a Switzerland-based IGO, was chosen for analysis. The case had access to thick data and a history of global expansion (Eisenhardt & Graebner, 2007; Yin, 1994). The detailed case data came from a historical analysis (see Stephens Balakrishnan & Moonesar, 2011; Stephens Balakrishnan, 2016). Gavi, the Vaccine Alliance, was documented from 1998-2018 through interviews and secondary research (See Table 3).

Research Methods

The process used for analysis is a meta-synthesis, which is defined as an “exploratory, inductive research design to synthesize primary qualitative case studies to make contributions beyond those achieved in the original studies” (Hoon, 2013, p. 523). The data analysis units are (1) motives and (2) networks for legitimacy and soft power. These were cross-referenced with the theoretical perspectives highlighted above. The original case was written using multiple perspectives, triangulated with secondary data, and the sequence and context verified internally for fact-checking. Since the phenomena are dynamic, the cases were updated using secondary research (Corbin & Strauss, 2008). The case was then individually analyzed using the theoretical paradigms, then compared against each other for similarity and differences (Corbin & Strauss, 2008). Below is a brief description of the case, looking at

origins, locations, market, resources, arena, employees, focus areas, competencies, rent, industry, growth, and governance (Table 4). The membership is representative yet selective. Finally, the overarching theoretical framework is presented.

Table 3. Data Sources for Case Analysis: Gavi (2000-2020)

Analysis	Gavi, the Vaccine Alliance
Secondary Sources referenced (not including those that were reviewed but not used in the development of the case)	141 secondary sources (articles, the internal document, annual reviews, partner reviews) and multiple websites of alliance members.
Interviews and data verification contacts (function & level)	Interviews and data verification (Senior Manager, Resource Mobilization & Private Sector Partnerships; Analysts (monitoring & consultation); & Communication team; expert in Epidemiology, Infectious Diseases and Oncology working with INFUSE; Head, Strategic Innovation – Resource Mobilization, Private Sector Partnerships, & INFUSE, and Gavi’s external consultant).
Published Cases	Gavi, the Vaccine Alliance: Saving Lives One Vaccine at a Time (53 pages) + Gavi, the Vaccine Alliance: reshaping the vaccine market (7 pages).

Source: own study.

Table 4. A brief synopsis of Gavi, the Vaccine Alliance 2000-2018¹

Facts	Gavi, The Vaccine Alliance
Origins	USA: Initiative by the Bill & Melinda Gates Foundation (BMGF).
Employees	450 +
Locations	Headquarters: Geneva Switzerland, with an office in Washington DC; Innovative finance administered by World Bank (USA) through IFFIm (UK). Anchor Founding member is BMGF (USA). R&D: dynamic – based on need and qualified applicants. Locations – coordination in the group with partners and through their offices across all Gavi eligible countries. Markets of Manufacturing: 5 vaccine manufacturers in 2001; by 2017, 17 vaccine manufacturers of which 11 are based in Africa, Asia, and Latin America. [Based on tenders administered by UNICEF (Switzerland), pre-qualified by World Health Organisation (WHO) (Switzerland)]
Market	Global Markets of Impact as of 2017: direct impact: over 690 million children vaccinated and over 10 million deaths averted. Countries of impact: 77 countries carry out nearly 400 vaccine introductions and campaigns at the end of 2017, prices of vaccines reduced.
Resources	Markets of Funding as of 2017: Two funding streams- direct contributions (76%) and innovative finance (24%), funding more than 90 million vaccine doses through global stockpiles at the end of 2017 European Commission and 21 donor governments: Australia, Canada, China, France, Germany, Ireland, Italy, Japan, the Kingdom of Saudi Arabia, Luxembourg, the Netherlands, Norway, the Principality of Monaco, the Republic of Korea, the State of Qatar, the Sultanate of Oman, Spain, South Africa, Sweden, the United Kingdom and the United States of America. Contributions from India, the Republic of Korea, and the United Arab Emirates were renewed during the year. Foundations, organizations: Alwaleed Philanthropies, Bill & Melinda Gates Foundation, His Highness Sheikh Mohammed bin Zayed Al Nahyan, OPEC Fund for International Development (OFID), Absolute Return for Kids, Anglo American plc, The Children’s Investment Fund Foundation (UK), China Merchants Group, Comic Relief, ELMA Vaccines, and Immunization Foundation, Girl Effect, International Federation of Pharmaceutical Wholesalers (IFPW), Gulf Youth Alliance, “la Caixa” Foundation, LDS Charities, Lions Clubs International Foundation (LCIF) Corporations: Deutsche Post DHL, JP Morgan, Majid Al Futtaim, Orange, Philips, Unilever, UPS, Vodafone Gavi works with Bill & Melinda Gates Foundation, International Finance Facility for Immunization (IFFIm), UNICEF, WHO, Pfizer, GSK, Merck, AMC, PAHO, World Bank, civil society organizations. There are 60 partners in the partners’ engagement framework.

¹ The Gavi Alliance by the World Bank Group. Retrieved from: <https://documents1.worldbank.org/curated/zh/928871468197087690/pdf/The-World-Bank-s-partnership-with-the-GAVI-alliance.pdf>

Rent	<p>Total Funding from 2000-2017: USD 15.4 billion</p> <p>Through legitimacy, Gavi is able to acquire innovative financing (24%):</p> <p>(1) Advanced Market Commitment (AMC) – USD 1.5 billion [Governments of Italy, UK, Canada, Russian Federation & Norway and B&MGF]</p> <p>(2) Matching Fund – USD 87 (Includes INFUSE which is supported by the Governments of Canada and the United Arab Emirates with USD 21 million)</p> <p>(3) Vaccine Bonds/Social Bonds (IFFIm) – since 2006, using USD 6.5 billion in sovereign pledges and to front-load vaccine delivery to the tune of USD 2.6 billion. Loan buydown for Sahel region with Gavi, the Bill & Melinda Gates Foundation and the French Development Agency- since 2016, pooled €100million.</p> <p>In addition, to direct funding & contributions (76%). Advocacy helps get vaccines on the agenda. Impact: USD100 billion in terms of economic benefit of vaccinations.</p>
Industry	<p>Co-opetition: UNICEF itself represents 40% of the global volume, Gavi is 50% of this procurement & increased supply base from 5 manufacturers to 13 (2010) with 7 in developing countries. Gavi countries represent 60% of the world birth cohort.</p>
Growth	<p>Phase 1- (1999-2005)</p> <p>Protoboard creates GAVI, GAVI Board meets, Vaccine Fund is created, GAVI Alliance Secretariat formed and funded by Bill & Melinda Gates Foundation who make the preliminary grant.</p> <p>GAVI Alliance and Vaccine Fund are officially “launched” Vaccine Fund create Executive Committee Gates Foundation, UK and other private foundations contribute.</p> <p>Vaccine Fund hires management staff Denmark, the Netherlands, Norway, Sweden, the US make initial contributions to Injection Safety (INS) window is introduced.</p> <p>Decision made to merge GAVI Alliance Secretariat and Vaccine Fund management. New GAVI Executive Secretary appointed, effective 2005.</p> <p>Phase 2- (2006-2010)</p> <p>Gavi added two new vaccines to its portfolio: pneumococcal and rotavirus; a new vaccine investment strategy and a platform for accelerating the introduction of new vaccines in developing countries (Accelerated Vaccine Introduction) were developed;</p> <p>it became increasingly clear that parallel investment was needed in health systems and delivery systems, with the Vaccine Alliance extending its support to health system strengthening and civil society organizations; several fundamental policies and programmes were developed and reviewed, including co- financing, gender, and eligibility as well as innovative financing mechanisms such as the Innovative Finance Facility for Immunization (IFFIm) in 2005 and the Advance Market Commitment (AMC).</p> <p>Phase 3- (2011-2015)</p> <p>The vaccine goal: accelerate the uptake and use of underused and new vaccines;</p> <p>The health systems goal: contribute to strengthening the capacity of integrated health systems to deliver immunization;</p> <p>The financing goal: increase the predictability of global financing and improve the sustainability of national financing for immunization;</p> <p>The market-shaping goal: shape vaccine markets.</p> <p>Phase 4 (2016-2020)</p> <p>The vaccine goal: accelerate equitable uptake and coverage of vaccines;</p> <p>The systems’ goal: increase the effectiveness and efficiency of immunization delivery as an integrated part of strengthened health systems;</p> <p>The sustainability goal: improve the sustainability of national immunization programmes;</p> <p>The market-shaping goal: shape markets for vaccines and other immunization products.</p>
Registered as	<p>International institution based in Switzerland and public charity status in the United States.</p>

Source: (Gavi, 2019).

Motives

Gavi is an IGO focused on bringing together the public and private sectors with the shared goal of creating equal access to new and underused vaccines for children living in the world’s poorest countries. The motives of Gavi change slightly from each 5-year plan (see Table 5). From reaching the

world’s most impoverished children to ensure essential vaccinations, the age base has changed, as has the markets. In 2020 due to the global pandemic – the COVAX, a multilateral approach to procuring vaccines was introduced. COVAX has the support of 190 participating economies and will benefit 92 lower-income countries. The motives slightly changed the current situation to (1) include more vaccines (2) extend the coverage to adults (3) focused more on innovative financing (4) market shaping and systems approach to go beyond vaccines to supply chain with a focus on sustainability. Of course, some events were shaped by the 2014 Ebola and 2020 COVID pandemics. From a theoretical lens, looking at Table 1, the motive of health needs to be added to the purpose (it is more specific than general), and the focus on motives is normative.

Table 5. Gavi Motives during the period of 2000-2025

Pre-formation	Phase 1- (2000-2006)	Phase 2- (2007-2010)	Phase 3- (2011- 2015)	Phase 4- (2016- 2020)	Phase 5- (2021-2025)
To reach some of the poorest children and get them basic vaccinations (6 vaccines)	GAVI’s vaccine strategy in Phase 1, based on the assumption that creating and demonstrating a market for vaccines in developing countries would attract new suppliers, create competition, and lower prices.	Goals - Strengthen capacity for health system - Accelerate vaccines - Increase predictability and sustainability - Increase and assess the added value of Gavi (8 vaccines) Innovative funding mechanisms through AMC and IFFIm.	Goals - vaccine goal - health systems goal - financing goal - market-shaping goal Additional focus on Monitoring & Evaluation; Advocacy, Communication & Public policy and policy Stockpiling for future pandemics or outbreaks.	Goals - vaccine goal - systems’ goal - sustainability goal - market-shaping goals (During Ebola epidemic)	Goals - To introduce and scaleup vaccines - strengthen health systems to increase equity in immunization - Improve sustainability of immunization programs - Ensure healthy markets for vaccines and related products

Source: own study.

Through seeking funds strategically (think of the Sukuk) or COVAX, working on diversifying vaccine manufacturing, Gavi has been strategic in seeking and deploying funds. This is because Gavi gives advances funds to research and development by guaranteeing procurement. This has worked well in creating a global factory (see Figure 1). At the time of Gavi’s formation, most of the aid, research, and manufacturing capabilities were based in developed countries, and the impact countries were in developing countries. In 2001, Gavi bought vaccines through UNICEF from five manufacturers, but by 2016, it was purchasing vaccines from 15 manufacturers – 8 of which were based in Asia, Latin America, and Africa. By accumulating orders, R&D to find more cost-effective ways for delivery and manufacture, Gavi was able to bridge the price gap that often contributed to vaccine inequality. Gavi captured “sticky capabilities” through public-private partnerships – for example, WHO would pre-qualify vaccines, World Bank used its financial expertise to help design, implement and manage innovative financing, UNICEF worked on the ground in delivering vaccines, and CSOs in local communities helped in ensuring the vaccines were delivered correctly.

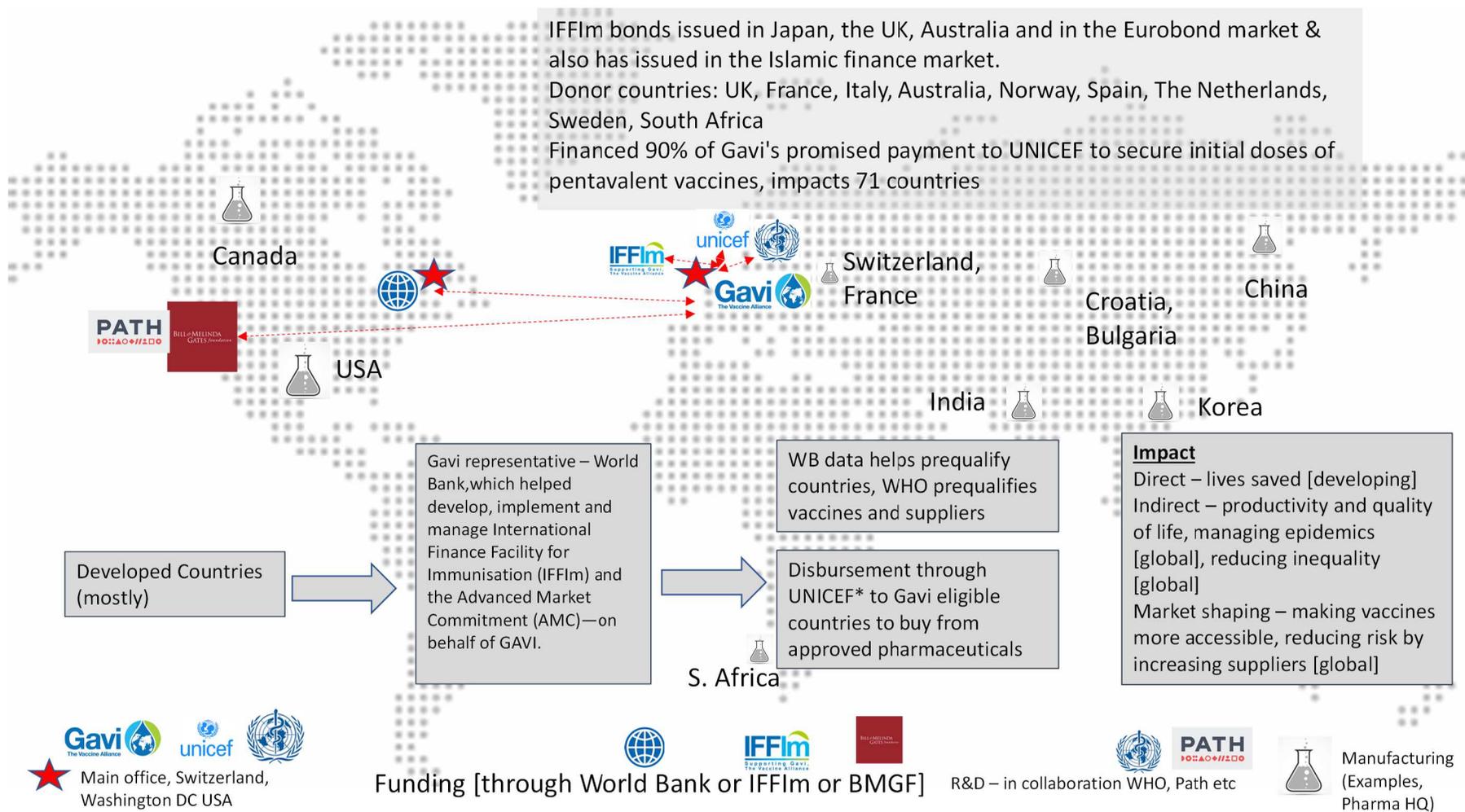


Figure 1. Gavi, the vaccine alliance – An example of networking using the Global Factory concept, 2000-2016

Source: own study

Networks: Sources of Legitimacy and Soft Power

The networks of Gavi are other IGOs, Governments, and private sectors (see Table 6). UNICEF housed Gavi’s early initiative in Geneva until it became an independent foundation in 2008. It is clear that even in the beginning, the vision for Gavi was global with a partnership model. The Board is comprised of 28 seats (nine seats for unaffiliated members, five seats for donor countries, five for developing countries, one seat for research and technical health center, one seat for a vaccine manufacturers from a developed country, one seat from a vaccine manufacturer from a developing country, one seat for a Civil Service Organization (CSO), one seat for the Gavi CEO, four founding members (Bill & Melinda Gates Foundation, UNICEF, World Bank, and WHO). This ensures the partnership or ‘alliance’ brought together key stakeholders needed to reach the vaccine agenda.

The six largest donors of Gavi contribute more than two-thirds of these resources. They are the United Kingdom, Bill & Melinda Gates Foundation (significant player in vaccine market), Norway, United States, France, and Italy. Gavi tapped into existing pools of vast experience using market-shaping strategies and industry consolidation of sorts. A network effect is evident in smaller firms in previous literature (Freeman *et al.*, 2006) and applies to IGOs, which can mobilize vast sums of money and tap into existing resources held by other players in the market. Further, we see how the network effect moves from Gavi through local health ministries and CSOs working with UNICEF, WHO, and World Bank. Unlike MNEs, here, the HQ-subsiidiary impact is not relevant.

Table 6. Gavi Networks: examples for the 2000-2020 period

Pre-formation	Phase 1- (2000-2006)	Phase 2- (2007-2010),	Phase 3- (2011-2015)	Phase 4- (2016-2020)
Announced at a 2nd Vaccine Summit convened by World Bank in Italy as Informal partnership of UN agencies, bilateral aid organization, vaccine industry. Another Significant Advocate is the Bill & Melinda Gates Foundation.	Set up in Geneva in 1999 hosted by UNICEF. UNICEF is one of the largest procurers of vaccines. Officially launched in WEF 2000. 5 manufactures of vaccines (developed countries). AMC idea presented to G8. G7 looks at feasibility with WB. DFIF (UK) seeds the idea for IFFIm, which is registered as a charity in UK and formal collaboration in 2004.	*2008 became independent Swiss Foundation under Swiss National Law and two offices – Geneva and Washington. *WB HQ is Washington *WB is the Treasury Manager for International Finance Facility for Immunisation (IFFIm), provides the financial platform for the Advanced Market Commitment (AMC). Further, WB is a development partner at the global and country levels. AMC launched in 2007. IFFIm launched in 2006.	IFFIm diversified and raise a Sukuk in 2014 – half of Gavi countries are Muslim. The UK sponsored the first Gavi Pledging conference in 2011. Germany sponsored the second Gavi Pledging Conference in 2015.	15 vaccines manufacturers (2016) – 8 in Asia, Africa, and Latin America <i>“A new model for sustainable development: how Gavi aims to put itself out of business”</i>

Source: own study.

Gavi has tremendous power: In terms of vaccine producing volume, UNICEF is 40% of the global volume, and Gavi is 50% of this procurement. Gavi countries represent 60% of the world’s birth cohort. Not only did Gavi redress the imbalance in vaccine manufacturing, but it was also able to bring down costs. An HPV vaccine for cervical cancer, which was available for US dollar 100 in developed countries, was made available through Gavi for US dollar 13.

Gavi was able to achieve these tremendous results with an accrual of legitimacy (Bianchi & Arnold, 2004; Bianchi & Ostale, 2006). Legitimacy, a strategic resource (see Pfeffer, 1981; Suchman, 1995), was accrued by Gavi through key players like people (such as Bill Gates), or organizations (UNICEF, WB, and IFF) and expert knowledge (PATH, WHO, WB), using specialized resources (Pharma and R&D companies for vaccine manufacturing) to make integration easier across the world, industry-shaping (through innovative financing to change the competitive landscape), and showed dominance (as a significant player in their industries now not to be ignored).

Legitimacy was used as a strategy used to acquire resources where Gavi worked with World Bank using accounting for legitimacy (Covaleski & Dirsmith, 1991) to enter entered the Sukuk market in 2014. This is significant, as 50% of Gavi countries are Muslim countries. This is in line with the propositions outlined by Meyer and Rowan (1977).

Knowledge spillovers can occur at both horizontal (competitors) and vertical levels (across the supply chain) and can be intentional or unintentional (Ha & Giroud, 2015; Hallin & Lind, 2012). In the case of Gavi, to increase the supply chain resilience and contribute to the SDG agenda, and by its governance structure, there was an intentional focus on competency enhancing competence-creating resources, which can take more than a decade to affect technology (Kappen, 2011).

The concept of soft power from an organizational perspective is also observable as Gavi can influence governments. Gavi strategically based itself in Geneva (near UNICEF and WHO) and Washington DC (near the World Bank). In this case, we see soft power extended by donor countries on recipient countries (via vaccine pledges) or institutions in other countries (Gavi and UNICEF). This suggests soft power is multidimensional. The Aid Transparency Index (2020) scores GAVI at 80.8 in the 'very good' category (11th out of 47 major international development organizations).

Soft power or inverse country-of-origin (COO) can be translated through various channels like people and MNEs (or institutions), brands, and aid (Fan, 2008; White, 2012). In this case study, this is observed through Bill Gates (USA), UNICEF and WHO (Switzerland), World Bank (USA), and Gavi (Switzerland/USA) and their influence on other countries.

As mentioned before, Gavi's global expansion leveraged the networks of its partners. This multi-stakeholder model is not unusual for IGOs and requires diplomacy to reach its objectives. Often, stakeholders are acquired based on interest and expertise or even persuaded to be 'stakegivers' or 'staketakers' (Hocking, 2006). Gavi diversified risks by spreading the risks across at least three continents, following much of what we know is the internationalization strategy of born global (Oviatt & McDougall 2005).

Findings and Discussion

The case above clearly finds an IGO can play a prominent role in the global supply chain using motives like Strategic Asset Seeking FDI, networking for legitimacy, and soft power. Our current IB theories are not sufficient to explain all the reasons for the successful internationalization of these categories of organizations. According to the Global Factory theory, HQ retains the brand and associated functions. In the case of Gavi, care was taken to leverage associated stakeholder brands as it was vital for legitimacy. Gavi has two key offices – Switzerland and New York and these are very strategic. However, partner brands are significant, as seen by the name change – Gavi was first called Gavi, and then renamed Gavi, the Vaccine Alliance in Balakrishnan (2020). Gavi began with a powerful global vision and had access to powerful and legitimate resources, grounding their aspirations.

Further, the game was long-term. The effect of soft power is evident in Gavi, which requires a high level of diplomacy – high technology in a sector often restricted by governments. Gavi works on the health agenda with strong players in the development space, which are other IGOs and through donor countries on the boards of several of these IGOs. This is done without a clear articulation of roles. This process of internationalization is a careful act of diplomacy, and corporate diplomacy theories are not enough to explain the IGO internationalization strategy. We suggest the process of internationalization of IGOs works in three phases (1) creation of a market for impact (2) identifying a market for resources, and (3) managing governance (and hence reputation). This is done through a careful strategy of soft power (see Figure 3).

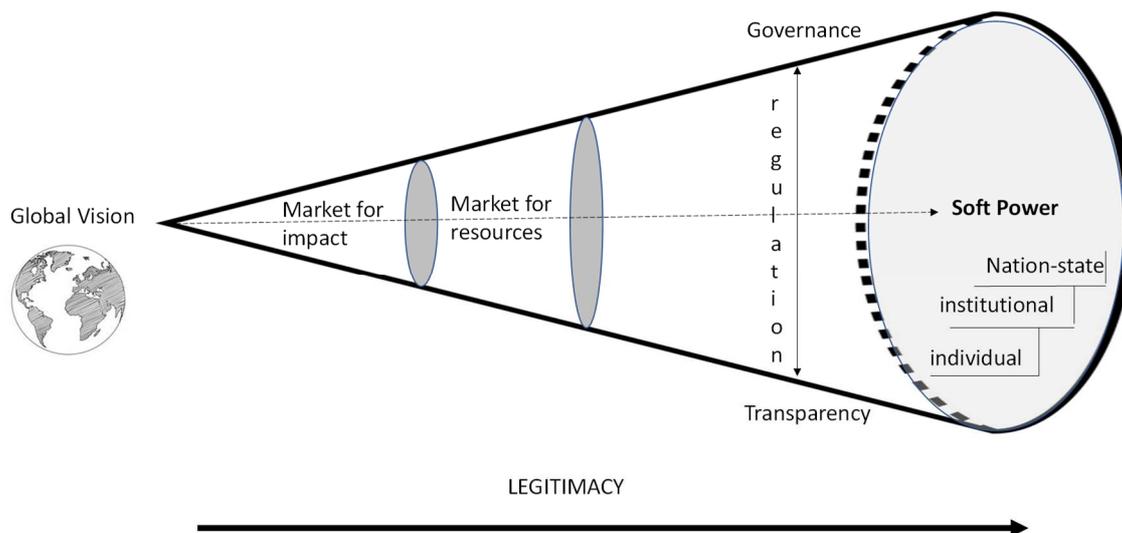


Figure 3. The process of Internationalization of IGOs

Source: own elaboration.

CONCLUSIONS

This research's objective was to push the boundaries of IB theory and contribute to both policy and academia, which often seem to exist in different spheres (Newman *et al.*, 2016). The paper adds to our understanding of how IGOs internationalize. It highlights new areas of research like that of soft power. The current internationalization models of SMEs and MNEs may not neatly fit in the context of IGOs (which are born global). We reiterate that existing IB theories need to be applied to other state actors like sovereign wealth funds and non-governmental organizations. The above case study, a detailed historical analysis using thick data, is a methodology not often published.

The paper's implications are for policymakers and practitioners in the third sector, including those who invested interest at state-represented foreign direct investment. Future studies can look at how networks are leveraged, spillover occurs from a personal level to an institutional level, and vice-versa combine diplomacy, bargaining, and legitimacy. The limitation of this study is that it is based on a single case. More empirical studies could focus on more institutions and organizations that operate globally, adding to large organizations' sensemaking with huge portfolios and strongly articulated portfolios.

REFERENCES

- Aid Transparency Index (2020). *2020 Aid Transparency Index*. Retrieved from https://www.publishwhatyoufund.org/wp-content/uploads/dlm_uploads/2020/06/2020-Aid-Transparency-Index-report.pdf on 1 May 2021.
- Alcacer, J., & Ingram, P. (2013). Spanning the institutional abyss: The intergovernmental network and the governance of foreign direct investment. *American Journal of Sociology*, *118*, 1055-1098.
- Balakrishnan, M. S. (2020). *Business with Purpose: Advancing Social Enterprise*. World Scientific.
- Beckfield, J. (2003). Inequality in the world polity: The structure of international organization. *American Sociological Review*, *68*(3), 401-424.
- Behrendt, S. (2009). Gulf Arab SWFs: Managing wealth in turbulent times and beyond. Carnegie Endowment for International Peace. *Carnegie Middle East Center*, *16*, 1-56. Retrieved from: https://carnegieendowment.org/files/sovereign_wealth_turbulent.pdf
- Bianchi, C.C., & Arnold, S.J. (2004). An institutional perspective on retail internationalization success: Home Depot in Chile. *International Review of Retail, Distribution and Consumer Research*, *14*(2), 149-169.
- Bianchi, C.C., & Ostale, E. (2006). Lessons learned from unsuccessful internationalization attempts: Examples of multinational retailers in Chile. *Journal of Business Research*, *59*(1), 140-147.

- Birkinshaw, J., Brannen, M. Y., & Tung, R. L. (2011). From a distance and generalizable to up close and grounded: Reclaiming a place for qualitative methods in international business research. *Journal of International Business Studies*, 42, 573-581. <https://doi.org/10.1057/jibs.2011.19>
- Boehmer, C., Gartzke, E., & Nordstrom, T. (2004). Do intergovernmental organizations promote peace?. *World Politics*, 57(1), 1-38.
- Bourdieu, P. (1990). *The logic of practice*. Stanford University Press.
- Buckley, P.J. (2004). The role of China in the global strategy of multinational enterprises. *Journal of Chinese Economic and Business Studies*, 2(1), 1-25.
- Buckley, P.J. (2009a). The impact of the global factory on economic development. *Journal of World Business*, 44(2), 131-143.
- Buckley, P.J. (2009b). The rise of the Japanese multinational enterprise: then and now. *Asia Pacific Business Review*, 15(3), 309-321.
- Corbin, J., & Strauss, A. (2014). *Basics of qualitative research: Techniques and procedures for developing grounded theory*. Sage Publications.
- Covalesski, M.A., & Dirsmith, M.W. (1991). The management of legitimacy and politics in public sector administration. *Journal of Accounting and Public Policy*, 10(2), 135-156.
- Deephouse, D.L., & Carter, S.M. (2005). An examination of differences between organizational legitimacy and organizational reputation. *Journal of Management Studies*, 42(2), 329-360.
- Doz, Y. (2011). Qualitative research for international business. *Journal of International Business Studies*, 42(5), 582-590.
- Dunning, J.H., (1988). *Explaining International Production*. Unwin Hyman.
- Dunning, J.H., (1993). *The Globalization of Business*. Routledge.
- Dunning, J.H. (2001). The eclectic (OLI) paradigm of international production: past, present, and future. *International Journal of the Economics of Business*, 8(2), 173-190.
- Dunning, J.H., & Lundan, S.M. (2008). *Multinational enterprises and the global economy*. 2nd ed. Edward Elgar Publishing Limited.
- Eisenhardt, K.M., & Graebner, M.E. (2007). Theory building from cases: Opportunities and challenges. *The Academy of Management Journal*, 50(1), 25-32.
- European Parliament (2020). *Understanding the financing of intergovernmental organizations. A snapshot of the budgets of the UN, NATO and WTO*. Retrieved from [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652084/EPRS_BRI\(2020\)652084_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652084/EPRS_BRI(2020)652084_EN.pdf) on 1 June 2021.
- Fan, Y. (2008). Soft power: Power of attraction or confusion. *Place Branding and Public Diplomacy*, 4(2), 147-58.
- Freeman, S., Edwards, R., & Schroder, B. (2006). How smaller born-global firms use networks and alliances to overcome constraints to rapid internationalization. *Journal of International Marketing*, 14(3), 33-63.
- Gallarotti, G. M. (1989). Legitimacy as a capital asset of the state. *Public Choice*, 63(1), 43-61.
- Gavi. (2019). *Vaccine Goal Indicators*. Retrieved from: <https://www.gavi.org/programmes-impact/our-impact/measuring-our-performance/2016-2020-indicators> Accessed 12 May, 2020.
- Gereffi, G., & Korzeniewicz, M. (Eds.). (1994). *Commodity chains and global capitalism*. ABC-CLIO, No. 149.
- Goldstone, J.A. (1991). *Revolution and rebellion in the early modern world*. University of California Press.
- Grant, R.M. (2003). Strategic planning in a turbulent environment: Evidence from the oil majors. *Strategic Management Journal* 24(6), 491-517.
- Ha, Y.J., & Giroud, A. (2015). Competence-creating subsidiaries and FDI technology spillovers. *International Business Review*, 24(4), 605-614.
- Hallin, C., & Lind, C.H. (2012). Revisiting the external impact of MNEs: An empirical study of the mechanisms behind knowledge spillovers from MNE subsidiaries. *International Business Review*, 21(2), 167-179.
- Haynes, J., Hough, P., Malik, S., & Pettiford, L. (2017). *World politics: International relations and globalisation in the 21st century*. Sage.
- Hocking, B. (2006). Multi-stakeholder diplomacy: forms, functions, and frustrations. In J. Kurbalija & V. Katrandjiev (Eds), *Multi-stakeholder diplomacy: Challenges and opportunities* (pp. 13-29). DiploFoundation.

- Hoon, C. (2013). Meta-synthesis of qualitative case studies: An approach to theory building. *Organizational Research Methods*, 16(4), 522-556.
- Hough, M., Jackson, J., Bradford, B., Myhill, A., & Quinton, P. (2010). Procedural justice, trust, and institutional legitimacy. *Policing: a Journal of Policy and Practice*, 4(3), 203-210.
- Ingram, P., Robinson, J., & Busch, M. L. (2005). The intergovernmental network of world trade: IGO connectedness, governance, and embeddedness. *American Journal of Sociology*, 111(3), 824-858.
- IMF (2018). *Annual Report*. Retrieved from <https://www.imf.org/external/pubs/ft/ar/2018/eng/assets/pdf/imf-annual-report-2018.pdf> on 1 May 2021.
- Jackson, J. H. (2006). *Sovereignty, the WTO, and changing fundamentals of international law*. Cambridge University Press.
- Jandhyala, S., & Phene, A. (2015). The role of intergovernmental organizations in cross-border knowledge transfer and innovation. *Administrative Science Quarterly*, 60(4), 712-743.
- Kappen, P. (2011). Competence-creating overlaps and subsidiary technological evolution in the multinational corporation. *Research Policy*, 40(5), 673-686.
- Koremenos, B., Lipson, C., & Snidal, D. (2001). The rational design of international institutions. *International Organization*, 55(4), 761-799.
- Lee, T. (2010). The rise of international non-governmental organizations: A top-down or bottom-up explanation? *Voluntas: International Journal of Voluntary and Non-profit Organizations*, 21(3), 393-416.
- Lorrain, F., & White, H. C. (1971). Structural equivalence of individuals in social networks. *Journal of Mathematical Sociology*, 1(1), 49-80.
- Mearsheimer, J. J. (2011). The false promise of international institutions. In J. J. Mearsheimer (Ed.), *Security Studies* (pp. 153-161). Routledge.
- Meyer, K. E. (2015). What is "strategic asset seeking FDI"? *Multinational Business Review*, 23(1), 57-66.
- Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83(2), 340-363.
- Meyer, K. E., Wright, M., & Pruthi, S. (2009). Managing knowledge in foreign entry strategies: A resource-based analysis. *Strategic Management Journal*, 30(5), 557-574.
- Milner, H. V. (1999). The political economy of international trade. *Annual Review of Political Science*, 2(1), 91-114.
- Moore, E., Brandl, K., & Dau, L. A. (2019). Institutional schisms in Argentina: The impact of intergovernmental organizations on country institutional environments. In: *International Business in a VUCA World: The Changing Role of States and Firms* (pp. 89-102). Emerald Publishing Limited.
- Narula, R. (2006). Globalization, new ecologies, new zoologies, and the purported death of the eclectic paradigm. *Asia Pacific Journal of Management*, 23(2), 143-151.
- Narula, R., & Dunning, J. H. (2000). Industrial development, globalization and multinational enterprises: new realities for developing countries. *Oxford Development Studies*, 28(2), 141-167.
- Narula, R. & Zanfei, A. (2004). *Globalization of innovation: The role of multinational enterprises - Oxford Handbook of Innovation*. Oxford University Press.
- Newman, J., Cherney, A. & Head, B. W., (2016). Do policymakers use academic research? Reexamining the "two communities" theory of research utilization. *Public Administration Review*, 76(1), pp. 24-32.
- Nye, Jr. J. S. (1990). Soft power. *Foreign Policy*, 80, 153-171.
- Nye Jr, J. S. (2008). Public diplomacy and soft power. *Annals of the American Academy of Political and Social Science*, 616(1), 94-109.
- Nye Jr, J. S. (2009). *Soft Power: The Means To Success In World Politics*. Hachette UK.
- Oviatt, B. M., & McDougall, P. P. (2005). Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice*, 29(5), 537-553.
- Pananond, P. (2015). Motives for foreign direct investment: a view from emerging market multinationals. *The Multinational Business Review*, 23(1), 77-86.
- Pfeffer, J. (1981). Management as symbolic action: the creation and maintenance of organizational paradigm. *Research in Organizational Behavior*, 3, 1-52.

- Shenkar, O. (2004). One more time: International business in a global economy. *Journal of International Business Studies*, 35(2), 161-171.
- Suchman, M.C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571-610.
- Suddaby, R. (2010). Challenges for institutional theory. *Journal of Management Inquiry*, 19(1), 14-20.
- Stephens Balakrishnan, M. (2016). Gavi: The vaccine alliance: Saving lives one vaccine at a time, In M.S. Balakrishnan & V. Lindsay (Eds.), *Actions and Insights: Middle East North Africa* (pp. 136-192). Emerald Publishing.
- Stephens Balakrishnan, M. & Moonesar, I.A. (2011). Advanced Technology Investment Company(ATIC): a destination, global champion. *Emerald Emerging Markets Case Studies*, 1(4), 1-20.
- Stephens Balakrishnan, M. & Moonesar, I.A. (2017). *UAE Sovereign Wealth Funds as Enablers of the Global Factory*. November, Issue 45, Mohammed Bin Rashid School of Government.
- Teegen, H., Doh, J.P., & Vachani, S. (2004). The importance of non-governmental organizations (NGOs) in global governance and value creation: An international business research agenda. *Journal of International Business Studies*, 35(6), 463-483.
- Turchin, P., & Nefedov, S.A. (2009). *Secular cycles*. Princeton University Press.
- UIA (2018). *Union of International Associations*. Retrieved from <https://uia.org/> on 21 January 2021.
- Vabulas, F., & Snidal, D. (2013). Organization without delegation: Informal intergovernmental organizations (IIGOs) and the spectrum of intergovernmental arrangements. *Review of International Organizations*, 8(2), 193-220.
- Weststeijn, A. (2014). The VOC as a company-state: Debating seventeenth-century Dutch colonial expansion. *Itinerario*, 38(1), 13-34.
- White, C. L. (2012). Brands and national image: An exploration of inverse country-of-origin effect. *Place Branding and Public Diplomacy*, 8(2), 110-118.
- Yin, R. K. (1994). *Case study research: design and methods*. Thousand Oaks, CA.
- Zucchella, A., Palamara, G., & Denicolai, S. (2007). The drivers of the early internationalization of the firm. *Journal of World Business*, 42(3), 268-280.

Authors

The contribution share of authors is equal and amounted to 50% for each of them. MS – conceptualization, literature writing, case data collection, MS & IAM – methodology, results, discussion, and conclusion.

Melodena Stephens

Professor of Innovation Management at Mohammed Bin Rashid School of Government (UAE). Ph.D.in Management Studies (2004, Bharati Vidyapeeth University, India). Her research interests include branding, country soft power, social impact, and scaling.

Correspondence to: Prof. Dr Melodena Stephens, Mohammed Bin Rashid School of Government, Convention Tower (Level 7), P.O. Box 72229, Dubai, United Arab Emirates, e-mail: melodena.stephensb@mbrsg.ac.ae

ORCID  <http://orcid.org/0000-0001-7933-2750>

Immanuel Azaad Moonesar

Associate Professor of Health Administration and Policy at Mohammed Bin Rashid School of Government (UAE).Ph.D.in Health Services-Leadership (Walden University, USA). His research interests include international business policy, health policy, public policy, social policy, policy analyst, maternal and child health care policy.

Correspondence to: Dr Immanuel Azaad Moonesar, Mohammed Bin Rashid School of Government, Convention Tower (Level 7), P.O. Box 72229, Dubai, United Arab Emirates, e-mail: immanuel.moonesar@mbrsg.ac.ae

ORCID  <http://orcid.org/0000-0003-4027-3508>

Acknowledgements and Financial Disclosure

The authors would like to express their gratitude to the UAE National Research Foundation and Mohammed Bin Rashid School of Government, Dubai, United Arab Emirates. The authors would like to thank the anonymous referees for their valuable comments, which allowed to increase the value of this article.

Conflict of Interest

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

Copyright and License



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License
<http://creativecommons.org/licenses/by-nd/4.0/>

Trust and other factors impacting the platform choice in sharing economy: A case from Poland

Wiktoria Rakowska

ABSTRACT

Objective: The purpose of this study is two-fold: firstly, to identify the role of trust in the sharing economy; secondly, to identify the correlations between personal determinants such as age, gender, education level, place of residence and factors impacting the choice of sharing economy platform.

Research Design & Methods: The mix methods were applied in the study. Firstly, the literature studies were used to recognise the theoretical background and the variables identification. Secondly, the pre-research study, applying the in-depth interviews, was conducted, and thirdly, the main primary empirical research was employed with the online survey as a main research method.

Findings: There is a strong relationship between the activities of consumers in relation to sharing economy and trust. Trust becomes a fundamental issue in the so-called “the trend of sharing”. Consumers identify trust as a key determinant of their participation in the sharing economy and likewise the main limitation in case of their deeper involvement in the sharing process. The more credible and trustworthy an enterprise is, the more willingly consumers are able to take advantage of its intermediation. When analysing consumer decisions in relation to independent variables, such as age, gender, place of residence and education level, a lack of statistically significant correlations between the variables and the factors influencing the choice of the appropriate platform was noticed. Only two pairs of variables showed statistically significant negative correlations: age and credibility of the sharing economy platform as well as education level and number of stars.

Implications & Recommendations: Research broadens knowledge about the sharing economy and allows to better understand the behaviour of active consumers of the sharing economy. The results may be useful for sharing economy companies and platforms.

Contribution & Value Added: The analysis presented in the paper expands knowledge about the significance of trust and other factors influencing the choice of platforms in sharing economy.

Article type: research article

Keywords: Sharing economy; Collaborative business; Trust; Consumer decisions; Sharing economy platforms

JEL codes: D16, E21, L14, M13, O33

Received: 5 May 2021

Revised: 5 July 2021

Accepted: 26 July 2021

Suggested citation:

Rakowska, W. (2021). Trust and other factors impacting the platform choice in sharing economy: A case from Poland. *International Entrepreneurship Review*, 7(3), 23-35. <https://doi.org/10.15678/IER.2021.0703.02>

INTRODUCTION

The development of new technologies and growing access to the Internet implicate the changes both the consumers` needs and behaviours. Consumers in the third decades of the 21st century are independent and organize their lives individually (Light, 2014; Narwal & Sachdeva, 2013). Besides they are very conscious about the environment (reduction in the use of natural resources) and sustainable development (Borusiak *et al.*, 2021; Räsänen *et al.*, 2020). These determinant shapes the ground for the new style of many consumers which is called sharing economy.

“Sharing is the future of our world where we have greatly exaggerated consumption. The sharing economy uses a currency completely different from money – trust” such words were used by Botsman

and Rogers (2010, p. 16) in their book *What's Mine is Yours. The Rise of the Collaborative Consumption*. The shared revolution changes the economy of the 21st century, influencing significantly the transformation of the socio-economic system of consumers. We are witnessing a widely understood change in the current value system or approach to ownership, in which the issue of trust in the individual begins to play a special role (Gazzola *et al.*, 2020). The global economy is struggling with a serious transformation, where the sharing economy – “like a virus” seizes markets in individual countries, operating in subsequent segments of life. This trend in consumer behaviour becomes to be very popular especially among young consumers (Schor, 2014), but its advantages caused to be more and more popular also among the elderly.

A wide spectrum of application of the sharing model stimulates the development of startups, where some of them are valued much higher than mature corporations. This fact provokes a reflection: How companies such as Uber and BlablaCar (carpooling) or Airbnb and Couchsurfing (room sharing) – companies without their own resources – are able to achieve an international success? Why are consumers around the world more or less willing to opt for such solutions? The answer seems to be related to trust existing among sharing models' users. The problem of sharing economy and trust is especially important and worth investigating in the coronavirus pandemic that caused great changes in the hotel market.

The main purpose of this study is two-fold: firstly, to identify the role of trust in the sharing economy; secondly, to identify the correlations between personal determinants age, gender, education level, place of residence and factors impacting the choice of sharing economy platform. The mix methods were applied in the study. Firstly, the literature studies were used to recognise the theoretical background and the variables identification. Secondly, the qualitative pre-research (in-depth interviews) was applied to identify the variables and thirdly, the main primary empirical research was employed with an online survey (quantitative research) as the main research method. The respondents represented various social groups, mainly youth from urban areas with at least secondary education. It is also assumed that the entire study group was of Polish nationality (a questionnaire in Polish). The paper presents the results of own research focusing on an in-depth analysis of the behaviour of Polish consumers of the sharing economy and the choices they make.

Despite its growing popularity, the issue of the sharing economy is still little explored. Most of the authors of publications on the sharing economy focus in their research on the precise interpretation of the concept of the sharing economy, pointing to its forms and specificity, including Hamari *et al.* (2016); Schor (2014), Sundarajan (2016), Ziobrowska (2017). Some devote their research to specific sectors of the sharing economy by analysing the activities of individual platforms (Ert *et al.*, 2016; Gutentag, 2015). Only a few authors present in a deeper way the role of trust in the sharing economy (Kamal & Chen, 2016; Mazzella & Sundarajan, 2016; Zoteanu *et al.*, 2018), where Botsman – an author of many books, articles and speeches on the TED TALK platform – is cited as one of the most popular publicists for trust in sharing economy.

The concept of the sharing economy is an increasingly frequent topic of research but the problem of trust became more relevant and significant in the period of Covid-19 pandemic. On the one hand, we are facing one of the greatest crises of trust in history in which the society, due to general misinformation, doubts the credibility of governments, public institutions or enterprises (Khurshid, 2020). Therefore, it can be expected that the decline in social trust will result in a general reluctance to use sharing economy services. The constant blockades in traffic, travel and bans on meetings influenced the development of the sharing economy and threatened it significantly. People are becoming less trusting, treating everyone as a potential threat to their health (Hossain, 2021). Sharing economy platforms need to focus all their resources more than usual on creating a safe environment for their customers so that they can fully trust them and benefit from their services (Vinod & Dipasha, 2021). On the other hand, coronavirus pandemic could act as a stimulus for the sharing economy as it did during the 2008 economic crisis. Resource scarcity and the precarious situation of households mean that collaborative economy services may gain importance (Buheji, 2020).

The main contribution of the article is an analysis of the behaviour of consumers of shared services on the Polish market. The research paper analyses their level of involvement with an emphasis on

trust, which is indicated as a key factor in the sharing economy. Additionally, the research paper does not focus on the analysis of consumer behaviour of a particular platform, but shared services in general and indicates factors that are important from the consumer's point of view when choosing the sharing economy platform. The author also tried to examine the relationship between the level of consumer confidence and independent variables such as age, education level, place of residence or gender. A literature study on the aspects presented in the paper helped to form two research questions:

RQ1: Is trust indicated as an important factor in the decisions of participants and choice of platform in sharing economy?

RQ2: Do gender, age, place of residence and level of education determine the importance of factors influencing the sharing platforms' choice?

LITERATURE REVIEW

The idea of sharing

There is no single, universally accepted definition of the sharing economy in the literature. This is largely related to the complexity, multidimensionality and diversity of concepts, as well as an ongoing process of its shaping. For the first time in the literature, the issue of sharing was raised by Felson and Spaeth (1978). In their research, they referred to collaborative consumption in everyday family relationships or relationships between close friends who, through mutual exchange of goods, solved the problem of lack of access to specific resources (Rudawska, 2016). However, Lessing (2008) is considered to be a pioneer in this matter. He explains the term of sharing economy as a modern economic idea which, instead of money, occurs in the classical process of exchange and offers social benefits (Lessing, 2008).

With the development of technology, the approach to the sharing economy began to evolve, and the growing popularity of mobile technologies and social media played a special role here (Graessley *et al.*, 2019; Hamari *et al.*, 2016; Jastrzębska & Legutko-Kobus, 2017; Lee *et al.*, 2016; Sundarajan, 2014). It has been noticed that the sharing economy over the Internet brings together potential users who want to share certain goods or services (Hamari *et al.*, 2016; Petropoulos, 2017). All of these is done through the platform, which indirectly links the demand and supply sides (Sundarajan, 2014). In this case, technology contributed significantly to popularizing the new trend of "sharing" enabling potential users to connect on a large scale.

The involvement of intermediary platforms in the exchange process has generated some controversy. Critics of the sharing economy have pointed out that platform engagement has made the sharing economy lose its original purpose, and intermediary platforms have "hijacked" the popular term to achieve higher profits (Jemielniak & Przegalińska, 2020). However, exaggerating the irregularities of the sharing economy seems to be simplified, and in the complex business world the existence of the phenomenon of "sharing for money" is possible (John, 2017).

The widespread disagreement on the definition of the sharing economy has resulted in divergent interpretations. However, the literature on the subject contains a number of common features that accurately describe the economy of cooperation. It is recognized that despite the similarity of this economic model to the "traditional" economy – such as a desire to achieve profits or maximize utility – the cooperation economy is characterised by several different aspects (Czernek *et al.*, 2018):

- "access becomes better than having" (Rifkin, 2016);
- vanishing – from the recipient's perspective – differences between professional service for corporations and relying on extensive social networks (Sundarajan, 2016);
- high involvement of technologies;
- numerous interactions between strangers, which is associated with an increasing risk and a sense of insecurity;
- trust considered to be the most significant feature of the sharing economy.

So, the sharing economy can be defined as a complex, global phenomenon that aims to profit from unused resources. According to this ideology, possession is abandoned in favor of access to resources. People are starting to give up slowly the constant hoarding of goods, which is also a response / an opposition to the still-fueling consumerism. The global reach of the sharing economy would not be possible without a strong emphasis on the development and use of technology in everyday life. Technology has allowed the sharing economy to flourish – creating an environment suitable for the development of a global trend (greater access to resources, greater scale of operations, creation of international companies).

Trust and other factors determining the sharing behaviour

“Trust and distrust are peculiar bets on the uncertain actions of other people” (Sztompka, 2006, p.310). It is an indispensable element of interpersonal relations and it occurs in every sphere of life, also in relations of market exchange (Małys & Fonfara, 2018). This statement is confirmed by the research of Bruni & Sugden (2000), who proved that the market is not able to function without mutual trust which constitutes the basis of any relationship or transaction (Nikodemka-Wołowik *et al.*, 2020). The sharing economy is no exception, but the role of trust seems much higher here. Trust is therefore a key factor conditioning participation in sharing consumption (Keymolen, 2013), and its low level combined with a high propensity to protect the privacy of a person is defined as a key barrier slowing down the development of this phenomenon (Olson, 2013).

Traditionally, trust is treated as something unique, built over time where each party believes in the other's good intentions. It was created locally and its level was verified by prosocial behaviour. In the sharing economy, this trust goes beyond the hitherto known values of society and is created between two completely unfamiliar individuals. Often, the cultural and territorial aspect itself ceases to be an obstacle in building relationships, which results from the involvement of technology in the process of building trust (Czernek *et al.*, 2018).

What is more, the sharing economy relies heavily on the provision of certain services to strangers, which gives a rise to another peculiarity of the trust created in the sharing economy. In the initial phase of the parties' involvement in the exchange process (i.e., making a decision to share), there is no direct contact between the parties. There is no way to assess, build, and strengthen trust through face-to-face meetings before deciding to join the exchange process, and the relationship in the virtual community plays a significant role here (Bylok, 2012). But why are people increasingly choosing to participate in shared transactions and trusting strangers? Why do they risk their health and life by contradicting common sense?

Undeniably, the sharing economy is closely related to trust (Belk, 2007). The studies carried out by Hawlitschek *et al.*, (2016) are corroborating this claim. It shows that both the demand and supply sides of the sharing economy depend on trust and creating an environment in which there is mutual trust supports the smooth operation of the entire sharing economy. They distinguish trust on three levels: peer, platform and products (3P of trust) – thus emphasizing the importance of the trust aspect. Building trust among communities has therefore become a priority for sharing economy platforms. Mitten-dorf (2016) analysing the case of Airbnb, a well-known hospitality platform, noted that trust drives consumer involvement in the act of sharing. The more credible and “trustworthy” the company is, the more willingly it is used for its services. Consumers need to feel secure in the transaction to engage fully and become a part of the sharing community (Kong *et al.*, 2020).

Research of authors also show the importance of other factors in relation to the behaviour of consumers in sharing. According to Gazzola *et al.*, (2020) both socio-demographic and economic diversity (gender, age, place of residence, wages etc.) affect various spheres of people's lives, determining their decisions and choices. One of the key factors influencing consumer decisions is gender (Hunter *et al.*, 2004; Zelezny *et al.*, 2000). The sharing economy is not an exception, according to a Eurobarometer's survey, women are less likely to use the sharing economy services. Other conclusions were described by Böcker and Meelen's (2017), who noticed, based on an analysis of pro-ecological behaviour, that women were more likely to join the act of sharing than men.

It was also noted that the age of consumers influences the decision-making process in the sharing economy - especially because it is usually young consumers who use the sharing economy services (Zhu *et al.*, 2017). Godelnik (2017), Kadic-Maglajlic *et al.* (2019) and Zhu *et al.* (2017) claim that the sharing economy sector has been taken over by a generation of millennials who are more adept at using smartphones and mobile applications. While the rest of the older generations are still in the process of assimilating and adapting to the new trend. Young people absorb changes faster, are “open-minded” and do not attach so much importance to ownership, which they easily replace with access to goods (Kumar *et al.*, 2018).

Finally, Schor *et al.* (2016) point to education as a factor determining the willingness to participate in the sharing economy. It was noticed that people with higher education more often use and provide sharing economy services (Andreotti *et al.*, 2017).

RESEARCH METHODOLOGY

The mix methods are used in the presented study. Firstly, this paper focuses on a thorough literature review, paying the particular attention to the specificity of the sharing economy and its close relationship with trust. Secondly, the pre-research study was conducted with the usage of in-depth interviews (qualitative research) in order to identify key factors influencing the selection of the appropriate sharing economy platform from the point of view of a potential user (participants were differentiated because of age, gender, education level and place of residence). Next, in main primary empirical research (online survey), author`s aim was to check the approach of Polish consumers to the sharing economy, paying the particular attention to the level of their involvement and trust both in intermediary platforms, other users (peers) and the sharing economy in general (quantitative part of empirical study). Next, the author identified the correlations between the importance of trust and personal traits of respondents.

The main empirical study was conducted by applying a survey method – an online survey. The measuring instrument was an online questionnaire containing closed one- and multiple-choice questions using a five-point Likert scale. The questionnaire was made available in May/June 2020 on Facebook and on blogs and forums with topics focusing on sharing economy services, and replies were provided over a period of one week.

The sample was selected partially randomly (the online questionnaire was placed in social media in order to collect suitable respondents), and thanks to the use of online tools, the respondents came from different parts of Poland (this assumption is due to the fact that the questionnaire was only available in Polish), but the sample doesn`t exactly reflect the structure of Polish society. That is why the results are not representative. The study involved 168 respondents – active participants in the sharing economy. The research group was classified according to four aspects: gender, age, place of residence and education.

In the initial phase of the study, the properly selected respondents underwent in-depth interviews, during which the degree of their involvement in the sharing economy was verified. During interviews they were asked about the nature of their participating in the sharing economy (service providers, recipients, or both) and the frequency and regularity of the use of sharing economy services. Respondents were asked about their preferences and tendencies to share their own resources and use the resources of others. It was also checked which of the platforms available on the Polish market are the most popular among the respondents and why they decide to participate in the sharing economy in general. It was decided to distinguish 7 factors that may seem crucial from the point of view of a potential consumer of sharing economy services: prices of posted offers, diverse selection, ease of use the application, recommendations, brand awareness, number of stars and credibility of the platforms and other users (Fig. 1.). All of the above issues allowed for a better preparation of questionnaire for main research.

RESULTS AND DISCUSSION

Empirical Findings

The survey was made available on internet portals, blogs and social media, which allowed for a partially random selection of the sample. 168 people who actively use sharing economy services participated in the survey. The research group was classified according to four aspects: gender, age, place of residence and education. The majority of the surveyed group was women and it was 77% of all respondents, while men constituted only 23%. Respondents mainly came from larger urban agglomerations (cities with more than 200,000 inhabitants) – 47%. The active users of the sharing economy who took part in the research were mostly under the age of 34 and had at least secondary education.

Based on the existing literature and the analysis after pre-research study 7 factors were identified that may seem important to the consumer of shared services: prices of posted offers, diverse selection, ease of use the application, recommendations, brand awareness, number of stars and credibility of the platform. The respondents were asked about the importance of individual factors (Figure 1).

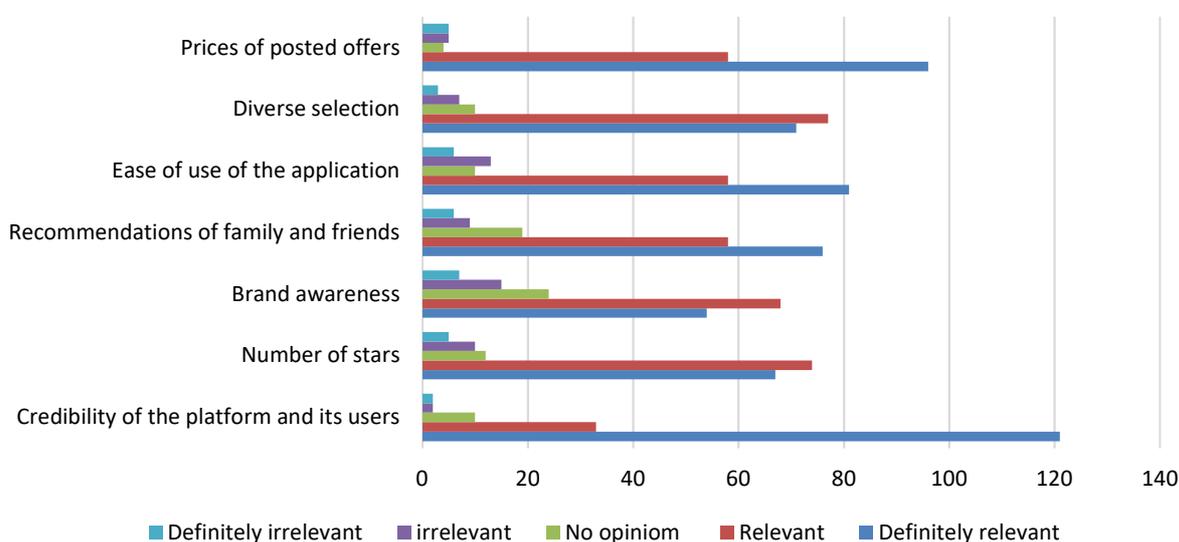


Figure 1. Factors influencing the choice of the sharing platform

Source: own study (n = 168).

All the factors mentioned in the study turned out to be significant for the analyzed research group. However, 92% of respondents clearly indicated the credibility of the platform as a key factor in choosing the right intermediary portal. The prices of posted offers and brand awareness are equally important. Consumers are much more likely to choose a checked and well-known company. The system of reputation and recommendations, which in the study was referred to as the number of stars or recommendations of relatives, also plays an important role.

The high importance of credibility and reputation systems shows a strong correlation between consumer behavior and trust in the intermediary platform. This phenomenon is analyzed in more details by using data presented in Figure 2.

There is a general belief among respondents that the sharing economy platforms are trustworthy. 76% of the respondents described them as reliable, which at the same time may indicate that consumers feel a certain level of trust towards them. However, the respondents were not so convinced as to the method of verification itself.

About 59% of respondents are sure that sharing economy platforms adequately screen users of their applications, while only 52% describe the portal as a guarantee of security. Analyzing the issue of the trust of consumers participating in the sharing process towards intermediary platforms, it can be shown that 51% of respondents feel much safer using the sharing economy services provided through

the Internet portal, and as many as 61% of respondents say that if it were not for intermediary platforms, they would not be willing use this type of service. These data clearly show the significant role of intermediary platforms in building trust throughout the sharing process. Moreover, when asked about the general sense of security of platform users who decide to take part in the act of sharing, as many as 60% of respondents feel safe using this type of service.

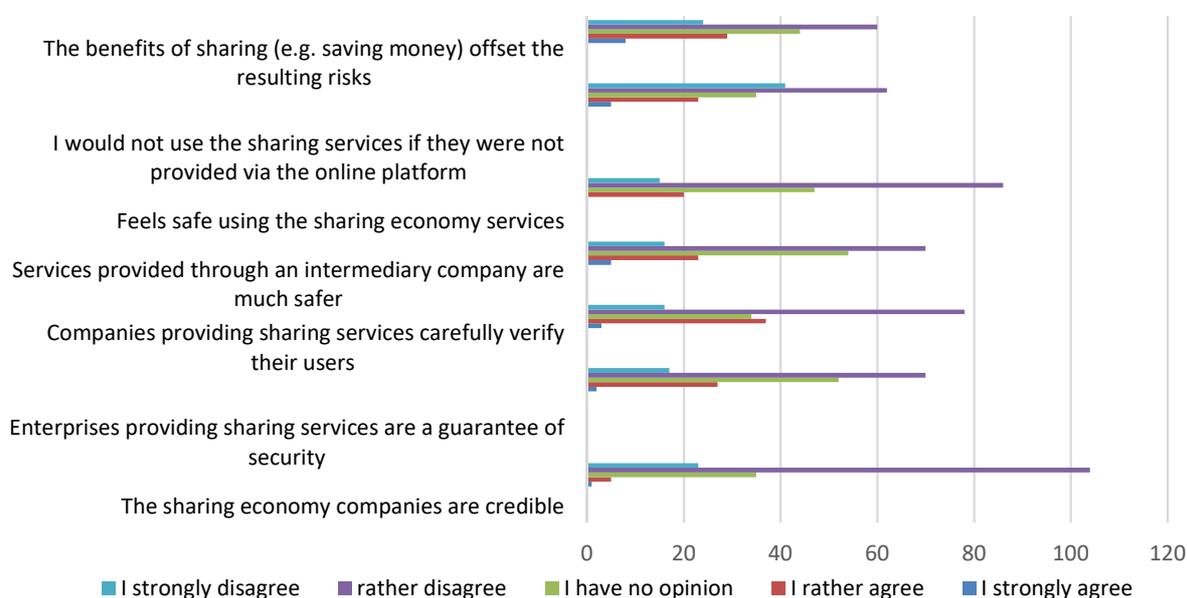


Figure 2. Opinions about sharing economy platforms in relation to trust

Source: own study (n = 168).

The analyses were aimed at verifying whether independent variables such as age, gender, place of residence and education exert an effect on the factors influencing the choice of sharing platform. The analysis of such data has its specificity, consisting of the use of adequate statistical tools for comparisons. In order to verify whether the independent variables measured on the rank scale are statistically significant, the Spearman's rank correlation coefficient was calculated. Due to the fact that gender is expressed on a nominal dichotomous scale, the non-parametric Mann-Whitney U-test was used to verify whether it differentiates significantly the results of dependent variables measured on the rank scale. A significance level of 0.05 was adopted for all analyzes. All analyzes were performed using the Statistica v.13.3.

The analysis of the research results began with the presentation of the correlation between age and the factors influencing the sharing platform choice (Table 1). Responses were ranked as follows: 1 – definitely irrelevant; 2 – rather irrelevant; 3 – I have no opinion; 4 – rather important; 5 – very important.

Table 1. The influence of age on factors determining the sharing platforms' choice (significance with $p \leq 0.05$)

Age & What are your guidelines when choosing a particular platform to provide you with shared services?	N	R	t(N-2)	p
Prices of posted offers	168	-0.14	-1.86	0.064
Diverse selection	168	0.00	0.06	0.952
Ease of use of the application	168	-0.06	-0.81	0.419
Recommendation of friends / family	168	-0.10	-1.28	0.203
Brand awareness	168	-0.09	-1.12	0.263
Number of stars	168	-0.05	-0.64	0.525
Credibility of the platform and its users	168	-0.15	-2.02	0.045

R – Spearman's rank correlation coefficient; t (N-2) – the result of the significance test for the correlation coefficient;

p – test probability

Source: own study (n = 168).

The analysis of the results gave grounds for finding only one statistically significant weak negative correlation in the case of responses for the credibility of the platform and its users ($R = -0.15$; $p = 0.045$). Therefore, it can be concluded that the significance of the factor “credibility of the platform and its users” decreased as the age of the respondents increased.

Table 2. The influence of place of residence on factors determining the sharing platforms` choice (significance with $p \leq 0.05$)

Place of residence & What are your guidelines when choosing a particular platform to provide you with shared services?	N	R	t(N-2)	p
Prices of posted offers	168	0.10	1.34	0.18
Diverse selection	168	-0.03	-0.41	0.68
Ease of use of the application	168	-0.05	-0.59	0.56
Recommendation of friends / family	168	0.04	0.52	0.60
Brand awareness	168	-0.00	-0.03	0.98
Number of stars	168	0.06	0.81	0.42
Credibility of the platform and its users	168	0.09	1.14	0.26

R – Spearman’s rank correlation coefficient; t (N-2) – the result of the significance test for the correlation coefficient;
p – test probability

Source: own study (n = 168).

The results of the place of residence analysis on decisions and the importance of factors determining the attractiveness of sharing economy platforms did not provide any grounds for stating statistically significant relationships between the place of residence with the significance of factors influencing the sharing platform choice $p > 0.05$.

Table 3. The influence of level of education on factors determining the sharing platforms` choice (significance with $p \leq 0.05$)

Level of education & What are your guidelines when choosing a particular platform to provide you with shared services?	N	R	t(N-2)	p
Prices of posted offers	168	-0.07	-0.91	0.36
Diverse selection	168	-0.05	-0.66	0.51
Ease of use of the application	168	-0.07	-0.91	0.36
Recommendation of friends / family	168	-0.05	-0.66	0.51
Brand awareness	168	-0.10	-1.30	0.19
Number of stars	168	-0.15	-1.97	0.05
Credibility of the platform and its users	168	-0.12	-1.58	0.11

R – Spearman’s rank correlation coefficient; t (N-2) – the result of the significance test for the correlation coefficient;
p – test probability

Source: own study (n = 168).

The analysis of the results provides grounds for establishing only one statistically significant weak negative correlation between education and the number of the stars contained in Table 3 ($R = -0.15$; $p = 0.05$). This means that the higher the level of education, the less important the star factor becomes.

Subsequent analyses were aimed at verifying whether gender significantly differentiates the results of answers to the questions posed. For this purpose, the Mann-Whitney U-test was used.

The analysis of the results did not give any rise to the conclusion that gender significantly differentiates the results of answers to question regarding the significance of the factors contained in Table 4. Gender of the consumer benefiting from the sharing economy does not significantly affect the importance of the different factors determining the appropriate common platform and services.

Table 4. The influence of gender on factors determining the sharing platforms' choice (significance with $p \leq 0.05$)

What are your guidelines when choosing a particular platform to provide you with shared services?	Sum of ranks Female	Sum of ranks Male	U	Z	p
Prices of posted offers	10494.50	3701.50	2711.50	0.06	0.95
Diverse selection	10472.00	3724.00	2722.00	-0.02	0.98
Ease of use of the application	10835.50	3360.50	2370.50	1.29	0.20
Recommendation of friends / family	10834.00	3362.00	2372.00	1.28	0.20
Brand awareness	10912.00	3284.00	2294.00	1.56	0.12
Number of stars	10712.50	3483.50	2493.50	0.84	0.40
Credibility of the platform and its users	10641.50	3554.50	2564.50	0.59	0.56

U – U test result; Z test result; p – test probability

Source: own study (n = 168).

Discussion

Research has shown that the group of respondents who are active participants in the sharing economy attaches great importance to the issue of trust, confirming the thesis expressed by many authors of research papers about the sharing economy (Botsman & Rogers, 2010; Sundarajan, 2014; Sztokfisz, 2017). Trust is a key factor in determining the participation and level of engagement of consumers of shared services.

Regarding the first research question: Is trust indicated as an important factor in the decisions of participants and choice of platform in sharing economy? (RQ1). The respondents indicated trust as the most important factor determining their participation in the act of sharing and the choice of an appropriate platform. The higher the level of respondents' trust in the sharing economy platform (higher company credibility, reliable recommendation system), the better its competitive position on the market. These results confirmed the conclusions presented by other researchers working in this area (Botsman & Rogers, 2010; Sundarajan, 2014).

The second research question was aimed at checking how variables such as age, education level, place of residence and gender influence the importance of factors determining the choice of an appropriate intermediary platform (RQ2). The study of the relationship between independent variables (age, level of education, place of residence, gender) and factors influencing the choice of sharing platform showed that they do not influence significantly consumer decisions and preferences. Only age and level of education showed a statistically significant negative correlation with one of the analysed factor. It was noticed that as the age of respondents increased, the importance of the credibility of platforms and their users decreased. A similar correlation occurred between the level of education and the number of stars obtained by the platform. The higher the respondents' education level, the less important this factor was. At the same time, this study contradicts the results given by previous researchers (Andreotti *et al.*, 2017; Hunter *et al.*, 2004; Zelezny *et al.*, 2000) of this phenomenon, who showed dependencies between the independent variables and the decisions of consumers of the sharing economy. Independent variables determine the respondents' answers to a small extent.

It may seem that after making the decision to participate in the sharing economy (becoming an active user) regardless the age, gender, etc., the same importance is attached to the aspect of trust, and independent variables do not have such a large impact here. Analysing the research of the aforementioned scientists, it can be assumed that these variables have the greatest impact when making the initial decision about joining the sharing economy, i.e., choosing whether to become a passive or an active participant.

Most of the sharing economy services are provided via an Internet platform or mobile application, and they play a significant role in the process of co-consumption. The most important thing is that it has credibility and a meticulous reputation system, which is extremely important when working with the precise selection of the service provider. It is the strength of the recommendation and the created

virtual reputation justify the creation of trust between the parties to the transaction. Without it, further co-consumption of goods or services is impossible.

CONCLUSIONS

Trust is an integral part of the sharing economy and it largely determines the behaviour of users of shared services. Regardless the age, gender, place of residence or level of education, all active consumers of the sharing economy indicate that trust is crucial for them and determinates their participation in the sharing process.

The research in this paper has clearly shown that trust plays an important role in both the decision-making process to participate in shared consumption and determines the continued behaviour of consumers. Despite the constant feeling of uncertainty and awareness of the risks involved, the active consumers are willing to entrust the transaction to the other party, trying to give it some "credit of trust". Nevertheless, they constantly take preventive measures, monitoring the reputation and image of the other party to the transaction. Therefore, this action clearly highlights an important role of intermediary platforms and their reputation systems, which are used as trust building tools between individuals.

Sharing economy platforms stay in front of a crucial challenge especially during the COVID-19 pandemic where the sharing companies need to focus their attention and recourses to create a safe environment for using sharing economy services. This study deepens knowledge about the sharing economy and indicate which factors should be crucial for sharing economy platforms. Intermediary portals should focus their activities on thorough verification and transparency of the users of their applications. Only this attitude is able to ensure the security of the parties to the transaction and thus guarantee the success of the sharing economy portal.

The research contained in this paper may have numbers of applications. They are a source of information for those interested in the sharing economy. It can also help sharing economy platforms better understand their users' behaviour. The study highlights the key factors for consumers using sharing economy platforms, giving entrepreneurs tips on what aspects are important to a potential customer. Understanding the needs of users allows the sharing economy platform to adjust better the product offer, increase transaction security or streamline advertising campaigns, which in turn may contribute to an increase in demand for their services.

This study has some limitations. The research is confined to the analysis of only the group of respondents from Poland. The survey is also not representative, so it becomes impossible to standardize the result for the entire population of the country. The survey was conducted at the turn of May / June 2020, the constantly deteriorating epidemiological situation could have changed the respondents' opinions and feelings. The respondents participating in the study were mainly young people, which could have been influenced by the form of the study (questionnaire made available on social networks and forums).

The broad spectrum of the sharing economy allows for the expansion of research in many aspects. Firstly, the research can be extended by another factor influencing consumer decisions – cultural differences. One could compare different approaches of culturally different groups: their willingness to share and to trust in the individual. Furthermore, future research could take into account the behavioural change in sharing economy consumers during the Covid-19 pandemic. To study the strength of the impact and effects of the coronavirus pandemic on an individual's willingness to participate in the sharing economy and to compare the results before and during the pandemic.

REFERENCES

- Andreotti, A., Anselmi, G., Eichhorn, T., Hoffmann, C.P., Jürss, S., & Micheli, M. (2017). *European perspectives of participation in the sharing economy*. <https://dx.doi.org/10.2139/ssrn.3046550> Retrieved from <https://papers.ssrn.com/sol3/papers.cfm?abstractid=3046550> on 3 May 2021.

- Belk, R. (2007). Why Not Share Rather Than Own? *Annals of the American Academy of Political and Social Science*, 611(10), 126-140. <http://dx.doi.org/10.1177/0002716206298483>
- Böcker, L., & Meelen, T. (2017). Sharing for people, planet or profit? Analysing motivations for intended sharing economy participation. *Environmental Innovation and Societal Transitions*, 23, 28-39. <https://doi.org/10.1016/j.eist.2016.09.004>
- Borusiak, B., Szymkowiak, A., Lopez-Lluch, D., & Sanchez-Bravo, P. (2021). The role of environmental concern in explaining attitude towards second-hand shopping. *Entrepreneurial Business and Economics Review*, 9(2), 71-83. <https://doi.org/10.15678/EBER.2021.090205>
- Botsman, R., & Rogers, R. (2010). *What's Mine is Yours: The Rise of Collaborative Consumption*. HarperCollins Publishers.
- Bruni, L., & Sugden, R. (2000). Moral Canals: Trust and Social Capital In the Work of Hume, Smith and Genovesi. *Economics and Philosophy*, 16(01), 21-45. <https://doi.org/10.1017/S0266267100000122>
- Buheji, M. (2020). Sharing Economy and Communities Attitudes after COVID – 19 Pandemic – Review of Possible Socio – Economic Opportunities. *American Journal of Economics*, 10(6), 395-406. <https://doi.org/10.5923/j.economics.20201006.09>
- Bylok, F. (2012). *Budowa zaufania konsumenckiego jako czynnik determinujący sukces przedsiębiorstwa w warunkach kryzysu*. Retrieved from http://zif.wzr.pl/pim/2012_4_1_7.pdf on 20 April 2021.
- Czernek, K., Wójcik, D., & Marszałek, P. (2018). Gospodarka narodowa. Zaufanie w gospodarce współdzielenia. *The Polish Journal of Economics*, 3 (295), 23-46. <https://doi.org/10.33119/GN/100487>
- Ert, E., Fleischer A., & Magen, N., (2016). Trust and reputation in the sharing economy: the role of personal photos in Airbnb. *Tourism Management*, 55, 62-73. <http://dx.doi.org/10.2139/ssrn.2624181>
- Felson, M., & Spaeth, J. (1978). Community Structure and Collaborative Consumption: A Routine Activity Approach. *American Behavioral Scientist*, 21(4), 614-624. <https://doi.org/10.1177%2F000276427802100411>
- Gazzola, P., Grechi, D., Papagiannis, F., & Marrapodi, C. (2020). The sharing economy in digital society: youth consumer behavior in Italy. *Kybernetes*, 50(1), 147-164. <https://doi.org/10.1108/K-12-2019-0796>
- Godelnik, R. (2017). Millennials and the sharing economy: Lessons from a “buy nothing new, share everything month” project. *Environmental Innovation and Societal Transitions*, 23, 40-52. <https://doi.org/10.1016/j.eist.2017.02.002>
- Graessley, S., Horak, J., Kovacova, M., Valaskova, K., & Poliak, M. (2019). Consumer Attitudes and Behaviors in the Technology-Driven Sharing Economy: Motivations for Participating in Collaborative Consumption. *Journal of Self-Governance and Management Economics*, 7(1), 25-30. <http://dx.doi.org/10.22381/JSME7120194>
- Guttentag, D. (2015). Airbnb: disruptive innovation and the rise of an informal tourism accommodation sector. *Current Issues in Tourism*, 18(12), 1192-1217. <http://dx.doi.org/10.1080/13683500.2013.827159>
- Hamari, J., Sjöklint M., & Ukkonen, A. (2016). The Sharing Economy: Why People Participate in Collaborative Consumption. *Journal of Association for Information Science and Technology*, 67(9), 2047-2059. <https://doi.org/10.1002/asi.23552>
- Hawllitschek, F., Teubner, T., & Weinhardt, C. (2016). Trust in the Sharing Economy. *Swiss Journal of Business Research and Practice*, 70(1), 26-44. <http://dx.doi.org/10.5771/0042-059X-2016-1-26>
- Hossain, M. (2021). The effect of the Covid-19 on sharing economy activities. *Journal of Cleaner Production*, 280(1), 1-9. <https://doi.org/10.1016/j.jclepro.2020.124782>
- Hunter, L.M., Hatch, A., & Johnson, A. (2004). Cross-national gender variation in environmental behaviors. *Social Science Quarterly*, 85(3), 677-694. <https://doi.org/10.1111/j.0038-4941.2004.00239.x>
- Jastrzębska, E., & Legutko-Kobus, P. (2017). Ekonomia współpracy – definicja, klasyfikacje I dobre praktyki. *Zrządzenie publiczne*, 4(40), 443-461. <https://doi.org/10.4467/20843968ZP.17.034.8018>
- Jemielniak, D., & Przeglińska, A. (2020). *Spółeczeństwo Współpracy*. Wydawnictwo Naukowe Scholar.
- John, N.A. (2017). *The Age of Sharinf*. Polity.
- Kadic-Magljalic, S., Arslanagic-Kalajdzic, M., Micevski, M., Dlacic, J., & Zabkar, V. (2019). Being engaged is a good thing: understanding sustainable consumption behavior among young adults. *Journal of Business Research*, 104, 644-654. <https://doi.org/10.1016/j.jbusres.2019.02.040>
- Kamal, P., & Chen, J.Q. (2016). *Trust in sharing economy*, Pacific Asia Conference on Information Systems Proceedings. Cloud State University.

- Keymolen, E. (2013). *Trust and technology in collaborative consumption. Why it is not just about you and me*. Wolf Legal Publishers.
- Khurshid, A. (2020). Applying Blockchain Technology Address The Crisis of Trust During the Covid-1p Pandemic. *JMIR Publications*, 8(9). <https://doi.org/10.2196/20477>
- Kong, Y., Wang, Y., Hajli, S., & Featherman, M. (2020). In Sharing Economy We Trust: Examining the Effect of Social and Technological Enablers on Millenials' Trust in Sharing Economy. *Computers in Human Behavior*, 108(4), 1-10. <https://doi.org/10.1016/j.chb.2019.04.017>
- Kumar, V., Lahiri, A., & Dogan, O.B. (2018). A strategic framework for a profitable business model in the sharing economy. *Industrial Marketing Management*, 69, 147-160. <https://doi.org/10.1016/j.indmarman.2017.08.021>
- Lee, Z. W. Y., Chan, T. K. H., Balaji, M. S., & Chong, A. Y-L. (2016). Technology-Mediated Sharing Economy : Understanding User Participation in Collaborative Consumption Through the Benefitcost Perspective. *PACIS 2016 Proceedings*, 110. Retrieved from <https://aisel.aisnet.org/pacis2016/110> on Mai 1, 2021.
- Lessig, L. (2008). *Remix: Making Art and Commerce Thrive in the Hybrid Economy*. Penguin Press.
- Małys, Ł., & Fonfara, K. (2018). The Types of Trust in the Development Process of the International Business Relationships: An Exploratory Study among Polish Companies. *Entrepreneurial Business and Economics Review*, 6(3), 175-191. <https://doi.org/10.15678/EBER.2018.060311>
- Mazzella, F., & Sundararajan, A. (2016). *Entering the trust age*. BlaBlaCar. Retrieved from <https://blog.blablacar.com/wp-content/uploads/2016/05/entering-the-trust-age.pdf> on 27 May 2021.
- Mittendorf, Ch. (2016). *What Trust means in the Sharing Economy: A provider perspective an Airbnb.com. Implications of Trust in the Sharing Economy*. Retrieved from <https://core.ac.uk/download/pdf/301369245.pdf> on 15 April 2021.
- Narwal, M., & Sachdeva, G. (2013). Impact of Information Technology (IT) on Consumer Purchase Behavior. *Researchers World*, 4(3), 41-53.
- Nikodemska-Wołowik, A., Bednarz, J., Wach, D., Little, J., & Kubik, M. (2020). Building aware and un-aware consumers' trust towards family business: Evidence from Poland. *Entrepreneurial Business and Economics Review*, 8(3), 135-154. <https://doi.org/10.15678/EBER.2020.080308>
- Olson, K. (2013). *National study quantifies reality of the "sharing economy" movement*. Retrieved from http://www.campbell-mithun.com/678_national-study-quantifies-reality-of-the-sharing-economy-movement on May 12, 2021.
- Petropoulos, G. (2017). *An economic review of the collaborative economy. Policy Contribution*, 5. Retrieved from <https://www.bruegel.org/wp-content/uploads/2017/02/PC-05-2017.pdf> on May 12, 2021.
- Räisänen, J., Ojala, A., & Tuovinen, T.T. (2020). Building Trust in the Sharing Economy: Current Approaches and Future Considerations. *Journal of Cleaner Production*, 279(37), 1-30.
- Rifkin, J. (2016). *Spółczesność zerowych kosztów krańcowych. Internet przedmiotów. Ekonomia współdzielenia. Zmierzch kapitalizmu*. Studio Emka.
- Rudawska, I. (2016). Ekonomia dzielenia się, czyli konsumpcja współdzielona i inne formy alternatywnego dostępu do dóbr. *Zeszyty Naukowe Uniwersytetu Ekonomicznego w Katowicach*, 254, 181-189. <http://fbc.pionier.net.pl/id/oai:www.sbc.org.pl:222338>
- Schor, J. (2014). Debating the Sharing Economy. A Great Transition Initiative Essay. *Open Journal of Social Science*, 4(6), 7-22. <https://doi.org/10.22381/jsme4320161>
- Schor, J, Fitzmaurice C., Attwood-Charles, L., Carfagna E., & Poteat, E. (2016). Paradoxes of openness and distinction in the sharing economy. *Poetics*, 54(2016), 66-81. <https://doi.org/10.1016/j.poetic.2015.11.001>
- Sundarajan, A. (2014). *Peer to Peer Business and the Sharing (Collaborative) Economy: Overview, Economic Effects and Regulatory Issues*. NYU Stern School of Business.
- Sundarajan, A. (2016). *The Sharing Economy: The End of Employment and the Rise of Crowd-Based Capitalism*. MIT Press.
- Sztokfisz, B. (2017). Ekonomia współdzielenia – pojęcie, źródła i potencjał. *Zeszyty Naukowe Uniwersytet Ekonomiczny w Krakowie*, 6 (966), 89-103. <http://dx.doi.org/10.15678/ZNUEK.2017.0966.0606>
- Sztompka, P. (2006). *Socjologia*. Wydawnictwo Znak.
- Vinod, P.P., & Dipasha, S. (2021). COVID – 19 Impact on the Sharing Economy Post – Pandemic. *Australasian Accounting Business and Finance Journal*, 15(1), 37-50. <http://dx.doi.org/10.14453/aabfj.v15i1.4>

- Zelezny, L.C., Chua, P.P., & Aldrich, C. (2000). New ways of thinking about environmentalism: elaborating on gender differences in environmentalism. *Journal of Social Issues*, 56(3), 443-457. <https://doi.org/10.1111/0022-4537.00177>
- Zhu, G., So, K.K.F., & Hudson, S. (2017). Inside the sharing economy: understanding consumer motivations behind the adoption of mobile applications. *International Journal of Contemporary Hospitality Management*, 29(9), 2218-239. <https://doi.org/10.1108/IJCHM-09-2016-0496>
- Ziobrowska, J. (2017). *Sharing Economy jako nowy trend konsumencki. Własność w prawie i gospodarce*. Uniwersytet Wrocławski.
- Zoteanu, M., Hsarvey, N., Tuckett, D., & Livan, G. (2018). Digital Identity: The effect of trust and reputation information on user judgement in the Sharing Economy. *PLoS ONE*, 13(12), 1-18. <https://doi.org/10.1371/journal.pone.0209071>

Author

Wiktoria Rakowska

Bachelor of International Business (Poznan University of Business and Economics, Poland) Master in International Finance and Management (Poznan University of Business and Economics, Poland). The author is applying for admission to the doctoral school (Poznan University of Business and Economics, Poland).

Correspondence to: Mgr Wiktoria Rakowska, Poznań University of Economics and Business, Department of International Management, ul. Robocza 3/28, 61-538 Poznań, e-mail:wiktoria.rakowska01@gmail.com

ORCID  <http://orcid.org/0000-0002-2630-1528>

Conflict of Interest

The author declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

Copyright and License



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License <http://creativecommons.org/licenses/by-nd/4.0/>

Restarting for the thrill: Behavioural addiction to entrepreneurship

Ndivhuho Tshikovhi, Farai Dziike, Sibusiso Moyo

ABSTRACT

Objective: The aim of the article is to highlight the behavioural addiction to entrepreneurship by entrepreneurs.

Research Design & Methods: We followed a qualitative design in order to ascertain the publications to date with regards to behavioural addiction to entrepreneurship.

Findings: The study found that there seems to be a behavioural addiction to entrepreneurship by serial and habitual entrepreneurs, who continuously receive incentives from entrepreneurship development agencies without tangible businesses.

Implications & Recommendations: The implication of the study is that so many genuine entrepreneurs are overlooked for serial and habitual entrepreneurs because they seem to have experience in acquiring incentives without succeeding in running businesses. We recommend that entrepreneurship development agencies need to be aware of the behavioural addiction to entrepreneurship and monitor sponsored entrepreneurs on an annual basis.

Contribution & Value Added: The study brings about a novel angle in the entrepreneurship literature, whereby the success rate is overemphasized due to the benefits of entrepreneurship in creating jobs. But we highlight the need to evaluate and monitor entrepreneurs as they benefit from incubators, funding and mentorships.

Article type: conceptual article

Keywords: Entrepreneurship, Habitual Entrepreneurs, Serial Entrepreneurs, Behavioural Addiction, Incentives

JEL codes: J23, L26, M13

Received: 18 April 2021

Revised: 1 June 2021

Accepted: 30 June 2021

Suggested citation:

Tshikovhi, N., Dziike, F., & Moyo, S. (2021). Restarting for the thrill: Behavioural addiction to entrepreneurship. *International Entrepreneurship Review*, 7(3), 37-46. <https://doi.org/10.15678/IER.2021.0703.03>

INTRODUCTION

Recent estimates by venture capitalists in developed and developing nations suggest that nine out of ten firms fail within the first to the second year of operation (Sarasvathy *et al.*, 2013). What seems not to be considered or reported might be the number of unsuccessful entrepreneurs who are likely to start another venture. One might argue that entrepreneurs who keep on applying for funding and starting new ventures as soon as they run out of funding from a previous grant on a former venture, are addicted to this cycle. However, addiction to entrepreneurship as a condition towards one's inability to resist starting new ventures despite repeated failures is reviewed in this study as a behavioural addiction to entrepreneurship. Keskin *et al.* (2015) suggest that entrepreneurship has become a central discussion point for policymakers and economists alike. Thus, expanding the serial entrepreneurship inquiries towards understanding key factors that influence individual behaviour is imperative. Although there is some dwindling literature in this phenomenon, substantial knowledge about the behaviour of entrepreneurs is lacking.

Gottschalk *et al.* (2017) argue that policymakers should discourage second chance entrepreneurs as they are more likely to fail than highly skilled entrepreneurs. The main argument by Gottschalk *et al.* (2017) in their paper titled "The Impact of Habitual Entrepreneurial Experience on New Firm Closure

Outcomes” is that low-ability entrepreneurs are addicted to their failures in a way that they do not acknowledge their inability to succeed. Instead, they find ways to shift the blame towards others in order for them to sustain their self-esteem and return to entrepreneurship. Shane (2009) echoed similar thoughts in his paper, “Why Encouraging More People to Become Entrepreneurs is Bad Public Policy”. Although the argument is categorically clear, crucially what Shane (2009), Gottschalk *et al.* (2017), as well as Gerpott and Kieser (2017) assert is that, despite the low success rate of entrepreneurial activities, public policy in many countries still insists on providing entrepreneurial incentives.

The entrepreneur incentivizing perspective by policymakers arises at the backdrop of regressing economies, rising unemployment, and ever-advancing technologies and mechanization (Shane, 2009). Thus, policy encourages throwing as many resources as possible to entrepreneurs through various business acceleration programs. Hence repeat unsuccessful entrepreneurs tend to jump from one program to another, thus feeding their addiction. Pretorius and Le Roux (2011) revealed that there are some key observations about an entrepreneur, the preconditions and causes associated with his successive failures, in their report on “Successive Failure, Repeat Entrepreneurship and no Learning: A Case Study”.

Spivack *et al.* (2014) emphasized the underlying psychological symptoms of behavioural addiction to entrepreneurship. Additionally, Spivack *et al.* (2014) argue that behavioural addiction to entrepreneurship can contribute to either positive or negative outcomes. However, in this study, the adverse outcomes are emphasized. The study aims to highlight the essential but yet neglected fact that there is a possibility of behavioural addiction to entrepreneurship by serial or habitual entrepreneurs. This means that literature about the whole set of entrepreneurs who are not perceived as addicted to entrepreneurship are excluded from this study.

This phenomenon is reasonably relatable to workaholism, which may result in further working opportunities such as promotions and appraisals (Spivack *et al.*, 2014). There are identical similarities between workaholism and addiction to entrepreneurship. Weiner (1985) alluded to these factors as a matter of ability and effort. On an individual level, Weiner (1985) examined in attribution theory what motivation and emotion towards achievements tell us about failed entrepreneurs. Moreover, the feeling of success could lead to emotional expressions, such as anger, gratitude, guilt, hopelessness, pity, and shame (Weiner, 1985). For instance, Weiner (1985) gave an example that an overachiever might indicate that he or she wants to take time from work but cannot control his or her work habits. Despite the work done not being satisfactory. The motivational factors of entrepreneurs who repeatedly fail sought to fulfil are related. Inasmuch as social acceptance and rejection of someone’s physical appearance, repeated entrepreneurs are aware of these factors.

Block (2008) identified four critical symptoms of behavioural addiction as excessive use, withdrawal, tolerance and negative repercussions. In the Spivack *et al.* (2014) study, both participants were found to be eager to return to entrepreneurship activities despite having failed five and six times each. The excerpts from the interviews with the study participants showed that both were entangled in the four symptoms described by Spivack *et al.* (2014).

This paper seeks to make this critical yet neglected contribution to entrepreneurship studies. Since several studies are concerned with either theory-building or theory-testing, thus this study conceptually explores behavioural addition to entrepreneurship as follows: Literature analysis pertaining to behavioural addiction to entrepreneurship is discussed. A literature matrix is developed to track publications concerning this topic to date. Thereafter, entrepreneurship, habitual, and serial entrepreneurs’ dynamics are discussed, as well as public policy encouraging repeated failure. The last section will extend the discussion by providing a conceptual thought for further exploration of behavioural addiction to entrepreneurship.

METHODS AND MATERIALS

The study adopts a conceptual data gathering, whereby literature pertaining to BAE (Behavioural Addiction to Entrepreneurship) is analyzed. We searched papers that discussed behaviour, addiction, entrepreneurship by serial and/or habitual entrepreneurs in the last ten years. The search resulted in countable papers, which were both empirical and theory-based. We applied literature metrics to iden-

tify the research argument and method used in order to justify this study's main argument. This method allowed us to find papers that rigorously debated the BAE phenomenon to the latter. It is not surprising that almost all papers were critical of the entrepreneur that does not thrive in the long run since this paper argues that entrepreneurship research less entertains those entrepreneurs to date. Therefore, the objective of this study was to create an awareness for BAE. It is apparent from the conceptual data work that this is not a well-researched phenomenon.

LITERATURE REVIEW AND THEORY DEVELOPMENT

In this section, we highlight the foundation of entrepreneurship, the behavioural aspects that influence the later and the individual entrepreneur from serial and habitat perspectives related to Behavioral Addiction to Entrepreneurship. The addiction to entrepreneurship in this instance is viewed from the ideation, funding applications and to the actual practice. Behavioural Addiction to Entrepreneurship (BAE) refers to persistent entrepreneurial activities, notwithstanding falling upon each attempt (Sarasvathy *et al.*, 2013). Several scholars (cf. Gunnarsson *et al.*, 2007; Logan *et al.*, 2009) who studied entrepreneur's mental health in Denmark, Sweden, United States of America and Britain found that mental health of entrepreneurs shares a common denominator, whereby entrepreneurs suffered poor job satisfaction and poor health (Louie, 2016). Thus, inductive and deductive approaches have been followed by several researchers, as shown in table 1.

There is a consensus in the literature whether the venture created by an entrepreneur succeeded or not; there was a learning process that took place. According to Gompers *et al.* (2006), entrepreneurs who have a failure track record are likely to benefit the firm by the experience they possess. While entrepreneurs cannot quickly transfer their experience due to the high level of uncertainty in entrepreneurship (Gottschalk *et al.*, 2017), several studies suggest that prior entrepreneurial activity results in more excellent knowledge and experience, which can be easily transferred to a new firm. Thus, generating an assumption that past entrepreneurial experience is an asset for future performance. The entrepreneur does not always have the internal locus of control or the self-awareness to acknowledge his/her own incompetence in certain areas that could have contributed to failure. Such unawareness may be problematic when these entrepreneurs start a new venture. Hence, this turns into a normalized habit that the entrepreneur subconsciously accepts. Thus, behavioural addiction to entrepreneurship is overlooked in literature and an analysis on the literature confirms this claim.

It is evident from table 1 that behavioural addiction to entrepreneurship has not received adequate scholarly attention despite the promotion of serial entrepreneurs by incentives in the hope that they will restart without the stigma of failure. For instance, European countries have launched new programs to promote a fresh restart of ex-entrepreneurs (Rocha *et al.*, 2015). While in more recent literature (meaning last 5 to 10 years), there has been increasing interest in the dynamics of serial entrepreneurship processes, substantial knowledge about the behaviour of entrepreneurs is lacking.

Entrepreneurship as a concept

Schumpeter (1950) described entrepreneurship as something that creates new processes, puts underutilized resources to new uses, initiates the formation of new industries, and otherwise unleashes "gales of creative destruction" (p. 83). Scholars have often described entrepreneurship as something functional. Although it comes with challenges that can be social and individually detrimental. The oversight of entrepreneurship enthusiasts is a failure. Entrepreneurship, from an individual's perspective, requires endurance, intelligence, and motivation (Louie, 2016). Understanding the entrepreneur's well-being and challenges in entrepreneurship can promote high performance.

Entrepreneurship is defined as the process of engaging in starting a venture, including bearing the risks associated with it (Gartner, 1988). In general, entrepreneurship literature emphasis is placed on the link between economic growth and job creation. However, the negative consequences, such as the failure rate in entrepreneurship, are less entertained. Only recently do we find scholars such as Gerpott and Kieser (2017) provoking the entrepreneurship facade. The main argument of Gerpott and Kieser (2017) essay on the "charisma of an entrepreneur" disentangles the characteristics of entrepreneurs

as a motivational factor that attracts and keeps the entrepreneurship ideology going without tangible success. Whereas in this paper we view entrepreneurship as a process of venture creation.

Table 1. Selected literature of the subject from 2010-2020

Author(s)	Argument	Method
Spivack <i>et al.</i> (2014)	Habitual entrepreneurs' behavioural addition to entrepreneurship.	Case study
Keskin <i>et al.</i> (2015)	Entrepreneurship is addictive, similar to gambling and the internet.	Theoretical
Brandstätter (2011)	Analysis of personality traits in entrepreneurship.	Theoretical
Louie (2016)	There are mental health issues in entrepreneurship.	Essay
Carruthers <i>et al.</i> (2019)	The relationship between entrepreneurial competency and their entrepreneurial action.	Empirical
Rocha <i>et al.</i> (2015)	Are serial entrepreneurs performing better, or they are in a selected group of high achievers.	Empirical
Invernizzi <i>et al.</i> (2017)	To analyze any relationship between overconfidence and the characteristics of an entrepreneur and the firm.	Empirical
Gerpott and Kieser (2017)	Entrepreneurship ideology and charismatic entrepreneurs.	Essay
Spivack (2020)	To determine the characteristics of the particularly vulnerable individuals susceptible to the formation of an addiction to entrepreneurship.	Theoretical
Stephan (2018)	Entrepreneurs' mental health and well being	Empirical
Wright and Westhead (2016)	Compilation of chapters on habitual entrepreneurs.	Mixed
Bouckaert <i>et al.</i> (2011)	Restarters are usually bankrupt in Flanders, Belgium.	Empirical
Sarasvathy <i>et al.</i> (2013)	What is known about the success and failure of an entrepreneur?	Empirical
Gottschalk <i>et al.</i> (2017)	Habitual entrepreneurs are just as likely as novice entrepreneurs to fail.	Empirical
Lafontaine and Shaw (2016)	What skills lead to entrepreneurship.	Empirical
Thomas <i>et al.</i> (2020)	Examined substance addiction as a core antecedent in the development of entrepreneurship addiction.	Mixed
Tipu (2020)	Entrepreneurial reentry after failure	Theoretical

Source: own study.

Shane (2009) echoed the flawed buzz of entrepreneurship, arguing that each new firm in the United States creates new jobs, but these jobs are not sustained two years after new entry due to failure by entrepreneurs. Thus, public policy and entrepreneurship should focus on established entrepreneurs than repeated entrepreneurs (Shane, 2009). The understanding of the difference in entrepreneurs, for instance, charismatic, habitual, and serial, plays a role in determining behavioural addiction to entrepreneurship. Ucbasaran *et al.* (2003) argue that the extent to which individuals would retard or speed up their reentry into entrepreneurship is influenced by their past experiences of either success or failure.

Incubation hubs, acceleration programs and many more such programs have been in the centre of entrepreneurship promotion, but very few acknowledged the number of failure rate by entrepreneurs. The success rate of incubators is evident in different countries such as New Zealand (87%), the United States of America (85%) and Germany (90%), while South Africa and Brazil both have an 80% success rate. Besides the success rate of businesses incubation, the failure rate of entrepreneurial activities incubated is alarmingly as high as 90% (Muriithi *et al.*, 2018).

Habitual entrepreneurs

Habitual entrepreneurs are entrepreneurs who have started several enterprises (Ucbasaran *et al.*, 2010). It is worth noting that habitual entrepreneurs can be divided into two, that is, habitual starters, as those who start several entities, and habitual acquirers, as those who purchase several entities. Ucbasaran *et al.* (2010) used a case study approach to distinguish similarities between habitual starters and habitual acquirers. Spivack *et al.* (2014) reviewed the probability of habitual entrepreneurs as a potential case of

behavioural addiction to entrepreneurship. In unmasking the entrepreneur, Jones and Spicer (2009) debate about who is really an entrepreneur, in their thought-provoking book. In this book, the authors argue that there are different types of entrepreneurs. However, what the authors do not acknowledge seems to be a possible addiction of entrepreneurs who keep on starting new ventures.

Wright and Westhead (2016) detected habitual entrepreneurs to be “highly prevalent in the United Kingdom, Unites States of America, Finland, Australia, Norway, Ghana, Sweden, and Malaysia” (p. 5). Despite Ghana and Malaysia, the latter are referred to as developed economies. In South Africa, there is the “so called” tenderpreneurs, these are people who chase the grant, tenders and funding as far as possible without making an impact in terms of job creation, the economic growth as anticipated by the government. Therefore, both developed and developing nations might have this phenomenon and therefore it is worthwhile topic and construct to consider.

Serial entrepreneurs

Serial entrepreneurs are individuals who have closed or sold a business in which they had a minority or majority shares ownership; simultaneously, they own shares or purchased shares independently in another venture (Westhead *et al.*, 2005). The difference between habitual and serial entrepreneurs is narrowly defined in the literature. Prior business ownership may be viewed as a specific human capital in entrepreneurship (Westhead *et al.*, 2005). The specific human capital in the serial entrepreneur may be in the form of managerial or financial skills that are useful within startups (Amaral *et al.*, 2011).

Serial entrepreneurs tend to focus on achieving a particular goal and exhibit attitudes and behaviour associated with reducing uncertainty (Wright *et al.*, 1997). In addition, they also own new firms with a high risk of liabilities (Westhead *et al.*, 2005). Although there is an apparent significance in the contribution that serial entrepreneurs are likely to bring into a new venture. There is also a question of quality than quantity of the impact of the previous independent business ownership.

Serial entrepreneurs can always re-enter the entrepreneurship environment, whether in a new venture or as consultancies based on their experience (Amaral *et al.*, 2009). Table 2 provides a distinct difference between serial and habitual entrepreneurs. The benefits of serial and habitual entrepreneurs are likely to receive funding as they possess both charisma and experience (Gerpott & Kieser, 2017). The managerial skills are more likely to influence performance on new ventures than generate ultimate success for both entrepreneurs. Thus, serial entrepreneurs accumulate knowledge and experience over each firm that he or she help found and run, thereby leading to increased returns as well as reduced risks (Sarasvathy *et al.*, 2013). There are mentoring and business acceleration programs run by several agencies to advance the skills of entrepreneurs; these can be viewed as skills acquired by an entrepreneur that can be used for the next venture.

Therefore, serial entrepreneur behaviour may be considered a desire to exist a venture after realizing that there is no possible way forward (Wright *et al.*, 1997).Lafontaine and Shaw (2016) claim that “serial entrepreneurs are successful because entrepreneurship is a learned skill” (p. 241).Whereas in this paper, we argue that serial entrepreneurs might be addicted to the processes involved in venture creation.

Table 2. Distinguishing serial from habitual entrepreneurs

Serial entrepreneur	Habitual entrepreneur
Those who have sold or closed a business in which they had a minority or majority ownership stake in the past, and who currently own (alone or with others) a different independent business that either new, purchased, or inherited (Westhead <i>et al.</i> , 2005).	Those who enjoy the venture creation process and, once established, tend to hand over their ventures to professional managers and go on to start others (Sarasvathy <i>et al.</i> , 2013).

Source: own study.

Public policy encouraging failed entrepreneurs

Failure usually yields social shame (Pretorius & Le Roux, 2011). In the case of entrepreneurs, it is often aided by public policies providing resources and incentives to mitigate the social failure stigma towards businesses. Shane (2009) claims that “in the United States of America, the correlation across industries

between start-up rates and failure rates is a whopping 0.77 (the correlation across countries between the percentage of value-added in total entrepreneurial activity) (p. 143)". So, by providing incentives for people to start businesses in general, we provide incentives for people to start the typical business, which is gone in a few years (Shane, 2009, p. 143).

Moreover, Shane (2009) argues that those who are likely to respond to these incentives are not the successful entrepreneurs. Public policy has several reasons in which to decide on whether to bolster entrepreneurs. For instance, it can be for the development of the previously disadvantaged people or to avoid retrenchment of employees in large numbers.

McGrath (1999) argues that failure can also provide positive consequences. Thus, avoiding to fail may contribute to unentrepreneurial activities. The underlying theme of McGrath (1999) is that failure can also be viewed from a balanced perspective. Invernizzi *et al.* (2017) argues that overconfidence in one's ability to determine performance may result in others praising a "superstar" that is not capable of tangible output. An example is that of Steve Jobs and his "Next Startup," which did not turn out to be a success as anticipated by entrepreneurship enthusiasts, but the incentives provided to the idea did not stop.

Failures by entrepreneurs are also visible in pitches with estimations that are designed to lure venture capitalists (McGrath, 1999). Jones and Spicer (2009) insist that "we forget that most entrepreneur's lives are not filled with success and private jets" (p.1). But slightly more failure than success. Keskin *et al.* (2015) confirmed that most venture capitalists are more fascinated by the personality and experience than the product, market, and business strategy. Shane (2009) blames governments in both developed and developing countries for expecting start-ups to bring about economic growth and creating employment that bolsters the incentive culture. The majority of people founding new businesses are not entrepreneurs, but rather one thing in common is that they seek self-employment funded by public policy incentives (Shane, 2009). There are several programs run by governments with the sole intention of promoting entrepreneurship without evaluation and monitoring mechanisms.

In the Belgian Flanders community, it was commonly believed that repeated entrepreneurs are bankrupt and fraudulent (Bouckaert *et al.*, 2011). Thus, confirming that the majority of restarters are usually not capable of starting profitable businesses. As a result, The Belgian Banks are blacklisting entrepreneurs for failing to pay back loans. Whereas in Germany, it was estimated that only 3% of failed entrepreneurs restart their venture (Bouckaert *et al.*, 2011). Thus, the German uptake of entrepreneurship by failed entrepreneurs is reasonably low.

DISCUSSION

In the quest to validate the possibility of BAE within existing studies in serial and habitual entrepreneurs, we sought to provoke further discussion in this phenomenon. The latter is neglected in entrepreneurship research despite its core agent being an entrepreneur. The entrepreneur is charged with the responsibility of society and the government to create jobs and contribute to economic growth. The examination of competence of the serial and habitual entrepreneurs are assumed to be in place when they restart or start different ventures. For this reason, studies on failure and habitual or serial entrepreneurship do not consider another possible truth such as BAE, that might well be an area to start considering if better allocation of resources for entrepreneurship need to be made in both developed and developing nations. The key definitions, such as that of the habitual and serial entrepreneurs, are yet to be clarified in literature. Thus, providing a niche for further exploration of the BAE with a particular focus on either habitual or serial entrepreneurs studied over a longitudinal period.

The role of the government towards a public policy that is in favour of incentivizing entrepreneurs should be revisited. Although the government is concerned with job creation and economic growth, they should not turn a blind eye towards unsuccessful entrepreneurs that keep applying for incentives. Monitoring these entrepreneurs will enable the government to fund genuine and successful entrepreneurs since literature suggests that those with entrepreneurial skills are likely to succeed than new-entry and failed entrepreneurs. Whereas serial entrepreneurs are believed to have a slight chance of succeeding, Lafontaine and Shaw (2016) suggest that those few who succeed are likely to be the result of the funding they receive and nothing to do with their skill or luck.

Despite great awareness of entrepreneurship by many governmental agencies, there is an apparent influx of repeated failures. There are several opportunities provided by governmental agencies and universities that are aimed at promoting successful entrepreneurship. What these programs fail to acknowledge is to assess the contribution to entrepreneurship by some of the participants. In this study, we highlighted the need to differentiate novice entrepreneurs from habitual and serial entrepreneurs. In this way, incubation hubs, acceleration programs can be focused on novice entrepreneurs who have not failed in their entrepreneurship endeavour yet.

CONCLUSIONS

This paper discussed the possibility of BAE in serial and habitual entrepreneurs. By examining this phenomenon, we can distinguish addicted entrepreneurs from habitual and serial entrepreneurs. This enabled us to further explore this area, with a specific focus on either serial or habitual entrepreneurs' addiction to entrepreneurship. Following other researchers (cf. Lafontaine & Shaw, 2016; Rocha *et al.*, 2015; Sarasvathy *et al.*, 2013), we agree that the longitudinal data collection approach should be adopted over a period in studying the behavioural phenomenon. It would be of interest to explore if entrepreneurs really have competency from their previous activities and after that what makes them reenter entrepreneurship.

The addiction to entrepreneurship is thus a problematic feature of the rationale that entrepreneurs are the economic agents. Despite entrepreneurship awareness campaigns, funding opportunities and acceleration programs, the fundamental problem to entrepreneurship is repeated failure by habitual and serial entrepreneurs. Several governmental agencies are turning a blind eye to the idea of repeated entrepreneurs because they are driven by the success fallacy of entrepreneurship. It is important that BAE phenomenon is taken into account when reports on entrepreneurial activity and other government policies are written or revised.

This study, just like others, has limitations. The assumption we make is surrounding an entrepreneur, not the firm, which limits us to make assumptions about the individual, not the firm. We focus on the serial and habitual entrepreneurs, not the novice entrepreneur since the aim of the study is to display a behavioural addiction towards entrepreneurship, which is only found after repeated failure. The fact that articles were used instead of speaking to habitual entrepreneurs is also a limitation to this study, as the authors interpret the lack of reference to BAE in existing literature as a possible oversight of this construct and assumes that it might be a reason for restarting of ventures and that it can be dangerous not to acknowledge this phenomenon. This study made use of conceptual data to justify its arguments, thus limiting the findings to what is already known in the literature. The study introduced a novel concept for consideration when habitual or serial entrepreneurship is evaluated and literature search was the method.

REFERENCES

- Amaral, A. M., Baptista, R., & Lima, F. (2009). Becoming an ex-entrepreneur: firm performance and the sell-out or dissolution decision. In D. Smallbone., H. Landström., & D. Jones-Evans (Eds.), *Entrepreneurship and growth in local, regional and national economies: Frontiers in European entrepreneurship research*, (pp. 157-183). Edward Elgar.
- Amaral, A. M., Baptista, R., & Lima, F. (2011). Serial entrepreneurship: impact of human capital on time to re-entry. *Small Business Economics*, 37(1), 1-21.
- Block, J.J. (2008). Issues for DSM-V: Internet addiction. *American Journal of Psychiatry*, 165, 306-307.
- Bouckaert, A.-S., DeVreese, R., & Smolders, C. (2011). A view on second-chance entrepreneurship in Flanders (Belgium) (Summary). *Frontiers of Entrepreneurship Research*, 31(21), 1.
- Brandstätter, H. (2011). Personality aspects of entrepreneurship: A look at five meta-analyses. *Personality and Individual Differences*, 51(3), 222-230.

- Carruthers, T. J., Venter, M. W., & Botha, M. (2019). The relationship between entrepreneurial competencies and the recurring entrepreneurial intention and action of existing entrepreneurs. *The Southern African Journal of Entrepreneurship and Small Business Management*, 11(1), 1-15.
- Gartner, W. B. (1988). "Who is an entrepreneur?" is the wrong question. *American Journal of Small Business*, 12(4), 11-32.
- Gerpott, F. H., & Kieser, A. (2017). It's not charisma that makes extraordinarily successful entrepreneurs, but extraordinary success that makes entrepreneurs charismatic. *Managementforschung*, 27(1), 147-166.
- Gompers, P., Kovner, A., Lerner, J., & Scharfstein, D. (2006). *Skill vs. luck in entrepreneurship and venture capital: Evidence from serial entrepreneurs*. NBER Working Paper, No 12592.
- Gottschalk, S., Greene, F. J., & Müller, B. (2017). The impact of habitual entrepreneurial experience on new firm closure outcomes. *Small Business Economics*, 48(2), 303-321.
- Gunnarsson, K., Vingård, E., & Josephson, M. (2007). Self rated health and working conditions of small-scale enterprisers in Sweden. *Industrial Health*, 45(6), 775-780.
- Invernizzi, A. C., Menozzi, A., Passarani, D. A., Patton, D., & Viglia, G. (2017). Entrepreneurial overconfidence and its impact upon performance. *International Small Business Journal*, 35(6), 709-728.
- Jones, C., & Spicer, A. (2009). *Unmasking the entrepreneur*. Edward Elgar.
- Keskin, G., Gümüşsoy, S., & Aktekin, E. (2015). Entrepreneurship: Is it an addiction? *Procedia-Social and Behavioral Sciences*, 195, 1694-1697.
- Lafontaine, F., & Shaw, K. (2016). Serial entrepreneurship: Learning by doing? *Journal of Labor Economics*, 34(S2), S217-S254.
- Logan, J. E., Leeb, R. T., & Barker, L. E. (2009). Gender-specific mental and behavioral outcomes among physically abused high-risk seventh-grade youths. *Public Health Reports*, 124(2), 234-245.
- Louie, R. K. (2016). The psychiatry of entrepreneurship. *Academic Psychiatry*, 40(2), 386-388.
- McGrath, R. G. (1999). Falling forward: Real options reasoning and entrepreneurial failure. *Academy of Management Review*, 24(1), 13-30.
- Muriithi, S. M., Ndegwa, C., & Juma, J. (2018). Business Incubators: The Missing Link to Small Business Survival. *The International Journal of Humanities & Social Studies*, 6(10), 201-209.
- Pretorius, M., & Le Roux, I. (2011). Successive failure, repeat entrepreneurship and no learning: A case study. *SA Journal of Human Resource Management*, 9(1), 1-13.
- Rocha, V., Carneiro, A., & Varum, C. A. (2015). Serial entrepreneurship, learning by doing and self-selection. *International Journal of Industrial Organization*, 40, 91-106.
- Sarasvathy, S. D., Menon, A. R., & Kuechle, G. (2013). Failing firms and successful entrepreneurs: Serial entrepreneurship as a temporal portfolio. *Small Business Economics*, 40(2), 417-434.
- Schumpeter, J. A. (1950). *Can capitalism survive?*. HarperCollins Publishers.
- Shane, S. (2009). Why encouraging more people to become entrepreneurs is bad public policy. *Small Business Economics*, 33(2), 141-149.
- Spivack, A. J. (2020). Entrepreneurship Addiction and the Negative Mental Health Consequences of Entrepreneurial Engagement Among Some Entrepreneurs. In A. Örtenblad (Eds.), *Against Entrepreneurship* (pp. 217-232). Palgrave Macmillan.
- Spivack, A. J., McKelvie, A., & Haynie, J. M. (2014). Habitual entrepreneurs: Possible cases of entrepreneurship addiction? *Journal of Business Venturing*, 29(5), 651-667.
- Stephan, U. (2018). Entrepreneurs' mental health and well-being: A review and research agenda. *Academy of Management Perspectives*, 32(3), 290-322.
- Thomas, N. A., Lomborg, C., & Alkærsig, L. (2020). Founders" Just Want to Have Fun": Substance Abuse and Entrepreneurship Addiction. Paper presented at RENT 2020.
- Tipu, S. A. A. (2020). Entrepreneurial reentry after failure: a review and future research agenda. *Journal of Strategy and Management*, 13(2), 198-220.
- Ucbasaran, D., Westhead, P., Wright, M., & Flores, M. (2010). The nature of entrepreneurial experience, business failure and comparative optimism. *Journal of Business Venturing*, 25(6), 541-555.
- Ucbasaran, D., Wright, M., & Westhead, P. (2003). A longitudinal study of habitual entrepreneurs: starters and acquirers. *Entrepreneurship & Regional Development*, 15(3), 207-228.

- Weiner, B. (1985). An attributional theory of achievement motivation and emotion. *Psychological Review*, 92(4), 549-573.
- Westhead, P., Ucbasaran, D., & Wright, M. (2005). Decisions, actions, and performance: do novice, serial, and portfolio entrepreneurs differ? *Journal of Small Business Management*, 43(4), 393-417.
- Westhead, P., Ucbasaran, D., Wright, M., & Binks, M. (2005). Novice, serial and portfolio entrepreneur behaviour and contributions. *Small Business Economics*, 25(2), 109-132.
- Wright, M., Robbie, K., & Ennew, C. (1997). Venture capitalists and serial entrepreneurs. *Journal of Business Venturing*, 12(3), 227-249.
- Wright, M., & Westhead, P. (2016). *The Habitual Entrepreneur*. Routledge.

Authors

The contribution share of authors is equal and amounted to $\frac{1}{3}$ for each of them.

Ndivhuho Tshikovhi

Postdoctoral fellow at the Durban University of Technology, South Africa. He holds a doctorate in social and political sciences. His research interests includes entrepreneurship, public policy and behavioural addiction to entrepreneurship.

Correspondence to: Dr Ndivhuho Tshikovhi, Durban University of Technology, 41 – 43 ML Sultan Road, Durban 4001, South Africa. Email NdivhuhoT@dut.ac.za

ORCID  <http://orcid.org/0000-0002-3647-9223>

Farai Dziike

Social innovation lab coordinator at the Durban University of Technology. He holds a PhD in Materials Chemistry. His research interests includes nanomaterial science., electrochemistry and catalyst synthesis.

Correspondence to: Dr Farai Dziike, Research and Postgraduate Support, Steve Biko Campus, Durban University of Technology, Durban 4000, South Africa. Email FaraiD1@dut.ac.za

ORCID  <http://orcid.org/0000-0002-3030-6268>

Sibusiso Moyo

Deputy vice-chancellor: research, innovation and engagement at the Durban University of Technology. She holds a PhD in Mathematics. Her research interests includes mathematics, entrepreneurship and higher institutions of learning.

Correspondence to: Prof Sibusiso Moyo, Office of the DVC Research, Innovation and Engagement & Institute for Systems Science, Milena Court, Steve Biko Campus, Durban University of Technology Durban 4000, South Africa. Email dvcrie@dut.ac.za

ORCID  <http://orcid.org/0000-0001-5613-7290>

Acknowledgements and Financial Disclosure

The authors would like to thank the anonymous referees for their useful comments, which allowed to increase the value of this article.

Conflict of Interest

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

Copyright and License



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License
<http://creativecommons.org/licenses/by-nd/4.0/>

Conditions and challenges for Polish-Chinese trade cooperation in high-tech goods

Celestyna Miłoś

ABSTRACT

Objective: The objective of this article is to discuss the contemporary conditions for Polish-Chinese cooperation in the area of trade in high-tech goods and to identify barriers to the development of cooperation between the two countries in order to achieve tangible economic benefits.

Research Design & Methods: This study is based on two research methods, which made it possible to obtain and analyse qualitative and quantitative data. The methods used included desk research of existing data and research in the form of individual in-depth interviews (IDIs). The desk research was carried out on the basis of data on the conditions for trade exchange, while the IDI survey was conducted on the basis of scenarios developed for this purpose, which were the basis for interviews with representatives of government.

Findings: The article presents research results on trade in high-tech goods with conclusions on the way forward. The result of the conducted research is the identification of the potential for the development of economic and political cooperation between Poland and China, which lies in the possibility of increasing trade in high-tech goods. This can be realised by increasing the involvement of Polish enterprises, especially start-ups, in export activities.

Implications & Recommendations: Poland and China have great potential for closer economic cooperation, which can bring economic benefits to each country.

Contribution & Value Added: The article compares quantitative data with qualitative data, which were obtained through in-depth interviews conducted with representatives of government administration.

Article type: research article

Keywords: Poland; China; trade; international cooperation; high-tech

JEL codes: F02

Received: 4 June 2021

Revised: 13 August 2021

Accepted: 24 August 2021

Suggested citation:

Miłoś, C. (2021). Conditions and challenges for Polish-Chinese trade cooperation in high-tech goods. *International Entrepreneurship Review*, 7(3), 47-60. <https://doi.org/10.15678/IER.2021.0703.04>

INTRODUCTION

China is now the world's largest economy, both in terms of GDP at \$14,722 billion and population at 1.4 billion (World Bank, 2021a). As recently as the 20th century, China was considered a producer of low-quality, low-cost goods, but today it is striving to become a leader in highly advanced technologies. These changes are occurring very rapidly in the Chinese economy and are characterised by the government's structured and consistently implemented actions, as exemplified by the assumptions of the current 14th Five-Year Plan and the strategic programmes "Made in China 2025" and "China Standards 2035". As society's demand for medium- and high-tech goods is growing, a leading position in the field of manufacturing these goods is important for the Chinese economy's presence among global leaders. Poland is a country that, like China, has undergone important economic and political transformations in recent decades. Despite its smaller market of 37.97 million in terms of population (World Bank, 2021b), it is an important part of the European market due to its location.

Taking into account the rapid economic development of China in terms of medium- and high-technology goods industries and the expansion of the international cooperation network in terms of trade

exchange, this article examines the prospects for Polish-Chinese cooperation and the barriers in trade. These aspects depend on historical factors relating to the countries' cooperation and technical aspects of trade such as tariff and non-tariff barriers. The topic has not been thoroughly researched from this angle so far, which is due to little political involvement in the Polish-Chinese relations, which are largely shaped by the European Union's external policy. Because of the need to build the EU's relations with two conflicting economic powers, which include the United States and China, these relations are not obvious. In practice, the EU trades extensively with China, but in terms of political relations the EU is more conservative. In view of the initially identified positive aspects of Polish-Chinese cooperation, this article aims to explore the directions of cooperation based on barriers. To this end, the research questions have been developed, which directly derive from the aim of the research article:

- RQ1:** To what extent is Polish-Chinese trade cooperation in the production of high-tech goods developed?
- RQ2:** What are the biggest barriers hindering the development of Polish-Chinese trade cooperation?
- RQ3:** Which industries are the most promising for Polish-Chinese trade cooperation development?

The study was based on statistical data on trade exchange. The study was also based on an individual in-depth interviews (IDIs) conducted with representatives of the public administration responsible for the development of Polish-Chinese relations.

The article is organised according to a structure containing in turn a review of the literature on the formation of Polish-Chinese economic relations, followed by a detailed presentation of the research methodology and conclusions.

LITERATURE REVIEW

Evolution of trade theory

The concept of trade in theoretical terms is under constant development. This is due to the evolution of the world economy, which is constantly evolving in terms of organisation and technology, affecting changes in the way trade is conducted. This aspect is also dependent on the coexistence of different trade theories, theorems and paradoxes described so far, which are confronted and developed with each other. This allows the development of contemporary theories that are a better representation of trade theory than the classical theories. The direction of change in contemporary theories can be described as an effort to create a model that is as up-to-date as possible and that broadly encompasses the complexity of factors affecting international trade. It is worth noting that these factors also include new phenomena in the economy, such as increasing globalisation leading to the removal of trade barriers and lowering transport costs, global crises, or increased mobility of capital, goods and people (Kundera, 2018, pp. 18-20).

At present, theories, theorems and paradoxes are grouped in the literature according to the division into pre-classical, classical, neoclassical and modern theories, of which the first three are combined as traditional theories (Świerkocki, 2004a, p. 18) or standard theories and new theories of international trade (Wach, 2018, p. 64). The genesis of the process of developing theories on trade exchange took place during the Renaissance. Initially, they were primitive in nature and based on basic observations of economies. The psychosis of fear of shortage of goods is considered to be the first theory (Olesiuk & Vashchenko, 2001, p. 141). Important in the process of development of economical thought in the field of international trade were the assumptions of mercantilism and physiocracy, which made it possible to capture the factors and directions of foreign trade. The classical theories, which include the absolute cost advantage theory of Smith, the theory of comparative advantage of Ricardo, Torrens and Mill, the real cost theory of Viner and the opportunity cost theory of Haberler, have had the greatest influence on the evolution of international trade theory. However, they are distinguished by major limitations imposed by the assumptions made. These include the use of only two countries in the models, the limitation of the number of products to two, the assumption

of a complete absence of trade barriers, a balanced trade balance and factor restrictions. These assumptions result in models that to a small extent reflect conditions actually prevailing in the world economy. Neoclassical theories were enriched by the addition of further variables, which at the same time resulted in a more accurate representation of the real situation in economies by including in the model the difference between the cost of labour and the cost of capital required to produce a given good. The first neoclassical theory was the resource abundance theory, which accounted for the expansion of foreign trade motivated by the use of a more abundant factor of production. The later equilibrium theory of factor prices allows us to understand the process of equalization of prices in countries trading with each other. It occurs through a process of decrease in the price of a good in the country where the product was more expensive and a simultaneous increase in the price of the good in the country where the product was cheaper. This simultaneously leads to a change and equalisation of factor prices (Świerkocki, 2004b, p. 23). Contemporary trade theories include the technology gap theory of Posner, which makes trade dependent on the different technological level of countries (Posner, 1961, p. 332), the product life cycle theory of Vernon, which states that there are different stages of market presence of a product in terms of popularity and price, the theory of economies of scale of Krugman, which states that unit costs are decreasing with increasing production, and the theory of intra-industry trade of Balassa showing trade within the same groups of goods. In the group of contemporary theories there is also Linder's hypothesis stating that exports are conditioned by production defined by domestic demand (Borkakoti, 1998, p. 366).

In the context of trade in technological goods, contemporary theories play an important role: Linder and Helpman. Linder's theory plays a very important role in the context of technology-related products. This is because Linder stated that countries with similar demand will create similar industries. Helpman, on the other hand, showed that a larger share of trade between countries results in smaller differences in society's income (Panda, Sethi & Chaudhuri, 2016, pp. 2-3).

Institutional conditions of international cooperation

After the end of the Second World War, it was necessary to develop a new legal framework shaping international cooperation. To this end, states started talks on establishing a new order, including in the aspect of international trade. During the talks between representatives of the states, including at the Bretton Woods Conference, attention was drawn to the need to create an international institution responsible for developing trade. After two years of negotiations, 23 countries concluded the General Agreement on Tariffs and Trade (GATT) on 30 October 1947. Initially, the agreement adopted was intended to be temporary, and the International Trade Organisation was to be set up as a result. Work on its creation lasted from 1945, when the USA initiated the first talks with the allies, until 1948, when the so-called Havana Charter was drafted, establishing a new organisation in the field of trade and the International Clearing Union, but due to repeated rejection of the treaty by the American Congress, the idea of opening an organisation was abandoned (Bossche, 2005, pp. 80-81). The failure to establish an international organisation meant that the only aspect that cemented international trade was the GATT. Therefore, it was decided to transform the agreement from a temporary solution to a permanent one. The change in the nature of the GATT resulted in the need to reorganise the operation of the agreement. Hence, the so-called Rounds were introduced, during which further improvements in international trade regulations were agreed. These rounds had a specific trade theme, which was negotiated by the members of the agreement within the framework of the round. The main focus was on the liberalisation of trade through tariff reductions and the elimination of trade barriers. As part of the Uruguay Round, the World Trade Organisation (WTO) was established in 1995, replacing the GATT. During the eight rounds conducted so far, the average level of tariffs, taking into account the changes introduced by each negotiating round, was reduced from 40% in 1947 to 6.6% in 1994. (WTO 2007, pp. 207-220). The WTO has established rules in international trade that govern aspects of trade, including trade in high-tech goods. These include The Information Technology Agreement (ITA), which abolished tariffs on selected IT and ICT goods allowing greater accessibility to high-tech goods (Portugal-Perez, Reyes & Wilson, 2006, p.4). As part of its efforts to standardise trade in high-tech goods, the WTO has also adopted the Agreement on

Trade-Related Aspects of Intellectual Property Rights (TRIPS), which makes the protection of intellectual property rights among its members as uniform as possible (Rasiah, 2002, p.9).

In addition to the WTO, which has had the most significant and global impact on international trade, many other organisations and regional integration groupings dealing with trade-related economic cooperation have been established since World War II. The most important institutions established after World War II include: (i) Council for Mutual Economic Assistance (COMECOM), whose main objective was to support the economic and scientific-technological development of the Eastern Bloc countries; (ii) Organisation for Economic Cooperation and Development (OECD), whose main objective is to promote economic development, liberalise capital flows and support the economic expansion of countries; and (iii) the Commonwealth of Independent States (CIS), which aims to maintain cooperation between the former Soviet Union countries; (iiii) European Coal and Steel Community/European Economic Community, which economically united the countries of Europe (Łoś-Nowak, 2009, pp.380-384). The formation of integration groupings, the number of which started to increase significantly in the 1990s, causes disputes among members of international organisations, regional trade agreements (RTAs) and experts. The impact of regional cooperation on the process of globalization and enhancing cooperation among all countries is a debatable issue, as privileged treatment of countries within a regional arrangement simultaneously results in discrimination against third countries. However, the WTO has recognised that the impact of regional cooperation is not unequivocally negative towards the multilateral system and the liberalisation of world trade and, especially in the initial phase, has been supportive of the globalisation process. This is due to the actions taken by the RTA, related to the general reduction of tariffs and multilateral market opening reducing discrimination (WTO 2007, pp. 207-220). The major RTAs established after World War II include Association of Southeast Asian Nations (ASEAN), European Free Trade Association (EFTA), Asia-Pacific Economic Cooperation Forum (APEC), Southern Common Market (Mercosur), Central European Free Trade Association (CEFTA), European Union (EU), United States-Mexico-Canada Agreement (USMCA), African Union (Białowas, 2006, p. 60).

Economic and political conditions of Polish-Chinese cooperation

Polish-Chinese cooperation in the political, economic and scientific spheres has been ongoing since the mid-20th century. The beginning of contemporary relations dates back to the 1990s, which is associated with the building of international cooperation after the political changes in Poland and the growing importance of China on the international arena.

“China became the most significant partner in intra- and inter-regional domestic value added trade in intermediate products. Its role has grown not only in Asia, but it can be said that it is becoming a world supply hub.” (Nacewska-Twardowska, 2020, p.75)

Since 1990 representatives of the Polish government have taken steps to build and intensify cooperation between the countries. Initially, these were diplomatic activities consisting of visits by representatives, which resulted in the conclusion of intergovernmental agreements on cooperation with parallel maintenance of cooperation at the level of ministries or independent organisations dealing with culture and scientific development (Stec, 2013, pp. 76-78). The most important acts consolidating cooperation at the state level include an agreement on financial cooperation concluded in 2000 and a bilateral agreement on economic cooperation concluded in 2004, which indicated closer cooperation in sectors such as industry and mining, science and technology, energy, communications and transport. Cooperation in the field of product certification and standardisation or the development of consulting, legal and banking services have been identified as tools leading to the development of cooperation (Hołdak & Konarzewska, 2007, pp. 282, 285). During the second decade of the 21st century, cooperation intensified, as evidenced by the establishment of the Polish-Chinese Strategic Partnership in 2011 and the subsequent upgrading of relations to the level of the All-Party Strategic Partnership in 2016. This allowed the establishment of cooperation including regular intergovernmental committee meetings and the organisation of visits by top-level representatives (Szcudlik-Tatar, 2015, p.1).

Institutions, both governmental and non-governmental, are primarily influential in shaping the relationship. The most important government administration entities include the Embassy of Poland in

China, the Consulate General of Poland in Hong Kong, the Consulate General of Poland in Guangzhou, the Consulate General of Poland in Shanghai, the Embassy of the People's Republic of China in Poland, the Consulate General of the People's Republic of China in Gdansk. Non-governmental institutions include chambers of commerce, chambers of commerce and industry, and business councils, which bring together representatives of enterprises and are active both in building political relations and creating a friendly business environment.

The ongoing talks on cooperation between the countries are related to China's strategic plans for economic development. One of the leading initiatives is the Belt and Road Initiative (BRI) (formerly the One Belt One Road, OBOR), which involves the expansion and creation of new road, rail and sea links across Eurasia. Together, these will provide transport links to 71 countries, which are home to 60% of the world's population. The idea is that this will allow further development and acceleration of freight transport, strengthening the competitiveness of Chinese goods. Cooperation on the project largely concerns Poland, which is to be one of the destination points for the new rail link running through Kazakhstan, Russia, Belarus, Poland and Germany, with the main rail hub to be the one in Łódź (Brona, 2018, pp. 58-59).

The most significant in terms of trade in high-tech goods is the Made in China 2025 programme, established in 2015. In addition to identifying general strategic tasks, such as improving manufacturing innovation, expanding the industrial base, restructuring the manufacturing sector or internationalising production, the Plan also sets specific objectives. These are plans to achieve the following economic results in 2025 (Gacek, 2018, p.11):

- increase the proportion of Chinese components in final products by 30 p.p., to 70%,
- to increase production of telecommunications equipment by 5 p.p. to 80% domestic market share and by 5pp to 40% global market share,
- to increase production of mobile devices by 5 p.p., to 80% domestic market share and by 20 p.p., to 45% global market share,
- to increase production of integrated circuits by 5 p.p. to 40% domestic market share and by 5 p.p. to 20% global market share,
- to increase production related to the Internet of Things - IoT by 20 p.p., to 60% of the global market share,
- to increase production related to robotics by 20 p.p., to a 70% share of the global market,
- increase production related to electric vehicles by 15 p.p. to 20% of global market share.

Of the goals mentioned above, the most important is the aspect of semiconductor manufacturing, used in the production of electronics. This priority is supported by advances in the technology of chips necessary for information processing, which in turn become the basis of all modern intelligent systems (VerWey, 2019, p. 13).

The latest developments on the Poland-China line also concern the Comprehensive Agreement on Investment between the European Union and China, which is intended to redress the growing asymmetry in foreign investment, consisting of broad access to the EU market while discriminating against European countries in the Chinese market (Amal, 2021, p. 2). This agreement was concluded in 2020, but due to incidents regarding the imposition of mutual sanctions on diplomatic representatives, it was frozen. This resulted in a deterioration of relations and a temporary halt to talks between representatives of the countries.

Challenges for economic cooperation between Poland and China

Looking at the geopolitical determinants of economic cooperation, it is important to note the growing importance of Poland in the international arena and especially in the European Union, which, despite its location in the center of the continent and its title as a leader in the Eastern European region, was not obvious (Wnedt, 1997, p. 61). Poland being a country located in central Europe is of great economic importance due to its strategic location in terms of transport. At the same time, the country is the external border of the European Union, bordering Ukraine and Belarus, which are not members of the community and are also former Eastern Bloc countries. Poland's foreign policy is characterised by

strong relations built with the United States, mainly through cooperation within NATO. In addition, despite a number of blockages, Poland is also strengthening cooperation with members of the European Union, with the greatest importance being placed on strengthening cooperation with Central and Eastern European countries, particularly within the Visegrad Group (Lach, 2014, pp.17-19). Strong cooperation with the countries of Central and Eastern Europe is also a way to strengthen cooperation with China through the '16+1' initiative.

“One of such innovative approaches to regional cooperation, established in 2012, is the '16+1'; the initiative that serves China's vision to increase its political influence in the world and on CEECs by promoting China-European Union (EU) relations. The '16+1' initiative is regarded by Chinese as 'one of the most important achievements of China'" (Jaklič & Svetličič, 2019, p. 84)

Determinants of cooperation with China are large extent conflict of interest regarding the alliance with the United States, as a result of the dispute between the two countries initiated by the suspicion of espionage by Huawei. The tense relations between the two superpowers mean that Poland's foreign cooperation has to take a course in the development of diplomatic relations, the effects of which may affect long-term cooperation for years to come. On the one hand, the country has normalised relations with the US and its allies, while on the other, it has the opportunity to build relations with the rapidly developing Middle Kingdom, which is becoming known as a global leader in technology and innovation.

Based on the literature review, a hypothesis was formulated as follows:

H1: There is a potential in Polish-Chinese cooperation in trade in high-tech goods, which is insufficiently exploited due to existing barriers.

In order to confirm or reject the hypothesis, the research procedure was adopted and the following research questions were constructed (RQ1, RQ2, RQ3 in the introduction). These questions will serve to determine the directions for the development of the countries' economic cooperation.

RESEARCH METHODOLOGY

Research approach

Both quantitative and quantitative methods were used to carry out the analysis in order to provide reliable answers to the research questions. Both methods were used due to easier comparison of quantitative data, which are presented in a numerical form. It also allows trends to be identified and values to be forecast. The disadvantage of quantitative data is that it is not possible to capture all aspects. For this reason, the study also included qualitative data to allow an in-depth study of the situation. The choice of the two research methods required the research to be carried out on the basis of a plan covering successively:

- for quantitative data:
 - review of available data sources,
 - structuring of data,
 - development of databases for research purposes,
 - development of graphs and tables,
 - data analysis,
- for qualitative data:
 - development of research tools,
 - conducting data collection procedure,
 - arranging the data obtained,
 - data analysis.

Following the above procedures of the applied research approach, a comprehensive analysis of the quantitative and qualitative data was carried out, which allowed the study results to be compiled and conclusions to be drawn.

Data

The study used reliable quantitative data from databases containing information on trade and the economic situation of individual countries, so the mix of methodologies was applied.

In the part based on quantitative data, the following statistics were selected for the study: data on the value of exports between the countries, the percentage value of Polish exports to China and Chinese exports to Poland, the value of Polish exports to China and Chinese exports to Poland in 2010 and 2020 by product groups classified as high-tech goods, the value of trade deficit and trade surplus in the exchange of goods between Poland and China, the average percentage value of tariffs of China and Poland. The above-mentioned data were obtained from the databases of the World Trade Organisation, the World Bank, the United Nations, the Analysis and Decision Support System of Statistics Poland (GUS) and The Observatory of Economic Complexity. To maintain comparability of data, they have been reduced to the same units of measurement, and the period of data analysis has been taken as data from 2010.

The research part using qualitative data was obtained directly for the analysis by interviewing government officials responsible for shaping Polish-Chinese economic relations.

Research methods

The study used desk-research methods and descriptive statistics to analyse the data to develop conclusions. For this purpose, tools in the form of platforms constituting interactive databases and excel sheets with data developed for the study were used.

The second research method used is individual in-depth interview (IDI). The interviews for this study were conducted by the author of the study, having the necessary knowledge of the subject matter of the interview, the expertise of the respondents and the ethical principles of interviewing. The interviews were conducted between April and May 2021, in the form of video conversations lasting approximately 60 minutes conducted with the help of distance communication tools. In accordance with the standard for IDIs, the interviews were conducted on the basis of a scenario developed using a list of information sought in the context of the research topic. The script developed as a research tool is presented in Table 1.

Table 1. Script for an individual in-depth interview with government officials involved in cooperation with China

Thematic scope	Specific questions
Respondent's Characteristics	Which government authority is represented by the Respondent? To what extent is the organisation involved in Polish-Chinese political and commercial relations?
China-Poland relations in terms of trade	How has China's policy towards Polish-Chinese trade changed over the past years from Poland's point of view, and are these changes rather positive or negative? - If positive, then: ○ why? ○ does the positive nature of the changes apply to all stakeholders? - If negative, then: ○ why? ○ are the changes negative for all stakeholders? What are the biggest barriers to Polish-Chinese trade from Poland's point of view? - If they are: ○ which ones? ○ which ones seem to be insurmountable? ○ how have they changed in recent years? - If none: ○ - Which aspects of trade cooperation with China, positive or negative, prevail? - If positive, then: ○ which is the most important? - If negative, then: ○ what is the most important? ○ how to fight them?

Source: own compilation.

The selection of experts taking part in the interviews was made so as to enable verification of the quantitative research carried out and to make objective and reliable forecasts for the future. Interviews were conducted with representatives of government administration dealing with co-operation between Poland and China. The respondents were:

- Aleksander Dańda – the Consul General of the Republic of Poland in Hong Kong.
- Karol Pęczak – the Vice Consul / Head of the Economic Affairs, Communication and Public Diplomacy Department of the Consulate General of the Republic of Poland in Guangzhou.

The purpose of interviewing separate groups was to find out two different perspectives on conditions such as trade barriers to mutual cooperation, support programmes or the involvement of entities in foreign activities.

RESULTS AND DISCUSSION

Desk-research

The contemporary world economy is largely defined by the increasing number of links between countries. Above all, this phenomenon relates to the liberalisation of the movement of people, capital and goods, which can be examined through data on the volume and direction of trade.

Considering the trade exchange between Poland and China, the intensity and structure of trade exchange between the countries should be taken into account. The change in nominal value of Polish export to China and Chinese export to Poland is presented in Figure 1. Data presented in Figure 1 shows the growth dynamics of trade exchange between Poland and China. In value terms the nominal growth of China's export to Poland is in indicated period much higher than the growth of export of goods from Poland. In percentage terms, the value growth amounts to 154% in case of Polish export to China and 222% in case of Chinese export to Poland.

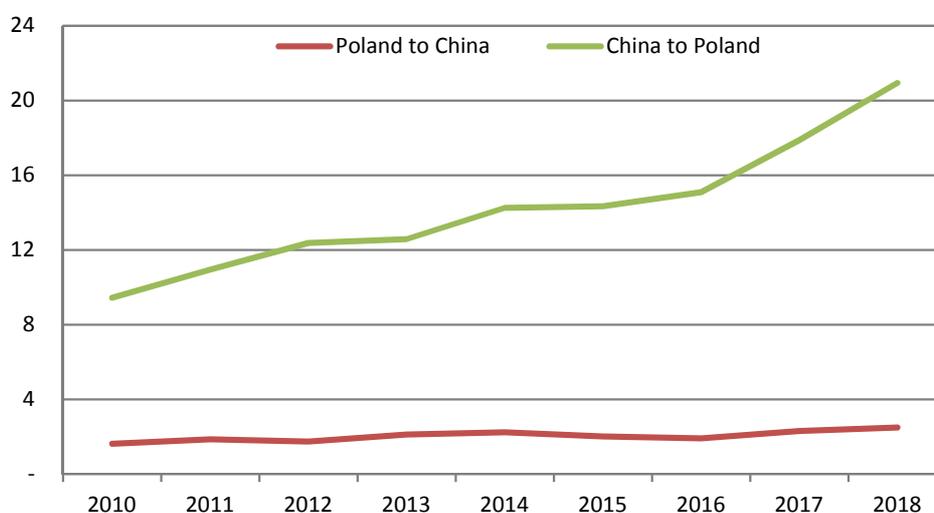


Figure 1. Nominal value of Polish exports to China and Chinese exports to Poland of goods and services in 2010-2018 (billions of USD)

Source: own elaboration based on World Integrated Trade Solution (2021).

Nominal value of trade exchange between Poland and China shows high imbalance, which is reflected in the trade balance. Its value is negative for Poland and positive for China, which is equivalent to a surplus of imports from China over exports. The data presented in Figure 2 shows Poland's growing trade deficit with China, which amounted to USD 18.442 billion in 2018 and shows a further upward trend. This relation proves the outflow of capital from Poland and negatively influences the country's balance of payments.

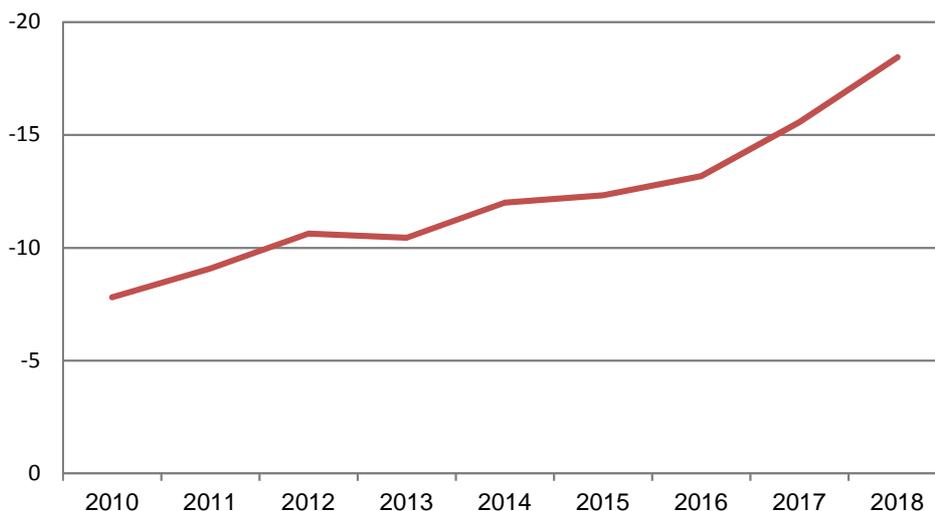


Figure 2. Poland's trade deficit with China in goods and services in 2010-2018 (billions of USD)

Source: own elaboration based on GUS (2021).

While examining the mutual trade of the analyzed economies, the percentage share of a country in the export structure should also be taken into account. For this purpose, Figure 3 presents data on the percentage value of export from Poland to China and from China to Poland. This value refers to the total value of export of a given country and allows to illustrate the importance of mutual trade. The data presented in Figure 3 at the end of the period amount to 1.1% share in the exports of both Poland and China. The analysis of aggregated data shows a systematic increase of Poland's share in China's export structure and in case of China's share in Poland's export the values remain at an almost similar level. This means that mutual trade is for China, however it should be noted that for both countries the share of trading partner is relatively small. For example, in the case of China's export structure, the United States is in first place, to which 19.30% of goods were exported in 2019, and Poland with a value of 1.1% is in 25th place. In the case of Poland's export structure, which is much less diversified, the main partner is Germany to which 28.15% of goods were exported and China with a value of 1.1% is in 29th position.

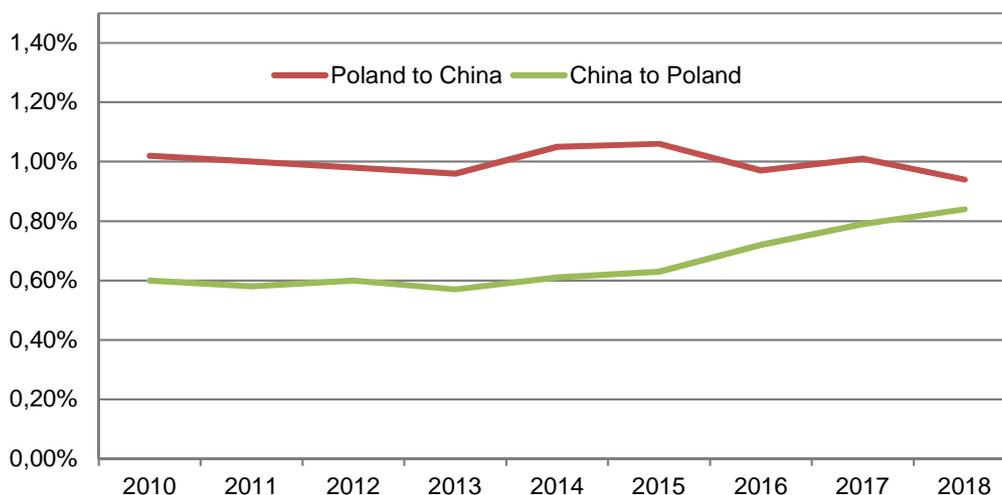


Figure 3. Percentage share of Polish export to China and Chinese export Poland in goods and services to in 2010-2018

Source: own elaboration based on World Integrated Trade Solution (2021).

Changes in trade values concerning high-tech goods were analysed on the basis of several product groups categorised according to the Harmonised System commodity classification developed by the World Customs Organization. The comparison of values is presented in Table 2. The Table shows that in case of export of goods from China as many as six product groups have recorded an increase in trade exchange. The highest growth in percentage terms concerns group no. 88, while in value terms - group no. 85. Value of export of goods from Poland to China is much smaller in value terms, and positive change of value was recorded in five product groups. The highest increase in percentage terms concerns group no. 89, and in value terms - group no. 84. Also, in case of trade exchange of high-tech goods distinguished in Table 2, we can observe that percentage change of total export value shows higher increase in case of Polish export to China in the analysed years. Comparing the value of export of other European countries to the value of export of Poland it should be noted that countries such as France, Germany or Great Britain in 2020 exported to China in each of the mentioned product groups goods worth much more than Poland. It should also be noted that the share of the above-mentioned product groups in the total value of trade recorded an increase during the studied period. It amounted on average to 22.8% in case of export of goods from China to Poland and 7.7% of Poland to China.

Table 2. Value of Polish export to China and Chinese export to Poland in 2010 and 2020 by product groups belonging to high-tech goods (in millions of USD)

Product group by HS code	China to Poland			Poland to China		
	2010	2020	change	2010	2020	change
84 - nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	2374.4	4606.9	94%	211.6	753.6	256%
85 - electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	2449.4	7505.2	206%	140.2	365.5	161%
86 - railway or tramway locomotives, rolling stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; communication-signalling equipment of all kinds	4.2	29.4	606%	2.7	8.7	227%
87 - non-rail vehicles and their parts and accessories	392.2	866.9	121%	59.9	116.6	95%
88 - aircraft, spacecraft and parts thereof	0.21	31.9	15 133%	50.4	1.9	-96%
89 - ships, boats and floating structures	226.3	7.3	-97%	1.0	6.2	517%
90 - optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	1195.5	1976.0	65%	29.2	10.0	-66%
SUMMARY	6642.23	15023.8	126%	494.96	1262.60	155%

Source: own elaboration based on: United Nations Comtrade (2021).

In terms of trade, tariff and non-tariff barriers are also very important. Considering the tightening cooperation between countries, they should be mutually reduced. Changes in the average level of tariffs on goods imported into the country are presented in Figure 4. China has pursued a trade-friendly tariff policy since the early 2000s. In 2000, the average tariff rate was 14.67%, with the largest reduction occurring by 2004. In Figure 4, it can be seen that the Chinese tariff rate has been systematically reduced from 4.65% to the 3,39%. In the case of Poland, where the level of rates has been low since the beginning of the analysed period, the value oscillated between 2.00% and 1.31% throughout the period and at the end of the analysed period it amounted to 1.69%. Taking into account the difference in average duty rates between the countries, it should be noted that the rates on import in China are higher than in Poland, which indicates a higher level of market protection and higher costs related to export from Poland to China.

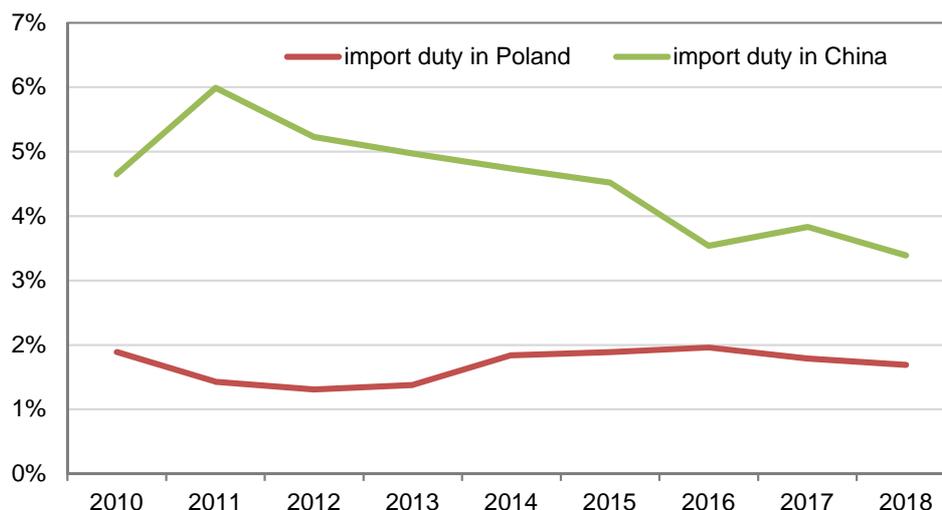


Figure 4. Average percentage rate customs duties on imports of goods by China and Poland in 2010-2018

Source: own elaboration based on The World Bank (2021c).

IDI Research

Interviews conducted with representatives of the government administration provided information on the current situation in the field of Polish-Chinese trade policy. In their assessment of the changes in relations between the countries, respondents qualified the changes as rather positive, although the relations are not shaped with much enthusiasm and commitment. Their character depends primarily on the time perspective in which it is assessed and the parties. In the short term, an increase in trade intensity may have positive overtones due to possibly extensive cooperation also in terms of technological development. In the long term, however, it is worth noting that China as a strong player on the international market may lead economies to depend on its products and then use the position it has gained.

The assessment of barriers to the trade process has been done in a very broad way. First of all, the attention was directed at the low involvement of entrepreneurs in the process of expansion on the Chinese market. This is due to both the geographical and cultural distance that separates the two countries. Polish entrepreneurs also more often decide on a simple alternative in the form of European markets, which are not so demanding in terms of involvement or knowledge of the rules of international trade. However, in the conducted interviews it was indicated that the companies often give up on the Far East markets without taking into account the benefits they can derive from these markets. Due to the number of consumers on the Chinese market and a growing and capital-rich economy, engagement in the Chinese market can bring benefits comparable to expansion in several European markets. This barrier, however, is assessed as surmountable, due to the great support of institutions such as the Polish Agency for Enterprise Development (PARP) or the Polish Investment and Trade Agency (PAIH), which more and more often include export development programmes on the Chinese market in their activities. The lack of recognition of Polish brands was also mentioned as a barrier. This concerns both rapidly developing start-ups and traditional companies, e.g. from the food industry. This barrier is more difficult to overcome due to the need to commit large capital to compete with Chinese market players in terms of promotion. However, Polish companies often do not have sufficient capital or are not willing to spend it in the form of uncertain investments. The barriers mentioned above are of a permanent nature and have persisted for several years.

In assessing aspects of trade cooperation, both respondents indicated that positive aspects predominate. Such issues as the possibility to diversify Polish exports, building a position in the international supply chain or the development of knowledge in the field of high-tech technologies were equally presented. The most important aspect is participation in the group of global leaders who create cooperation

between countries at the international level. This aspect is particularly important in view of rapidly advancing globalisation, which marginalises countries not involved in trade and politics. Table 3 presents the results of the survey, which show the barriers and challenges to building further trade relations.

Table 3. List of barriers and challenges to trade identified during the in-depth interview research

Barriers	Challenges
Large cultural differences between markets	Long-term dependence of Polish economy on trade with China
Need for large financial commitment in the process of building business cooperation	Low attractiveness of Chinese market for Polish entrepreneurs in relation to European markets
	Dependence of Polish policy on European Union
	Uncertainty of relations between China, USA and EU

Source: own elaboration based on the interviews.

CONCLUSIONS

The aim of the study was to review the current situation in the field of Polish-Chinese cooperation and to determine the prospects for this development together with its profitability in terms of achievable benefits. The study was carried out based on desk-research analysis of the found data and conducted in-depth interviews with the representatives of the government administration. Based on data on trade between countries over the last ten years, it should be indicated that trade between countries is intensifying. This is indicated both by the nominal value of exports and by the changes in trade arrangements. In addition to the figures, the upward trend is also supported by expert opinion, which points to a wide range of possibilities for closer cooperation in areas other than just trade. In terms of prospects, it should be shown that due to the COVID-19 pandemic, trends have been altered, but since the beginning of the epidemic many of the indicators have returned to their former levels and trend. In this regard, it should be noted that the directions of Polish-Chinese cooperation are directed towards further development of relations and exchanges. The possible directions of development, however, depend on political actions, which have not been characterized by great involvement so far, and on the business world, which is the basis for creating trade cooperation.

The research makes it possible to determine the degree of development of trade cooperation in high-tech goods at a level that differs from other countries, such as Europe. This proves that the potential of the Chinese market is still untapped. This is largely due to barriers, which should be defined as the lack of sufficient involvement of entrepreneurs in activities related to expansion, which results from the distant location and cultural differences of the market. Another important barrier is also the lack of brand recognition, understood both as individual product brands and brands understood as general good opinions about industries such as e.g. gaming or groceries. In terms of the greatest potential for growth, we can distinguish industries related to new technologies, which are part of the programmes implemented by the Chinese government such as China Standards 2035 or Made in China 2025. These industries include Automotive, especially focusing on the production of electric cars; IT and ICT, all industries related to renewable energy. The above results are in line with the literature, which on the development of cooperation concerning high-tech goods is assessed as perspective.

Conclusions of the study indicate that there is a large and untapped potential for Polish-Chinese cooperation. Its development, which requires involvement from both the political and business sides, may have a positive impact on economic and social development.

In order to examine the aspect of Polish-Chinese cooperation in more detail, the following areas of research have been determined:

- Narrowing the object of research to political cooperation in terms of trade – due to the large role of political determinants, this aspect will enable a thorough analysis of the development directions in this respect.

- Narrowing the focus of the research to cooperation of business entities – taking into consideration diverse factors influencing international expansion, it is necessary to analyze which factors constitute the greatest barriers for entrepreneurs to carry out cooperation with the Chinese market.

REFERENCES

- Amal, M. (2021). *EU-China Comprehensive Agreement on Investment (CAI): Looking through the European Union's perspective*. Airlangga: Airlangga University.
- GUS (2021). *Obroty handlu zagranicznego według krajów i kontynentów*. Retrieved from http://swaid.stat.gov.pl/HandelZagraniczny_dashboards/Raporty_predefiniowane/RAP_SWAID_HZ_3_10.aspx on 4 June 2021.
- Białowas, T. (2006). *Rozwój handlu międzynarodowego po II wojnie światowej*. Toruń: Wyd. A. Marszałek.
- Borkakoti, J. (1998). The Linder Hypothesis. In *International Trade: Causes and Consequences*. London: Springer International Publishing. https://doi.org/10.1007/978-1-349-27014-9_24
- Bossche, P. (2005). *The Law and Policy of the World Trade Organization*. Cambridge: Cambridge University Press.
- Brona, A. (2018). One Belt, One Road: new framework for international relations?. *Polish Journal of Political Science*, 4(2), 58-59.
- Gacek, Ł. (2018). Nowe źródła wzrostu gospodarczego Chin: wiedza i innowacje. *Humanities Yearbooks*, 66 (9), 11.
- Hołdak, K., & Konarzewska, A. (2007). *Relations of the European Union with China*. National Security Office.
- Jaklič, A. & Svetličič, M. (2019). China and Central and Eastern European Countries within '16+1': Group or Bilateral Relations?. *Entrepreneurial Business and Economics Review*, 7(2), 83-100. <https://doi.org/10.15678/EBER.2019.070205>
- Kundera, J. (2018). Współczesne teorie wymiany międzynarodowej. Światowy handel po kryzysie 2008 r. In J. Kundera (Ed.), *Gospodarka światowa po kryzysie 2008 r.* Wrocław: Wydawnictwo Uniwersytetu Wrocławskiego.
- Lach, Z. (2014). Polska polityka w wymiarze subregionalnym. *Przegląd Geopolityczny*, 7, 17-19.
- Łoś-Nowak, T. (2009). *Organizacje w stosunkach międzynarodowych. Istota – mechanizmy działania – zasięg*. Wrocław: Wydawnictwo Uniwersytetu Wrocławskiego.
- Nacewska-Twardowska, A. (2020). Factories Europe, Asia, and North America as the main production centers in the 21st century. *International Entrepreneurship Review*, 6(1), 63-76. <https://doi.org/10.15678/IER.2020.0601.04>
- Olesiuk, A., & Vashchenko, M. (2001). *Międzynarodowe stosunki ekonomiczne – gospodarcze wyzwania XXI wieku*. Warszawa: Key Text.
- Panda, R., Sethi, M., & Chaudhuri, S. (2016). Changing Paradigm in Trade Theories: A Review and Future Research Agenda. *Indian Journal of Science and Technology*, 9(46), 1-6. <https://doi.org/10.17485/ijst/2016/v9i46/107291>
- Portugal-Perez A., & Reyes J. D., & Wilson J. S. (2009). Beyond the Information Technology Agreement Harmonization of Standards and Trade in Electronics. *Policy Research Working Paper*, 2.
- Posner, M. (1961). International Trade and Technical Change. *Oxford Economic Papers* 13(3), 323-341. <https://doi.org/10.1093/oxfordjournals.oep.a040877>
- Rasiah, R. (2002). *TRIPs and Capability Building in Developing Economies*. Tokyo: The United Nations University.
- Stec, G. (2013). „Tradycyjna przyjaźń polsko-chińska” czy „niezłe perspektywy”? Stosunki polsko-chińskie od 1989 roku. *Poliarchia*, 1, 76-78.
- Świerkocki, J. (2004a). *Zarys ekonomii międzynarodowej*. Warszawa: PWE.
- Świerkocki, J. (2004b). *Zarys międzynarodowych stosunków gospodarczych*. Radom: Polwen.
- Szczudlik-Tatar, J. (2015). Polsko-chińskie „strategiczne partnerstwo”: w oczekiwaniu na wymierne rezultaty. *The Polish Institute of International Affairs*, 101(1338), 1.
- United Nations Comtrade (2021). *Trade Data*. Retrieved from <https://comtrade.un.org/Data/> on 4 June 2021.
- VerWey, J. (2019). Chinese Semiconductor Industrial Policy: Past and Present. *Journal of International Commerce and Economics*, 7, 13.
- Wach, K. (2018). Theoretical foundations for international entrepreneurship. In K. Wach (Ed.), *Internationalization of firms in the perspective of international entrepreneurship*. Warszawa: PWN, 63-95.

- Wnedt, J. (1997). Geopolityczne uwarunkowania rozwoju i zmian w przebiegu korytarzy tranzytowych w Europie Środkowej. *Przegląd Geopolityczny*, 28, 31-48.
- World Bank (2021a). *China*. Retrieved from <https://data.worldbank.org/country/china> on 4 June 2021.
- World Bank (2021b). *Poland*. Retrieved from <https://data.worldbank.org/country/poland> on 4 June 2021.
- World Bank (2021c). *Tax*. Retrieved from <https://data.worldbank.org/indicator/TM.TAX.MRCH.%20WM.AR.ZS?locations=CN-PL> on 4 June 2021.
- World Integrated Trade Solution. (2021). *Top Exporters and Importers by country and region*. Retrieved from <https://wits.worldbank.org/CountryProfile/en/Country/WLD/Year/2018/TradeFlow/EXPIMP> on 4 June 2021.
- WTO (2007). *2007 World Trade Report: Six Decades of Multilateral Cooperation, What Have we Learnt?*. Geneva: WTO Publications, 207-220.

Author

Celestyna Miłoś

Master of International Economics (2021, Cracow University of Economics, Poland). Her research interests include corporate internationalisation strategies, international business management and international marketing. **Correspondence to:** Mgr Celestyna Miłoś, Cracow University of Economics, ul. Rakowicka 27, 31-510 Krakow, Poland, e-mail: celestynajuliamilos@gmail.pl or s200665@student.uek.krakow.pl
ORCID  <http://orcid.org/0000-0001-7596-1541>

Acknowledgements and Financial Disclosure

The author would like to thank two anonymous reviewers and dr Marta Ulbrych for their comments and suggestions, which help to improve the final version of this article.

Conflict of Interest

The author declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

Copyright and License



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License
<http://creativecommons.org/licenses/by-nd/4.0/>

Complexity of culture and entrepreneurial practice

Kerstin Bätz, Patrick Siegfried

ABSTRACT

Objective: The objective of the article highlight the *significance of culture in the entrepreneurial landscape* and provides entrepreneurs and (project) managers with a guidance tool to overcome previously unconsidered stumbling blocks while operating in the intercultural setting.

Research Design & Methods: The following article was prepared based on a critical *study review* devoted to existing approaches to intercultural impact in business life and used the archival technique from 1990-2020. The study review reflects on the identification of existing literature gaps in the implementation of a subcultural business environment. It addresses these by designing an appropriate model to bypass the apparent pitfalls of intercultural business communication and co-existence, if possible.

Findings: Culture impacts diverse sets of society and businesses, including entrepreneurship. This article underpins which pitfalls are advisable to consider when encountering the intercultural and entrepreneurship-driven workplace.

Implications & Recommendations: Based on the study review, startups, as well as big corporate companies' projects of a creational nature, are advised to reconsider their perception and handling of culture applying *The Building of Cultural and Entrepreneurial Force*.

Contribution & Value Added: The added value of this article is to be found in the solid analysis of cultural essentialism, anti-essentialism, and implications to beware of in the managerial and entrepreneurial context related to *The Building of Intercultural and Entrepreneurial Force* that intends to ease to co-work of intercultural teams.

Article type: research article

Keywords: Culture; essentialism; anti-essentialism; entrepreneurship; cultural perception; cultural innovation; work cultivation; intercultural teams

JEL codes: B55, F00, F53

Received: 27 April 2021

Revised: 10 June 2021

Accepted: 12 June 2021

Suggested citation:

Bätz, K. & Siegfried, P. (2021). Complexity of culture and entrepreneurial practice. *International Entrepreneurship Review*, 7(3), 61-70. <https://doi.org/10.15678/IER.2021.0703.05>

INTRODUCTION

This paper attempts to explore the interaction between culture and entrepreneurship. Entrepreneurship is increasingly being recognized as an important factor for economic growth. Some cultures are more conducive for entrepreneurship than others, considering the different cultural heritages and dimensions. The significance of different cultural aspects and their effect on entrepreneurship has been noted in a number of studies (cf. Wach, 2015). Therefore, as culture is a relatively unconscious framework based on a shared understanding that can vary, the objective of the article is to highlight the *significance of culture in the entrepreneurial landscape* to provides entrepreneurs and (project) managers with a guidance tool to overcome previously unconsidered stumbling blocks while operating in the intercultural setting (cf. Bartha *et al.*, 2018; Kaasa *et al.*, 2013), providing this article with sufficient novelty. Thus, the assumptions on which this article is based on are as follows:

- A1:** The anti-essentialist approach disregards entrepreneurship.
- A2:** Existing cultural approaches do not yet provide entrepreneurship with a framework to leverage its intercultural setting.

Culture can provide a system of commonly shared meaning, interpretation, and values (Primecz *et al.*, 2009; cf. Hall, 1959, 1976; Holliday, 2011; Sørderberg & Holden, 2002; Trompenaars & Hampden-Turner, 1997). According to Sørderberg and Holden (2002), culture is related to the notion of social constructivism. In that case, it is a collective and relational construct that can be defined and redefined by those participating. Thus culture is based on a mutable construction. “Culture used to be a way to describe, generalize and explain what a person was doing. It is not so easy – maybe even impossible – to do that anymore” (Agar, 2002, p. 15).

The complex and dynamic construct of a culture built upon interpersonal communication processes, co-existence, and behavior does not remain consistent in its values and practices since it is a negotiable social process of change (cf. Bartha *et al.*, 2018; Kaasa *et al.*, 2013). That proceeding tends to happen on a presumably unconscious level. The relational construct refers to the interaction of people who belong to the same particular culture. Simultaneously these people are catalysts for a new emergent contextual setting of visions, aspirations, and change (cf. Olwig, 1997; contra. Hall, 1959, 1976; Hofstede, 1980; Sørderberg & Holden, 2002; Trompenaars & Hampden-Turner, 1997). Consequently, culture can adapt and integrate novelty, unifying the old and new practices (cf. Clausen, 2010; Fischer *et al.*, 2014; Flitzsimmons, 2013; Hannerz, 1996; Joy & Poonamallee, 2013; Primecz *et al.*, 2009; Sørderberg & Holden, 2002; contra. Hall, 1959, 1976).

Similar to culture, business, especially entrepreneurship, is a never stagnant process – culture is in continuous progress, a related structure can be found in entrepreneurship. However, this circumstance in the entrepreneurial context is not only driven by desirable states of cultural diversity but also much more by the competitive nature and accompanying innovation in a business world that is increasingly VUCA: volatile, uncertain, complex, ambiguous (Bennett & Lemoine, 2014; cf. Kim & Mauborgne, 2015). “Entrepreneurship necessarily takes place within culture, it is utterly shaped by culture, and it fundamentally consists in interpreting and influencing culture. Consequently, the [entrepreneur] can understand it only if he is willing to immerse himself in the cultural context in which the entrepreneurial process occurs” (Lavoie 1991, p. 36).

In particular, entrepreneurs with the will to make progress accessible to entire economies use creative diversity, skill sets, and in the same process, acquire an awareness of the significance of cultural diversity. Thus, multidisciplinary teams are increasing in frequency, as they are said to meet not in their weaknesses but complementarily in their strengths (Bartha *et al.*, 2018; Weinberg, 2019). Multidisciplinary teams promote the learning of cooperativeness and solution-oriented action and openness and exposure to new ideas (Weinberg, 2019; cf. Di Cristini *et al.*, 2003; Lewrick *et al.*, 2018; Pearce, 2003). Multidisciplinarity, however, expands to the analysis of hard and soft skills, but cultural diversity simultaneously. A variance of this kind may not only result in a holistic go-to-market strategy of an emerging startup but also indicate unavoidable knowledge about global markets and their particular characteristics (cf. Nathan, 2014). Ignoring these characteristics could negatively impact a born global in the market entry phase and its market power (contra. Habermann, 2008; Kaplan, 1966; Rumelt, 2011; Voloshinov *et al.*, 1973).

Therefore, shared leadership (Di Cristini *et al.*, 2003; Pearce, 2003; cf. Myers, 1962) and flat or no hierarchies are beneficial in startups with the desire to be competitive (cf. Weinberg, 2019), as collaborative team working for and with the same vision (Sinek, 2009) is critical to the breakthrough entrepreneurial success of a founding team.

LITERATURE REVIEW AND THEORY DEVELOPMENT

Reviewing Culture’s Complexity

Even though practiced with superb intentions, approaching cultural otherness in the entrepreneurial context of a multidisciplinary, intercultural team (cf.; Kaasa *et al.*, 2013; Weinberg, 2019) can cause

frictions unconsciously. The rather one-dimensional approach to categorizing the complex dynamic and mutable construct of culture implies the potential of becoming increasingly tricky in its utilization (Primecz *et al.*, 2009; cf. Clausen, 2010; Hannerz, 1996; Sørderberg & Holden, 2002; contra. Hall, 1976) since culture is inappropriate to perceive as nation-based (contra. Hofstede, 1980). Cultural diversification is inextricably related to the notion of vastly growing globalization (Cheung & Chan, 2009; cf. Szromnik, 2020) and its diverse microcultures' facets. "The world is full of confrontations between people, groups, and nations who think, feel, and act differently. At the same time these people, groups, and nations, [...] are exposed to common problems that demand cooperation for their solution" (Hofstede & Minkov, 2010, p. 10). Consequently, national cultures appear to emancipate themselves automatically from standardized norms – against essentialists' assumptions (contra. Hofstede, 1980) – and similar to innovation-driven startups. Respectively, the anti-essentialism paradigm underpins that culture extends beyond the standstill. The opposite would imply that neither further development nor learning in a mental framework would occur, which can be seen from an anthropologist's and behaviorist's perspective on culture, as invalid as well (cf. Kahn, 2001; contra. Hofstede, 1980; Hall, 1959).

Generalizing individuals from a presumably shared cultural background as practiced by cultural essentialists can imply the apparent risk of educational convenience. The result of mental impartiality may lead to the prevention of intercultural progress and efforts (cf. Bartha *et al.*, 2018; Kaasa *et al.*, 2013). That can harm a respectful – even face-maintaining – co-existence in an emergent company that is reliant on its internal functionality (Bond, 1991; Hu, 1944; Mao, 1994; Pan, 2000, Spencer-Oatey, 2002; cf. Gorski, 2013; contra. Wendt & Gone, 2011). Resultantly, disrespectful social interactions (contra. Bartha, Gubik & Bereczk, 2018) in the entrepreneurial setting are accompanied by the jeopardy of preventing the progress of cultural sensitivity (cf. Bennett, 2017; contra. Earley & Mosakowski, 2004). As startups often lack this internal stability based on cultural mindfulness due to the novel and never experienced an overall situation, team-internal problems reported causing 23% of startups' failure (cf. StartUpWissen, 2020; t3n, 2016).

Contrastingly, cultural sensemaking and the desire to gain a richer understanding of cultures distinct from the familiar can make a valuable contribution to economic progress (Bennett, 2017; cf. Weinberg, 2019). Therefore, cultural sensemaking can be appreciated as it may result in the ability to acquire causality and a broader understanding of the counterpart's behavioral practice. That includes the change of cultural perspective (Bhatti *et al.*, 2020; Hassan *et al.*, 2021) and ethnorelativism: the existence of numerous viable possibilities for perceiving culture's reality (Bennett, 2017; cf. Hannerz, 1996).

Additionally, by categorizing and generalizing culture and individuals, principles of cultural ontology are likely to be violated as the essentialist paradigm links identity to the broader concept of national origin and measures national-geographical criteria (Sayer, 1997; contra. Hofstede, 2002) predominantly. That essentialist's approach practice could work counterproductively on the self-fulfillment needs and the cultural self-awareness beliefs of those the generalizing conversation's part encounters (Deardorff *et al.*, 2012; cf. Maslow, 1943; contra. Sayer, 1997).

Gorski (2013) claims that the anti-essentialism approach regards political, interpersonal, and ethnogeographical mindfulness. The usage of stereotypes is said to disregard gender and the ethnicity of individuals that might refer to a hybrid ethnical background (cf. Friedman, 1994; Scollon & Scollon 2001; contra. Hall, 1976). "The need to make sustained and serious progress toward ethnic and racial justice is clear" (McKinsey & Company, 2020, p. 2). This statement is increasingly important considering the currently ongoing Black Lives Matter movement that fights for societal equality for all ethnic groups, aiming to combat ethnic-based injustice (cf. De Genova, 2016; Swart & Maralack, 2020; Taylor, 2016).

By focusing on cultural complexity, the anti-essentialist statements above emphasize the relevance of ethnic variety in entrepreneurship (Hassan *et al.*, 2021; Luring *et al.*, 2018; cf. Clausen, 2010; contra. Hofstede, 1980). Hence, it is advisable to perceive culture as a continuously and socially constructed process (Sørderberg & Holden, 2002; cf. Bartha *et al.*, 2018; Sayer, 1997; contra. Hofstede, 2002). Also, emergent companies should recall the consciousness that culture can be a reassessed and redesigned, reinforcing the emergence of a negotiated culture, even in an economic

setting (Clausen, 2010; Söderberg & Holden, 2002; Sayer, 1997; contra. Hall, 1959). That knowledge of cultural otherness can encourage intercultural encounters to create a shared cultural complexity similar to shared leadership where every participant is accountable for the outcome. More clearly: shared leadership and cultural complexity have in common that culture is a mutually accountable process (cf. Pearce, 2003).

Thus, not only culture, but global entrepreneurship too (cf. Hassan *et al.*, 2021), move towards a global melting pot of shared ideas (McKinsey & Company, 1993; Söderberg & Holden, 2002; cf. Gorski, 2013; contra. Hofstede, 2002). Ostensibly, the likelihood of unintendedly disrespecting the set of norms and values individuals refer to increases. It must be underpinned that global togetherness is not equal to emancipating the self from the individual set of societal expectations of politeness, education, or language taught. As a result, the promising melting of cultures implies potential pitfalls, reinforcing the urgency to examine blind spots evident in the entrepreneurial intercultural setting (cf. Hassan *et al.*, 2021).

Building Intercultural and Entrepreneurial Force

It is known that entrepreneurship is increasing in its popularity. “The decision to start a venture has both cultural and economic [reasons]” (Radziszewska, 2014). Visionaries, game-changers, and challengers demand and foster the change of entire industries (cf. Christensen, 2016). However, interculturality is a topic relevant to an entrepreneur’s success and harmonious business excellence either as elaborated above. International business partners can access globalized networks – obviating a born global’s economic jeopardy of running the liability of outsidership (cf. Cheung & Chan, 2009; Johanson & Vahlne, 2009; Singh *et al.*, 1986; Wach, 2016). Operating interculturality is respectively an essential element for born global startups (McKinsey & Company, 1993). Additionally, referring to the current political movement Black Lives Matter, mutual understanding and efforts towards cultural alterations demand severe overdue changes (cf. Bennett, 2017; De Genova, 2016; Taylor, 2016; contra. Hofstede, 1980).

Nevertheless, strategic but interpersonal and intercultural skills should increase to maximize international entrepreneurial prosperity (Bennett, 2017; Radziszewska, 2014; cf. Earley & Mosakowski, 2004; Hassan *et al.*, 2021). However, as merely addressing the significance of practicing cultural inclusion in the media instead of providing the economy guidance on how to shed light on the examination of cultural otherness to be leveraged, perform an entrepreneur’s managerial duty (Drucker, 2006) fashionably. The following model on *The Building of Intercultural and Entrepreneurial Force* serves as a tool for economic, cultural game-changers to help realize their anticipated success.

The fundament builds upon the vision. It is built through a diverse team that engages in creating a socially constructed genre (cf. Bartha *et al.*, 2018). For this, the project’s participants should employ cultural intelligence to enable the emergence of common ground: the first attempt of a negotiated multi-culture. Further, communicating and agreeing on shared values enhance the likelihood of a sociologically empathetic mindful working environment, fostering commercial and entrepreneurial success (Earley & Mosakowski, 2004; Pearce & Conger, 2002; cf. Hassan *et al.*, 2021; Sinek, 2011; contra. Hall, 1959). However, for the vision’s unambiguous interpretation, it should be considered that interpretations may differ due to the culture’s complexity and variety. Evading misinterpretations should be reinforced by clear communication to achieve the common economic goal with the shared vision (cf. Bargiela-Chiappini & Nickerson, 1999; Clausen, 2010; Luring *et al.*, 2018; Usunier, 2011). Additionally, an in-depth examination of the vision’s and communication’s meaning is advisable as proximity breeds mindfulness whereas distance breeds failure (cf. StartUpWissen, 2020; t3n, 2016; contra. Earley & Mosakowski, 2004; Habermann, 2008; Kaplan, 1966; Pearce & Conger, 2002; Voloshinov *et al.*, 1973).

The Building of Intercultural and Entrepreneurial Excellence

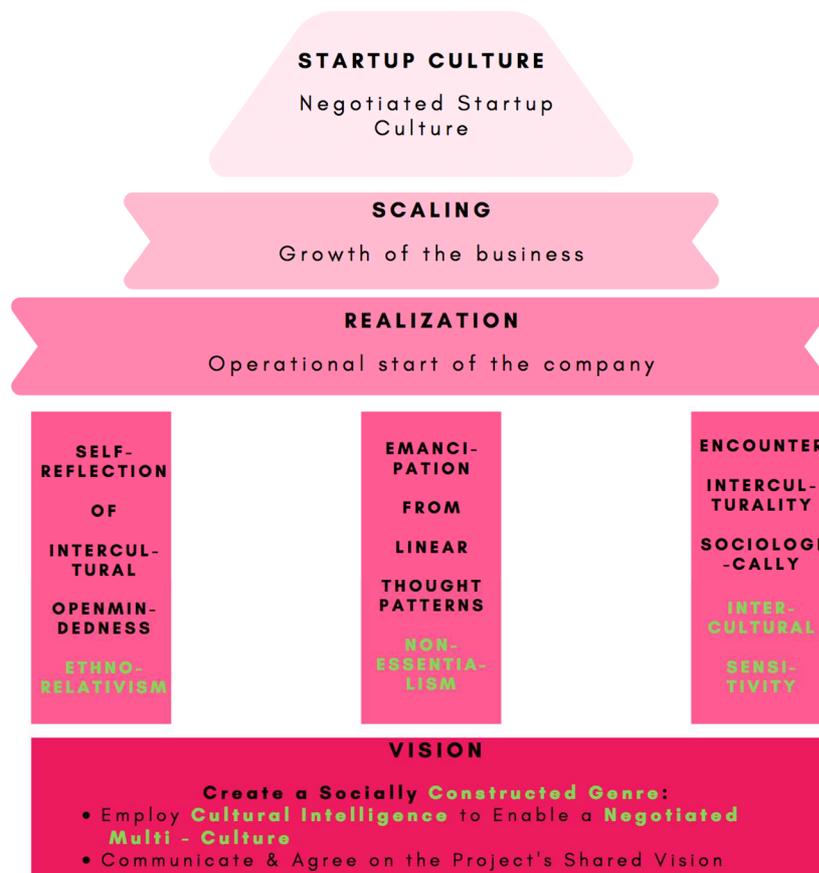


Figure 1. The Building of Intercultural and Entrepreneurial Force

Source: own elaboration.

The three pillars encourage interculturality in an entrepreneurial scope, catalyzing mutual intercultural understanding efforts. The pillars provide information on how to grow together to become a successful intercultural team:

- **Self-Reflection of Intercultural Sensitivity (Ethnorelativism):** Reassess ethnorelativism. One should remember to remain open-minded towards cultural otherness for the shared success.
- **Emancipation From Linear Thought Patterns (Non-Essentialism):** Approaching the intercultural encounter as diversity is an enrichment in its excellence. There are numerous viable realities of intercultural entrepreneurship.
- **Encountering Interculturality Sociologically (Intercultural Sensitivity):** Showing cultural absorptive capacity through mirroring gestures and customs distinct is beneficial. Nonetheless, one should not forget about their cultural background. Showing sociological empathy is advisable.

Notwithstanding, the emergence of one key issue should be addressed: generalizing not only one's national culture but work practices (contra. Hall, 1959, 1976; Hofstede, 1980; Trompenaars & Hampden-Turner, 1997). Here, the judgmental thinking in a working environment (contra. Gorski, 2013) that is as dynamic and vulnerable due to its novelty can decrease performance. Thus, an unbiased and explorative mindset cannot only increase the harmonious working atmosphere but creativity, too (cf. Earley & Mosakowski, 2004; Festinger, 1957; Primecz *et al.*, 2009; contra. Hofstede, 1980).

After the three pillars, reaching the operational realization stage of the startup is economically promising and fruitful as it enables the scaling stage to begin shortly after. Resultantly, throughout the entire process that is presumably never-ending, a new negotiated startup culture with the project's

unique genre that all participants constructed emerge (Clausen, 2010; Söderberg & Holden, 2002; contra. Hall, 1959). It might find its reliable structures with first economic success as real-life circumstances are experienced for the first time.

Those reliable structures can create a feeling of togetherness and increase the inevitable working efficiency (cf. Ries, 2014). In contrast, it should be taken into account that individuals might differ in their understanding of togetherness in the new contextual setting (cf. Olwig, 1997). Hence, they might still perceive the new emergent culture as part of the occupation only, reflecting the failure on the vision's relevance (contra. Sinek, 2011).

CONCLUSIONS

Summary of results

In summary, it was identified that the Essentialist approach to culture is not contemporary with the ever-changing context of economic growth, which is mainly driven by the upward trend of entrepreneurship. The stylistic approach of arranging individuals of a geographically arranged culture does not consider the nuances and hybrid histories of individuals but tends to generalize people, contrary to the nature of being.

Although the anti-essentialist approach on culture criticizes and tries to overcome these very stumbling blocks of the essentialist approach by emphasizing the individual, this approach, although an advance of the initial approach, is not yet sufficient in the entrepreneurial context, since here not only the subjective culture but also the subjective perception of culture and work meet. In order to create a symbiosis of both, *The Building of Intercultural and Entrepreneurial Force* is intended to serve entrepreneurs and (project) managers, but generally, all those who want to participate in the growth of the cognitive maturation process in a business landscape, as a thinking aid for self-reflection towards progress.

Managerial implications

As practical and managerial implications of this study review, it can be deduced that (project) managers – especially entrepreneurs – who are constantly facing new challenges have to deal with their composition and dynamics of the team. Thus, this process starts with the team's most senior member by acquiring the awareness and the need for understanding cultural otherness. That cognitive process should be complemented by an open feedback culture but must be separated from reproachful jargon.

In addition, the process of critical self-reflection should go beyond the self and address the perceptions of the wider participating team members. The transformation to culturally aware work can only happen through shared cognition and sensitivity. At the same time, open, respectful communication and the ability of self-reflection are sharpened. However, it must be remembered that patience and tolerance for error are as ready for this process as acknowledging and understanding cultural otherness itself. Emphasizing error feeds further errors. Fixing errors through patience and mutual understanding paves the way for sustained, effective co-work. *The Building of Intercultural and Entrepreneurial Force* serves as a guideline for visionaries, enabling them to engage in societal and economic change, contributing in a promising way as not only startups but those demanding cultural thought pattern change can leverage their inherent power towards closing the gap of ethical and economic injustice.

Research Limitations

This article reaches its limits of expressiveness as existing literature regarding approaches to cultural other concepts were reflected. No confirmed case study was conducted to prove or disprove the findings of this article.

Furthermore, *The Building of Intercultural Force* is arguably not a linear tool that provides predictive insight into behaviors (cf. Olwig, 1997; contra. Hofstede, 1980) and business success-due to the complex and dynamic nature of culture rooted in the interactive communication of processes of individuals, and the increasingly VUCA (volatile; uncertain, complex, ambiguous) (Bennett & Lemoine,

2014). A business landscape with its drive for radical innovation does not stand still but strives for the unpredictable richness of continuous change. Neither a framework, nor a model, nor an analytical tool introduced to the robust entrepreneurial mindset guarantees a higher, validated degree of certainty, as the prosperity state of success is subject to practitioner application.

Suggestions for further research

Further research should be directed towards underpinning the present article with sufficient real life cases that either prove or refute *The Building of Intercultural Force's* academic expressiveness. Additionally, future research should consider the team's internal interculturality, and the country-specific distribution should ideally take place across all continents on a random basis so that representative results can support the study review. Only in this way can it be determined whether the identified gaps in the existing literature have been served.

REFERENCES

- Agar, N. (2002). Agar's Review of Katz. *Biology & Philosophy*, 17 (1), 123-139.
- Bargiela-Chiappini, F., & Nickerson, C. R. (1999). *Writing business: Genres, media, and discourses*. Longman.
- Bartha, Z. S., Gubik, A., & Bereczk, A. (2018). The Social Dimension of the Entrepreneurial Motivation in the Central and Eastern European Countries. *Entrepreneurial Business and Economics Review*, 7(1), 9-27. <https://doi.org/10.15678/EBER.2019.070101>
- Bennett, J. M. (2017). *Developmental Model of Intercultural Sensitivity*. John Wiley & Sons.
- Bennett, N., & Lemoine, J. (2014). What VUCA really means for you. *Harvard Business Review*, 92 (1), 27-28.
- Bhatti, A., Rehman, S. U., & Rumman, J. (2020). Organizational capabilities mediates between organizational culture, entrepreneurial orientation, and organizational performance of SMEs in Pakistan. *Entrepreneurial Business and Economics Review*, 8(4), 85-103. <https://doi.org/10.15678/EBER.2020.080405>
- Bond, M. H. (1991) *Beyond the Chinese Face, insights from psychology*. Oxford University Press.
- Cheung, M. W.-L., & Chan, W. (2009). A Two-Stage Approach to Synthesizing Covariance Matrices in Meta-Analytic Structural Equation Modeling. *Structural Equation Modeling A Multidisciplinary Journal*, 16 (1), 28-53. <https://doi.org/10.1080/10705510802561295>
- Christensen, M.C. (2000). *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*. Harvard Business School Press.
- Clausen, L. (2010). Moving beyond stereotypes in managing cultural difference: Communication in Danish-Japanese corporate relationships. *Scandinavian Journal of Management*, 26 (1), 57-66.
- Deardorff, D. K.; Trompenaars, F., & Berardo, K. (2012). *Building Cultural Competence: Innovative Activities and Models*. Stylus Publishing.
- De Genova, N. (2016). The "migrant crisis" as racial crisis: do *Black Lives Matter* in Europe?. *Ethnic and Racial Studies*, 41 (10), 1765-1782.
- Di Cristini, A., Gaj, A., Labory, S. & Leoni, R. (2003). Flat Hierarchical Structure, Bundles of New Work Practices and Firm Performance. *Journal of the Italian Economic Association*, 8 (2), 313-328.
- Drucker, P. F. (2006). *Innovation and Entrepreneurship*. Harper Business.
- Earley, P. C., & Mosakowski, E. (2004). Cultural Intelligence. *Harvard Business Review*, 10 (1), 57-62.
- Festinger, L. (1957). *A Theory of Cognitive Dissonance*. Stanford University Press.
- Fischer, R., Ferreira, C. M., Assmar, E. M. L., Baris, G., Berberoglu, G., Dalyan, F., Wong, C. C., Hassan, A., Hanke, K. & Boer, D. (2014). Organizational practices across cultures: an exploration in six cultural contexts. *International Journal of Cross Cultural Management*, 14 (1), 105-25.
- Fitzsimmons, S. (2013). Multicultural employees: a framework for understanding how they contribute to organizations. *Academy of Management Review*, 38, (4), 525-49.
- Friedman, J. (1994). *Cultural Identity & Global Process*. SAGE Publications.
- Gorski, P. (2013). *Reaching and teaching students in poverty. Strategies for Erasing the Opportunity Gap*. Teachers College Press.

- Habermann, F. (2008). *Der homo oeconomicus und das Andere: Hegemonie, Identität und Emanzipation*. Nomos: Baden-Baden.
- Hall, E. T. (1959). *The Silent Language*. Doubleday & Company.
- Hall, E. T. (1976). *Beyond Culture*. Doubleday & Company.
- Hannerz, E. (1996). *Performing Punk*. Palgrave Macmillan.
- Hassan, Z., Lashari, M., & Basit, A. (2021). Cultivating entrepreneurial culture among students in Malaysia. *Entrepreneurial Business and Economics Review*, 9(1), 119-135. <https://doi.org/10.15678/EBER.2021.090108>
- Hofstede, G. J. (1980). *Culture's Consequences: International Differences in Work-Related Values*. SAGE Publications.
- Hofstede, G. J. (2002). Dimensions Do Not Exist: A Reply to Brendan McSweeney. *Human Relations*, 55 (11), 1355-1361. doi: 10.1177/00187267025511004
- Hofstede, G. J. & Minkov, M. (2010). *Cultures and organizations: software of the mind: intercultural cooperation and its importance for survival*. McGraw-Hill.
- Holliday, A. (2011). *Intercultural Communication and Ideology*. London.
- Hu, H.C. (1944). The Chinese Concept of Face. *American Anthropologist*, 46 (1), 45-64.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40 (1), 1411-1431.
- Joy, S., & Poonamallee, L. (2013) Cross-cultural teaching in globalized management classrooms: time to move from functionalist to postcolonial approaches?. *Academy of Management Learning & Education*, 12 (3), 396-413.
- Kaasa, A., Vadi, M., & Varblane, U. (2013). European Social Survey as a source of new cultural dimensions estimates for regions. *International Journal of Cross Cultural Management*, 13 (2), 137-57.
- Kahn, J. S. (2001). Anthropology and Modernity. *Current Anthropology*, 42 (5), 651-680.
- Kaplan, R. B. (1966). Cultural Thought Patterns in inter-cultural education. Reprinted in K. Croft (Ed.) *Readings on English as a Second Language for teachers and teacher trainers*. Cambridge MA: Winthrop.
- Kim, C. W., & Mauborgne, R. A. (2015). *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*. Harvard Business Review Press.
- Lauring, J., Bjerregaard, T., & Klitmøller, A. (2018). Understanding Culture in International Management: Functionalism, Constructivism, and the Emerging Practice Turn. *International Studies of Management & Organization*, 48(3), 264-276. <https://doi.org/10.1080/00208825.2018.1480869>
- Lavoie, D. (1991). *Economics and Hermeneutics*. Routledge.
- Lewrick, M., Link, P., & Leifer, L. (2018). *The Design Thinking Playbook*. Wiley.
- Mao, R. L. (1994). Beyond Politeness theory: 'Face' revisited and renewed. *Journal of Pragmatics*, 21(1), 451-486.
- Maslow, A. H. (1943). A theory of human motivation. *Psychological Review*, 50(4), 370-396.
- McKinsey & Company (1993). Born global. *The McKinsey Quarterly*, 4 (1), 45-63.
- McKinsey & Company (2020). *Problems amid progress: Improving lives and livelihoods for ethnic minorities in the United Kingdom*. McKinsey Global Publishing.
- Myers, I. B. (1962). *The Myers-Briggs Type Indicator: Manual (1962)*. Consulting Psychologists Press.
- Nathan, G. (2014). Multi-stakeholder deliberation for (Global) justice: An approach from modern civic republicanism. In S. Schepers, A. Kakabadse (Eds.) *Rethinking the Future of Europe: A Challenge of Governance* (pp. 10-27). Palgrave Macmillan.
- Olwig, F. K. (1997). Introduction and Cultural Sites: Sustaining a Home in a Deterritorialized World. In F.K. Olwig & K. Hastrup (Eds.), *Siting Culture: The Shifting Anthropological Object* (pp.23-47). Routledge.
- Pan, Y. (2000). *Politeness in Chinese Face-to-Face Interaction*. Ablex Publishing.
- Pearce, C. L. (2003). The future of leadership: Combining vertical and shared leadership to transform knowledge work. *Academy of Management Perspectives*, 18 (1), 47-57.
- Pearce, C. L., & Conger, J. A. (2002). *Shared Leadership: Reframing the Hows and Whys of Leadership*. SAGE Publications.
- Primecz, H., Romani, L., & Sackmann, S. (2009). Cross-Cultural Management Research: Contributions from Various Paradigms. *International Journal of Cross Cultural Management*, 9(3), 267-274.

- Radziszewska, A. (2014). Intercultural dimensions of entrepreneurship. *Journal of Intercultural Management*, 6(2), 35-47. <https://doi.org/10.2478/joim-2014-0010>
- Ries, E. (2012). *Lean Startup: Schnell, risikolos und erfolgreich Unternehmen gründen*. Redline.
- Rumelt, R. (2011). *Good Strategy Bad Strategy: The difference and why it matters* (4th ed.). Profile Books.
- Sayer, A. (1997). Essentialism, Social Constructionism, and beyond. *SAGE Journals*, 45(3), 453-487.
- Scollon, R., & Scollon, S. (2001). Discourse and intercultural communication. In D. Schiffrin, D. Tannen, & H. E. Hamilton (Eds.), *The handbook of discourse analysis* (pp.538-547). Blackwell Publishers.
- Schumpeter, J. A. (1942). *Capitalism, Socialism, and Democracy*. Harper.
- Sinek, S. (2009). *Start With Why*. Penguin LCC US.
- Singh, J. V., Tucker, D. J., & House, R. J. (1986). Organizational Legitimacy and the Liability of Newness. *Administrative Science Quarterly*, 31 (2), 171-193.
- Søderberg, A. M., & Holden, N. (2002). Rethinking cross cultural management in a globalizing business world. *International Journal of Cross Cultural Management*, 2 (1), 103 - 121.
- Spencer-Oatey, H. (2002). 'Managing rapport in talk: using rapport sensitive incidents to explore the motivational concerns underlying the management of relations. *Journal of Pragmatics*, 34 (5), 529-545.
- Start Up Wissen (2020). *Warum scheitern StartUps? Die 20 häufigsten Gründe*. Retrieved 18.02.2021 from <https://startupwissen.biz/daran-scheitern-die-meisten-startups/>
- Swart, K., & Maralack, D. (2020). Black Lives Matter: perspectives from South African cricket. *Sport in Society: Culture, Commerce, Media, Politics*, 23 (11), 1-16.
- Szromnik, A. (2019). Market and marketing within the concept of functioning and development of cultural heritage sites. *International Entrepreneurship Review*, 5(3), 79-94. <https://doi.org/10.15678/IER.2019.0503.06>
- t3n (2016). *Warum Startups scheitern: Das sind die 20 häufigsten Gründe*. Retrieved from <https://t3n.de/news/startups-scheitern-20-569194/> on 27.01.2021.
- Taylor, K.-Y. (2016). *From #BlackLivesMatter to Black Liberation*. Haymarket Books.
- Trompenaars, A., & Hampden-Turner, C. (1997). *Mastering the infinite game: how East Asian values are transforming business practices*. Capstone.
- Usunier, J.-C. (2011). Language as a resource to assess cross-cultural equivalence in quantitative management research. *Journal of World Business*, 46(3) 314-319.
- Voloshinov, V. N., Matejka, L., & Titunik, I. R. (1973) (original 1929). *Marxism and the philosophy of language*. Seminar Press.
- Wach, K. (2015). Impact of Cultural and Social Norms on Entrepreneurship in the EU: Cross-Country Evidence based on GEM Survey Results. *Zarządzanie w Kulturze*, 16(1), 15-29. <https://doi.org/10.4467/20843976ZK.15.002.3037>
- Wąsowicz-Zaborek, E. (2018). Influence of national culture on website characteristics in international business. *International Entrepreneurship Review*, 4(3), 421-442. Retrieved from <https://ier.uek.krakow.pl/index.php/pm/article/view/1783> on 27.01.2021.
- Wendt, D. C., & Gone, P. J. (2011). Rethinking cultural competence: Insights from indigenous community treatment settings. *SAGE Journals*, 49 (2), 206-222.
- Weinberg, U. (2019). Design Thinking: Vom Innovationsmotor zum Kulturtransformator. In Von Engelhardt, S. & Petzolt, S. (Eds.), *Das Geschäftsmodell Toolbook für Digitale Ökosysteme* (pp. 36-49). Campus.

Authors

The contribution share of authors is equal and amounted to 50% for each of them.
KB – conceptualisation, literature writing, PS – methodology, calculations, discussion.

Kerstin Bätz

Graduate Student at the International School of Management in Frankfurt (Germany).

Correspondence to: Ms. Kerstin Bätz, International School of Management, Germany, e-mail: kerstin.baetz.2019@student.ism.de

ORCID  <http://orcid.org/0000-0002-6345-5104>

Patrick Siegfried

Professor of Supply Chain Management and Logistics at the International School of Management (ISM) in Frankfurt (Germany). Guest Professorship for Entrepreneurship at the Szent István University in Gödöllő (Hungary). He has professional experience as a CEO of various logistics companies and as a commercial manager for an international distribution centre. His research focuses is on Strategic Management and Innovation Management in Startups.

Correspondence to: Prof. dr Patrick Siegfried, International School of Management, MörfelderLandstraße 55, 60598 Frankfurt am Main, Germany, e-mail: patrick.siegfried@ism.de

ORCID  <http://orcid.org/0000-0001-6783-4518>

Acknowledgements and Financial Disclosure

The authors would like to express their gratitude to Dr. Vivien Zhou and Dr. Nick Pilcher for their valuable knowledge delivery on linguistics and culture in the managerial context, Pascal Schaarschmidt for critically reflecting on the draft version of this paper, and Nathalie Schwarzkopf for her inspiration.

Conflict of Interest

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

Copyright and License



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License
<http://creativecommons.org/licenses/by-nd/4.0/>

Do entrepreneurial characteristics and education influence start-up potentials among undergraduates? Evidence from a developing country

Caleb M. Adelowo, Oluwatosin E. Ilevbare, Jhalukpreya Surujlal

ABSTRACT

Objective: Entrepreneurship education offers plausible policy options to curtail the consistent rise in youth unemployment in Nigeria. Understanding students' entrepreneurial characteristics will assist university administrators, policymakers, scholars and practitioners to deliver contents that stimulate their entrepreneurial propensity. This study examines students' entrepreneurial characteristics and how it, together with entrepreneurship education, shapes start-up potential among them in Nigeria.

Research Design & Methods: The study adapts the personal entrepreneurial characteristics (PECs) scale developed by Management Systems International. Data were collected from three thousand two hundred and seventy-seven (N=3 277) students from six Nigerian universities. Descriptive and binary logistic regressions were used to estimate important PECs that influenced entrepreneurial interest among the students.

Findings: The results show that majority of the students (92%) are interested in starting a business, while 36% of them are already running one form of enterprise. The level of entrepreneurship interest is also high. Generally, the mean/average score for the entire personal entrepreneurial characteristics is high, and specific means were computed for each element of PECs including opportunity seeking, risk-taking, information seeking, systematic planning and monitoring, persuasion and networking, commitment, persistence, demand for efficiency and quality, goal-setting and self-confidence. Binary logistic regression was adopted to examine the influence of PECs on the start-up potentials among the students using the mean scores computed from the PECs as the independent variables. The results show that students with high goal-setting characteristics and opportunity recognition characteristics are highly predisposed to entrepreneurship. The results further showed that students whose parents run businesses and attended entrepreneurship courses are significantly and highly likely to venture into business. Although persuasion and networking, risk-taking and persistence predispose the students to entrepreneurship, the variables were not significant.

Implications & Recommendations: Entrepreneurship education in the country should therefore be re-designed such that students are adequately profiled to determine the kind of EE best suited for them. For those already practising entrepreneurship, the university administration could establish innovation hubs or labs, as well as business incubators, and organise annual innovation competition to help improve entrepreneurship education outcomes.

Contribution & Value Added: The paper adopts personal entrepreneurial characteristics (PECs) as novel lenses to understand entrepreneurial inclinations among undergraduates in a developing country. Paying particular attention to PEC is important for policymakers and university administrators to improve the policy outcomes of entrepreneurship education policy.

Article type: research article

Keywords: Entrepreneurial characteristics, education, undergraduates, job creation, youth

JEL codes: L26, L38

Received: 31 May 2021

Revised: 20 July 2021

Accepted: 24 August 2021

Suggested citation:

Adelowo, C.M., Ilevbare, O.E., & Surujlal, J. (2021). Do entrepreneurial characteristics and education influence start-up potentials among undergraduates? Evidence from a developing country. *International Entrepreneurship Review*, 7(3), 71-82. <https://doi.org/10.15678/IER.2021.0703.06>

INTRODUCTION

Youth unemployment in Nigeria is a serious national concern. With a population of approximately 206 million (NBS, 2020), Nigeria is described as a country with abundant human and natural resources; however, bedevilled with poverty, hunger, as well as stunted economic growth and development. Nigeria currently records 0.36 points and ranks 152 out of 157 countries in the World Bank Group's Human Capital Index (HCI), and was once described as the global capital of poverty despite being acclaimed as the largest economy in Africa (World Bank, 2020). One of the major challenges confronting African countries (Nigeria inclusive) is the high unemployment rate among the youth. Kigotho (2015) revealed that one out of every four university graduates from Africa is unemployed. Specifically, the National Bureau of Statistics (NBS) reported over 16 million unemployed youth (NBS, 2018) in Nigeria. The NBS further puts unemployment estimates at 23.13% during the third quarter of 2018, suggesting a consistent increment from 18.80% in the third quarter of 2017 to 22.73% in the second quarter of 2018 and to 23.1% in 2019 (NBS, 2020). The estimate implies that over 21 million Nigerians were unemployed in 2018, and given the population growth rate of the country, 30 million new jobs will be needed by 2030 (World Bank, 2019).

It is evident that the majority of this unemployed population are youth, as they make up approximately 46% of the Nigerian population (NBS, 2018). In a structured region, the large youth population could translate to national assets as they comprise dynamic individuals with vast knowledge, strength and tenacity to drive desirable scientific and technological change in a society. The youth are characterised as techno-savvy, possessing up-to-date skills, innovative prowess, and inventive abilities capable of driving sustainable development. However, in Nigeria, the situation has not been a blessing, but rather a challenge for government and policymakers. This is evident from the number of youth engaged in social vices such as banditry, kidnapping, internet fraud and acts of terrorism (Adebayo, 2013).

Entrepreneurship is a proven strategy to engage the unemployed; this includes not only educated youth, but also the uneducated minds who have the ability to innovate, create ideas, and take on opportunities for economic benefits (Pinelli, 2015). More so, Siyanbola (2011) opined that the wide involvement of youth in entrepreneurial activities is fundamental to stimulating wealth creation, socio-economic growth and development. Start-ups have been documented to be a game-changer and have the ability to transform a nation from an agrarian community to an industrialised economy. Entrepreneurship has been one of the great management revolutions in recent decades, especially with a focus on innovation and growth of start-ups, science parks, accelerators and incubators, among others. Entrepreneurial activities have been described as a crucial strategy for maintaining economic competitiveness and for achieving long-term economic success. It has also helped to create jobs, improve standards of living, create wealth and pathways to sustainable development (Igwe *et al.*, 2013). As part of the national strategies of developed countries, such as United States and emerging economies like China and other Asian Tigers, to boost their economy, the energy of their youth was harnessed and channelled to encourage self-reliance, innovativeness, as well as scientific and technological breakthroughs for sustainable development. In achieving the aforementioned, governments in lieu ensure the following are in place to provide support, namely provision of a stimulating business environment, adequate and modern infrastructures, facilitation of tech-hubs, start-up capital and grants to budding entrepreneurs as well as entrepreneurial mentoring mechanisms. From the fore-going, promoting entrepreneurship is critical to achieving the goal of the Nigerian government in reducing youth unemployment and poverty, which will, in turn, help to curb so many societal vices. Start-ups have a multiplier effect on the entrepreneur, employees and the nation as a whole. Consequently, government, policymakers, captains of industries and stakeholders around the world are providing supports for young entrepreneurs and start-up firms while also promoting entrepreneurship culture among the youths through education and training. This strategy hopes to improve venture creation potentials through entrepreneurial activities as a way out of the menace of unemployment (Wu & Wu, 2008). To structure entrepreneurship education more appropriately, and to achieve the desired results, it is im-

portant to identify and characterise potential entrepreneurs among youths in higher education institutions. Characterising potential entrepreneurs in the system requires a systematic process of eliciting personal entrepreneurial characteristic information from target audiences and juxtaposing them with their entrepreneurial interest. Although several studies have estimated the correlates of entrepreneurial intention among young undergraduates in Nigeria, there appears to be a dearth of research investigating how personal entrepreneurial characteristics influence the behaviour. The purpose of this study is therefore to estimate the influence of personal entrepreneurial characteristics and compulsory entrepreneurship education on entrepreneurial intention among Nigerian undergraduates.

LITERATURE REVIEW

Personal entrepreneurial characteristics and entrepreneurship development

Researchers and policymakers have been keen on improving the entrepreneurship potential of the young population in both developed and developing economies to enhance national productivity, improve wealth creation and employment, and promote competitiveness. This has led to the development of several programmes and initiatives targeted at enlisting young people's interest in entrepreneurship, including the introduction of entrepreneurship education in tertiary institutions and sometimes in secondary education to 'catch them young' (Adelowo, Joshua & Ilevbare, 2018). Efforts are also being made to improve local and national entrepreneurship ecosystems (GEM, 2020). Perhaps a more efficient way to better entrench entrepreneurship in the youth would be to profile their entrepreneurial characteristics and provide them with targeted theoretical and practical entrepreneurship education (EE). Selection into the EE can then be based on their level of interest and captured entrepreneurial characteristics. Entrepreneurial characteristics are traits and personal competencies that predispose an individual to become successful in venture creation. Some of the several theories and perspectives for understanding and modelling entrepreneurial behaviours or potentials among youths include the theory of reasoned action (Ajzen & Fishbein; 2005), theory of planned behaviour (Ajzen, 1991) and entrepreneurial orientation dimensions (Lumpkin & Dess, 1996). These theories have undergone several empirical validations in diverse areas of application, including health and entrepreneurship contexts. The kernel of discussion here is on Ajzen's theory of planned behaviour and its applications to shape entrepreneurship tendencies among the young population. The theory stipulates that intention to perform behaviour of any kind can be predicted accurately from attitudes towards the behaviour, subjective norms and perceived behavioural control (Ajzen, 1991). Ajzen (1991) also affirmed that intention, together with perception of behavioural control, accounts for considerable variance in actual behaviour. Individuals' entrepreneurial dispositions or intention are defined by social, environmental, psychological and physiological factors. The degree of belief that an outcome of a venture will be positive is a strong indication to gravitate an individual towards that behaviour, including entrepreneurship. Furthermore, the subjective norms tend to strengthen the attitude towards a behaviour by providing justifiable and acceptable rationale/approval for the behaviour within a social context. For instance, the formulation of compulsory entrepreneurship education policy since 2006 and the recent provision of technical and financial inducement to young entrepreneurs in Nigeria have reinforced the legitimisation of entrepreneurship and self-employment among young Nigerians. Entrepreneurship is further perceived as a way to overcome massive unemployment in the Nigerian labour market. More so, government's efforts to promote job creation in recent time have focused essentially on formal and informal entrepreneurship skills acquisition and empowerment. Some recent initiatives of government to provide Covid-19 palliatives and social safety nets for youth include N-power, MSME survival fund, conditional cash transfer, and free business registration, among others. These initiatives were developed to remove some business barriers and provide easy access to business registration with the ultimate aim of boosting entrepreneurship and wealth creation in the country. Entrepreneurship is seen as a positive vibe in the society through these initiatives. The third component of the theory of planned behaviour is perceived behavioural control, which relates to how individuals perceive themselves to carry out the behaviour. This connects well with the entrepreneurial competence and capability of individuals to engage in venture creation. This is where entrepreneurship

education/training comes to play important roles in shaping potential entrepreneurs. Training becomes critical to the development of potential entrepreneurs by exposing them to opportunities, how small businesses are managed and developing their marketing skills (Adelowo, Egbetokun & James, 2016; Titley & Anderson-Macdonald, 2015).

Scholars have used personal entrepreneurial characteristics (PECs) or traits to describe and explain the entrepreneurship phenomena over decades (Gartner, 1989; Rauch & Frese, 2012; Holienka, Holienková & Gál, 2015). The psychological characteristics of entrepreneurs or enterprising individuals have been generally referred to as PECs. These characteristics tend to underpin the dispositional tendency to engage in entrepreneurial actions and can also be moderated by socio-cultural context, national values and general entrepreneurial ecosystems. Early scholars have examined how PECs define entrepreneurial actions, particularly risk-taking (Knight, 1921), innovativeness, orientation towards achievement, dominance (Schumpeter, 1934; 1942), knowledge and entrepreneurial discovery (Hayek, 1945), and achievement motivation (McClelland, 1961). Management System International and McBer and Company, cited in Reyes *et al.* (2018), constructed ten main characters of entrepreneurs as presented in Table 1. These personal entrepreneurial characteristics were developed after studying the behaviours of many entrepreneurs in over forty (40) countries for more than five years (USAID, 2011). Entrepreneurship education therefore plays critical roles in instilling/developing these key traits in student and better prepare them for future career.

Table 1. Some major Personal Entrepreneurial Characteristics

Authors	The identified personal entrepreneurial characteristics
Ajzen (1991)	Attitude towards a behaviour, subjective norms and perceived behavioural control
Caird (1991; 2006)	Calculated risk-taking, creative tendency ¹ , high need for achievement, high need for autonomy, and an internal locus of control.
Rauch and Frese (2007; 2012)	Need for achievement, risk-taking, innovativeness, autonomy, locus of control and self-efficacy.
Management Systems International (MSI) cited in Reyes <i>et al.</i> , (2018)	Opportunity seeking, risk-taking, information seeking, systematic planning and monitoring, persuasion and networking, commitment, persistence, demand for efficiency and quality, goal-setting and self-confidence.

Source: own compilation.

Empirically, Greene *et al.* (2015) have identified entrepreneurship education as one of the major channels to propagate entrepreneurial engagements among the most affected population 'youth' by policymakers and key stakeholders. Entrepreneurship education is a major stride of the Nigerian government in promoting entrepreneurial intention among the youth. To enforce this policy, entrepreneurial education was introduced in 2006 as a compulsory component of undergraduate course requirement in Nigerian universities/tertiary institutions. More than a decade since the programme kicked off, there have been challenges and dissimilar views on the accomplishment of the policy. Notable challenges include misrepresentation of entrepreneurship education in different institutions. Some of tertiary institutions commonly presenting entrepreneurship education programmes within the context of vocational and technical education rather than developing the goal of stimulating entrepreneurship intent and interest in various disciplines. Other challenges include the theory-based approach of teaching the course.

Despite the challenges, studies have reported wide acceptance and adoption of entrepreneurial education. For instance, Ekundayo and Babatunde (2014) argue that entrepreneurial education and programs increase the students' attitudes and overall entrepreneurial intention among them. Similarly, Barba-Sánchez and Atienza-Sahuquillo (2018) claim that exposing engineering students to entrepreneurial education has a positive influence on their intention towards entrepreneurship. Further-

¹ Creative tendency is the tendency to be imaginative, innovative, curious and versatile, which requires both quantity and quality of ideas, together with flexibility and innovation in thinking.

more, Botha *et al.* (2007) found that the special women entrepreneurial programme (WEP) was effective and positively influenced business start-up and venture creation among women in South Africa. Several authors have shown other factors as influencing entrepreneurial propensity among youths to include: entrepreneurial education (Hahn *et al.*, 2020; Ayalew, 2020), supportive environment (Walter & Block, 2016), and parents' entrepreneurial role (Liñán & Fayolle, 2015; Olofinyehun, Adelowo & Egbetokun, 2018; Hopp *et al.*, 2019; Moussa and Kerkeni, 2021). Among the Hungarian students, Gubik (2021) found that positive entrepreneurial attitudes and better knowledge about entrepreneurship process has the chance to positively influence them towards entrepreneurship career. Also, Sołek-Borowski and Numprasertchai (2018) assert that entrepreneurship education positively reinforces students' attitude towards entrepreneurship career choice in Thailand and Poland. The evaluation of entrepreneurship related courses and students' participation in three countries, as demonstrated in Gubik and Baartha (2018), further confirms that providing more efficient entrepreneurial activities in the university could spur competitive drive among them. Entrepreneurial education exposes young undergraduates to the nitty-gritty of business management and mentoring, where available. This equips them with better competence and confidence to take calculated business risk. The supportive environment includes the provision of entrepreneurship centres or tech hubs where business ideas can be nurtured to improve start-up potentials among them. Parents' entrepreneurial role/activity provides a justifiable ground for the offerings to become entrepreneurs, though not automatic.

Briefs on Entrepreneurship Ecosystem in Nigeria

In a bid to eradicate the menace of unemployment in Nigeria, different government administrations have launched programmes/policies to address the situation. The programmes/policies are all targeted at improving the economy by empowering the nation's undergraduates and youth to acquire entrepreneurial skills and become self-reliant and consequently employers of labour. Some of the government's initiatives and policies, through support agencies, include National Directorate for Employment (NDE), National Poverty Eradication Programme (NAPEP), Bank of Industry (BOI) Entrepreneurship Scheme, SAED; N-POWER, SURE-P, YES and YOUWIN, business incubation centres, Small, Medium Enterprises Development Agency (SMEDAN), National Office for Technology Acquisition and Promotion (NOTAP), Raw Materials & Development Council (RMRDC), as well as compulsory entrepreneurial education for undergraduates, among others. These initiatives are set up to facilitate the establishment of ventures and small businesses to defeat the menace of poverty and unemployment (Akhuemonkhan, Raimi & Sofoluwe, 2013; Emmanuel, Dazala & Daniel, 2012).

RESEARCH METHODOLOGY

This study adopts a cross-sectional research design. A questionnaire was used to collect data from undergraduates in six selected universities in Nigeria. This approach is deemed the most appropriate study design when study samples are multi-characterised and the sample size is large. A total of three thousand two hundred and seventy-seven (N=3,277) students in their second and fifth year from six universities participated in the study. The universities were purposively selected based on the depth of entrepreneurship programme they offer. For each university, six hundred copies of the questionnaire were administered across various disciplines. A single set of questionnaires, containing closed-ended questions, was deployed to elicit relevant information from the undergraduates. The personal entrepreneurial characteristics (PEC) of students were captured using a validated scale developed by Management System International in 2018 (Reyel *et al.*, 2018). The scale was adapted and used to assess the entrepreneurial characteristics of undergraduates. The scale provided information on ten key indicators of PECs, including opportunity seeking, risk-taking, information seeking, systematic planning and monitoring, persuasion and networking, commitment, persistence, demand for efficiency and quality, goal-setting and self-confidence. In all, the students were asked to describe their PECs by responding to fifty-five (55) questionnaire items, which were scored on a five-point Likert scale ranging from 0 (never) to 4 (always). The scale validity produced a Cronbach's alpha of 0.918, suggesting superb

internal consistency and scale reliability. The mean scores were computed for analysis and a mean score above 2 is indicative of positive perception of students' entrepreneurial characteristics.

Furthermore, demographic information was requested of the students. Students were asked whether they had attended or taken an entrepreneurship education course as part of their undergraduate studies. This was a dichotomous response of either 'Yes' or 'No'. In order to measure the undergraduates' entrepreneurial interest, a dichotomous question of whether they were interested in starting a business or not was included in the questionnaire. Other important variables of interest included parents' business experience and basic background information.

Data were analysed using descriptive and inferential statistics. Weighted average mean scores were computed from the responses to PECs items. The mean scores were rated and ranked for each of the ten indicators. These ten indicators were later used as the independent variables for the binary logistic regression analysis conducted showing the extent to which the PECs defined entrepreneurial interest. The binary logistic regression provides deeper information about the degree and direction of influence of independent variables on the dependent variables. Furthermore, some control variables were introduced to estimate how parental entrepreneurial activities and entrepreneurship courses taken by the students influence their entrepreneurial potential. These two variables tend to shape students' entrepreneurial perspectives and behaviour. The results of the analyses are presented in tables and are discussed in the subsequent part of the paper.

RESULTS AND DISCUSSION

The personal entrepreneurial characteristics of respondents are described using 10 entrepreneurial traits developed and validated by Management System International, cited in Reyes *et al.* (2018). Using the mean score analysis, goal-settings (3.09), information seeking (2.88) and self-confidence (2.81) are revealed as the most occurring entrepreneurial characteristics among undergraduates of Nigerian universities. While the least occurring personal entrepreneurial characteristics among the undergraduates are risk-taking (2.42), opportunity recognition (2.41) and demand for recognition (2.53). Summarily, the majority of the undergraduates sampled scored high on the personal entrepreneurial characteristics scale with a mean score of 2.66, suggesting that the students' trait/character could potentially predispose them to entrepreneurship. Innate entrepreneurial characteristics serve as push factors in driving entrepreneurial engagement. Similarly, traits such as risk-taking and self-confidence coupled with an enabling environment propel an individual to engage in entrepreneurial activities with the goal of self-actualisation and high need for self-fulfilment.

To improve entrepreneurial thinking and encourage start-up potential among students, the low risk taking ability is one key area where attention is required.

Table 2. Personal entrepreneurial characteristics of undergraduates in Nigeria

Variables	Mean
Goal-setting	3.09
Information seeking	2.88
Self-confidence	2.81
Systematic planning	2.62
Commitment	2.60
Persistence	2.65
Persuasion and networking	2.63
Demand for recognition	2.53
Opportunity recognition	2.41
Risk-taking	2.42
Average mean	2.66

Key: Never=0, rarely=1, sometimes=2, usually=3 and always=4.

Source: own study.

Binary logistic regression analysis was employed to test the dynamic relationship between personal entrepreneurial characteristics (PECs) and the start-up potentials among the students using the mean scores computed from the PECs as the independent variables. The results show that students with high goal-setting characteristics are more likely to engage in start-ups (OR=1.79, $p < 0.001$). This result suggests that students with great ability to set goals and pursue them have greater triggers for entrepreneurship potential. In fact, one critical quality of an entrepreneur is the ability to set realistic goals and pursue them. This trait can be placed within the perceived behavioural control of Ajzen (1991), such that the confidence to succeed is demonstrated in the competence to set realistic goals, including entrepreneurial. The results corroborate those of Reyes *et al.* (2018), who demonstrated through Spearman's rank correlation that goal-setting is a significant indicator of entrepreneurial intention among undergraduate students in the Philippines.

Further results show that students with opportunity recognition abilities are more likely (OR=1.36, $p < 0.1$) to be predisposed to entrepreneurship activities. Opportunity recognition potential has been established as the ground base for entrepreneurship, and therefore the potential to recognise opportunity in the midst of challenges and chaos is a critical trait of a potential entrepreneur.

Table 3. Binary logistic regression showing relationship between start-up potentials among undergraduates and other explanatory variables

Variables	Exp (B)	95% confidence interval	Sig	S.E
Risk-taking	1.146	0.829-1.584	0.411	0.165
Opportunity recognition	1.360	0.956-1.933	0.087	0.180
Commitment	0.750	0.530-1.060	0.103	0.177
Persistent	1.068	0.743-1.535	0.723	0.185
Demand for recognition	0.979	0.674-1.422	0.910	0.191
Goal-setting	1.790	1.329-2.411	0.000	0.152
Information seeking	1.103	0.795-1.532	0.557	0.167
Systematic planning	0.943	0.662-1.344	0.747	0.181
Persuasion and networking	1.160	0.836-1.611	0.374	0.167
Self-confidence	0.983	0.708-1.363	0.916	0.167
Parents' business involvement	3.364	0.212-0.417	0.000	0.173
Student's entrepreneurial education	1.813	0.414-0.734	0.000	0.146

-2 Log Likelihood = 1429.64, Nagelkerke R square=0.093, Hosmer and Leshow Test= 0.802.

Source: own study.

Cultivating this trait through entrepreneurship education tends to improve students' locus of control and promote venture creation (Bae *et al.*, 2014; Olofinyehun *et al.*, 2018). Other PECs such as persuasion and networking (OR=1.16, $p > 0.1$) and risk taking (OR=1.146, $p > 0.1$) also predispose the students to entrepreneurship interest; however, the results were not significant. Persuasion and networking traits in students are seen to positively determine entrepreneurial interest from the analysis, justifying the self-motivation components of entrepreneurs. Certain characteristics or traits of entrepreneurs are better expressed than explained, such is the persuasion that a particular course of action is strongly pursued based on personal conviction.

Moreover, the results further showed that students whose parents have business experience are highly more likely (OR=3.364, $p < 0.001$) to start a business and students who have taken entrepreneurship education are 81% more likely (OR=1.813, $p < 0.001$) to run a business even as undergraduates. The results corroborate the impacts of parental influence and entrepreneurship education on the entrepreneurial interest of the offspring/students (Hahn *et al.*, 2020; Ayalew, 2020; Moussa & Kerkeni, 2021). Shirokova *et al.* (2016) also showed how family background of students positively influenced their entrepreneurial inclinations. The logic is straightforward as individuals whose parents operate one form of business or the other tend to be exposed to such business from a tender age. In fact, some parents deliberately prepare their offspring for business succession at a tender age through appropriate mentoring schemes (see also Liñán & Fayolle, 2015; Hopp *et al.*, 2019). Exposing students to entrepreneurship education tends to ignite the passion for entrepreneurship

in them; however, it has also been argued that EE is not a sufficient condition for promoting entrepreneurship within an ecosystem (Rippa *et al.*, 2020).

CONCLUSIONS

This study has focused on a critically important question regarding the extent to which the personal entrepreneurial characteristics (PECs) of the youth in Nigerian higher education institutions have influenced their entrepreneurial inclination. It further reinforced the established roles of entrepreneurship education and family influence on the entrepreneurial potential of the youth in the universities. Previously, some key important correlates of entrepreneurial intentions among youths include age, gender, national entrepreneurial ecosystem, family support, EE, and more importantly mentoring process were not identified. In this study, some important personal characteristics of students at universities that serve as indicators to entrepreneurial development need to be adequately targeted if the entrepreneurship education policy will achieve its desire goals. The goal-setting and opportunity recognition potential ability of students need to be adequately built or sustained to enhance entrepreneurial performance among them. Building students' opportunity recognition potential is indeed important to the foundation of entrepreneurial development in developing countries, Nigeria in particular. To develop opportunity-driven entrepreneurship is much more profitable for nations than what we currently experience in Africa, where necessity-driven entrepreneurship is at the order of the day (Global Entrepreneurship Monitor ((GEM), 2019/2020). The growth potential of opportunity-driven entrepreneurship is identified to be far-reaching rather than necessity-driven. More so, the curriculum for entrepreneurship education in the country should be tailored towards building the critical skills necessary for stimulating entrepreneurship across all universities, including goal-setting and opportunity recognition. These two factors are highly significant and predispose them to entrepreneurship. Introduction of practical business internship and mentoring processes into the EE have greater tendency to demonstrate real-life actions to sustain/improve students' entrepreneurial interest. Therefore, each university could modify the entrepreneurship education curriculum to accommodate practical or business simulation and venture mentoring processes. The establishment of innovation facilities such as business incubators, science parks, tech-hubs, and accelerators should be seriously pursued by the government and university administrators to promote and stimulate the entrepreneurship potentials of the students. For instance, most technopreneurs operating in the booming Nigerian tech-hubs across the country are mostly graduates of higher institutions, who at some point must have been exposed to compulsory entrepreneurship education. Furthermore, the ICT cluster in Lagos Nigeria, popularly known as Otigba, is another initiative to create a conducive atmosphere for businesses to thrive with spill-over effects on other sectors of the economy. Today, the Otigba computer village is renowned for huge ICTs activities to optimise production and adaptation. University administrators could replicate Otigba in the university environment by creating clusters around areas of expertise to engage students with high entrepreneurial intentions and positive entrepreneurial characteristics. Synchronising entrepreneurship education policy with science technology and innovation policy could further bolster entrepreneurship among students and faculties in the national research system thereby enriching the innovation ecosystem in the country.

The study is not without limitation. A cross-sectional data was used in the study to estimate how PECs and EE influenced entrepreneurship propensity among the students. This interest may change over time and a longitudinal data would have provided a better analysis to really monitor how their PECs changes as EE becomes more intense. Moreso, to better understand the impact of EE on entrepreneurial propensity, an experimental or quasi-experimental analysis would have provided a better result. In addition, context matter, therefore, the results should be carefully interpreted to avoid overgeneralisation.

REFERENCES

- Adebayo, A.A. (2013). Youth unemployment and crime in Nigeria: Implications for national development. *International Journal of Sociology and Anthropology*, 5(8), 350-357. <https://doi.org/10.5897/IJSA 2013.0452>

- Adelowo C.M., Egbetokun, A.A., & James A.O. (2016). *Who wants to be an entrepreneur and why? A study of highly educated young Nigerians*. A paper presented during Research Workshop for Grant Holders Organised by the Centre for Economic Policy Research (CEPR) 14-15 March 2016, London.
- Adelowo, C.M., Joshua, A., & Ilevbare, O.E. (2018). Entrepreneurship Potentials among Undergraduates in Nigerian Universities: Empirical Evidence. *AMC Indian Journal of Entrepreneurship*, 1(2).
- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, 50 (2), 179-211.
- Ajzen, I., & Fishbein, M. (2005). The influence of attitudes on behaviour (pp. 173-221). In D. Albarracín, B.T. Johnson, & M.P. Zanna (Eds.), *The handbook of attitudes*. Lawrence Erlbaum.
- Akhuemonkhan, I.A, Raimi, L., & Sofoluwe, A. (2013) Entrepreneurship Education and Employment Stimulation in Nigeria. *Journal of Studies in Social Sciences*, 3(1), 55-79.
- Ayalew, M. M. (2020). Bayesian hierarchical analyses for entrepreneurial intention of students. *Journal of Big Data*, 7(1), 1-23.
- Bae, T.J., Qian, S., Miao, C., & Fiet, J.O. (2014). The relationship between entrepreneurship education and entrepreneurial intentions: A meta-analytic review. *Entrepreneurship Theory and Practice*, 38(2), 217-254.
- Barba-Sanchez, V., & Sahuquillo, C.A. (2018). Entrepreneurial Intention among Engineering Students: The Role of Entrepreneurship Education. *European Research on Management and Business Economics*, 24(1), 53-61.
- Ben Moussa, N., & Kerkeni, S. (2021). The role of family environment in developing the entrepreneurial intention of young Tunisian students. *Entrepreneurial Business and Economics Review*, 9(1), 31-46. <https://doi.org/10.15678/EBER.2021.090102>
- Botha, M., Nieman G., & Vuuren, J. (2007). Measuring the effectiveness of the women entrepreneurial programme on potential, start up and established women entrepreneurs in South Africa. *South African Journal of Economic and Management Sciences*, 10 (2), 163-183.
- Caird, S. (2006). General measure of enterprising tendency version 2 (GET2). In T. Mazzarol (Ed.), *Entrepreneurship and Innovation*. Prahran, VIC: Tilde University Press, 247-266.
- Caird, S., (1991), The enterprising tendency of occupational groups. *International Small Business Journal*, 9(4), 75-81.
- Ekundayo, B.B., & Babatunde, E.D. (2014). The impact of entrepreneurship education on entrepreneurial intentions among Nigerian undergraduates. *International Journal of Research in Humanities, Arts and Literature*, 2(11), 15-26.
- Emmanuel, E.A., Dazala, I.U., & Daniel, J.D. (2012). Entrepreneurship Education and Attitude of Undergraduate Students to Self-Employment in Mubi, Adamawa State, Nigeria. *Journal of Education and Practice*, 3(8), 95-97.
- Gartner, W.B. (1989). Who is an entrepreneurs? is the wrong question. *Entrepreneurship Theory and Practice*, 12(2), 47-68.
- GEM (2019). *Global Entrepreneurship Monitor Report 2019/2020*. London: Global Entrepreneurship Research Association.
- GEM (2020). *Global Entrepreneurship Monitor Report 2019/2020*. London: Global Entrepreneurship Research Association, London Business School.
- Greene, P.G., Brush, C.G., Eisenman, E.J., Neck, H., & Perkins, S. (2015). Entrepreneurship education: A global consideration from practice to policy around the world. A publication of World Innovation Summit for Education, Qatar.
- Gubik, A.S. (2021). Entrepreneurial career: Factors influencing the decision of Hungarian students. *Entrepreneurial Business and Economics Review*, 9(3), 43-58. <https://doi.org/10.15678/EBER.2021.090303>
- Gubik, A.S., & Bartha, Z. (2018). The role of university in influencing the entrepreneurial intention of university students. *International Entrepreneurship Review*, 4(3), 177-188. <https://ier.uek.krakow.pl/index.php/pm/article/view/1770>
- Gürol, Y., & Atsan, N. (2006). Entrepreneurial characteristics amongst university students: Some insights for entrepreneurship education and training in Turkey. *Education + Training*, 48(1), 25-38. <https://doi.org/10.1108/00400910610645716>
- Hahn, D., Minola, T., Bosio, G., & Cassia L. (2020). The impact of entrepreneurship education on university students' entrepreneurial skills: a family embeddedness perspective. *Small Business Economics*, 55 (1), 257-282. <https://doi.org/10.1007/s11187-019-00143-y>

- Hayek, F.A. (1945). The Use of Knowledge in Society. *American Economic Review*, 35(4), 519-530.
- Holienka M., Holienková, J., & Gál, P. (2015). Entrepreneurial Characteristics of Students in Different Fields of Study: A View from Entrepreneurship Education Perspective. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 63(6), 1879-1889.
- Hopp, C., Minarikova, D., & Speil, A. (2019). A chip off the old block? How parent-child interactions affect the intergenerational transmission of entrepreneurial intentions. *Journal of Business Venturing Insights*, 11, e00130. <https://doi.org/10.1016/j.jbvi.2019.e00130>
- Igwe C.N., Adebayo, M.S., Olakanmi, O. A., Ogbonn, I.G., & Aina, O.S. (2013). Promoting Wealth and Job Creation in Nigeria- Review of the role of Entrepreneurship. *Journal of Sustainable Development Studies*, 3(1), 80-100.
- Kigotho, W. (2015). Producing unemployable graduates wastes time and money. *University World News*, 359, 1-3.
- Knight, F.H. (1921). *Risk, Uncertainty and Profit*. Boston, MA: Houghton Mifflin.
- Linan, F., & Fayolle, A. (2015). A systematic literature review on entrepreneurial intentions, thematic analyses, and research agenda. *International Entrepreneurship and Management Journal*, 11(4), 907-933. <https://doi.org/10.1007/s11365-015-0356-5>
- Lumpkin, G.T., & Dess, G.G. (1996). Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance. *Academy of Management Review*, 21(1), 135-172. <http://dx.doi.org/10.2307/258632>.
- Lumpkin, G.T., & Dess, G.G. (2001). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of Business Venturing*, 16(5), 429-451. [https://doi.org/10.1016/S0883-9026\(00\)00048-3](https://doi.org/10.1016/S0883-9026(00)00048-3)
- Maina, R.W. (2011). Determinants of entrepreneurial intentions among Kenyan college graduates. *KCA Journal of Business Management*, 3(2), 1-18. <https://doi.org/10.4314/kjbm.v3i2.65968>
- McLrelland, U.C. (1961). *The achieving society*. New York: New York Free Press
- NBS (2018). Report, Labour Force Statistics: Unemployment and Underemployment Report Q4 2017-Q3 2018. National Bureau of Statistics.
- NBS (2020). Labor Force Statistics: Unemployment and Underemployment Report (Q2 2020). National Bureau of Statistics, Abridged Labour Force Survey Under Covid-19. National Bureau of Statistics (NBS), Abuja. Retrieved from https://www.nigerianstat.gov.ng/pdfuploads/Q2_2020_Unemployment_Report.pdf on 20 July 2021.
- Olofinyehun, A., Adelowo, C., & Egbetokun, A. (2018). The Supply of High Quality Entrepreneurs in Developing Countries: Evidence from Nigeria. *Science and Public Policy*, 45(2), 269-282.
- Olomi, D.R., & Sinyamule, R.S. (2009). Entrepreneurial inclinations of vocational education students: A comparative study of male and female trainees in Iringa region, Tanzania. *Journal of Enterprising Culture*, 17(1), 103-125.
- Pinelli, M. (2015). Can entrepreneurship solve the youth unemployment crisis? Retrieved from <https://www.weforum.org/agenda/2015/09/can-entrepreneurship-solve-the-youth-unemployment-crisis/> on 27 April 2021.
- Rauch, A., & Frese, M. (2007). Let's put the person back into entrepreneurship research: A meta-analysis on the relationship between business owners' personality traits, business creation, and success. *European Journal of Work and Organizational Psychology*, 16(4), 353-385. <https://doi.org/10.1080/13594320701595438>
- Rauch, A., & Frese, M. (2012). Entrepreneurship as a Key Element in Advancing the Psychology of Competitive Advantage. *Industrial and Organizational Psychology*, 5(1), 108-111. <https://doi.org/10.1111/j.1754-9434.2011.01414.x>
- Reyes, G.U., Mariano, R.A., Herrera, M.N.Q., Manipol, N.E.P., & Cabardo, J.J.S. (2018). Personal Entrepreneurial Competencies and Entrepreneurial Intention of Non-Business Students Enrolled in an Introductory Entrepreneurship Course. *Journal of Economics, Management and Agricultural Development*, 4(1), 93-102.
- Rippa, P., Ferruzzi, G., Holienka, M., Capaldo, G., & Coduras, A. (2020) What drives university engineering students to become entrepreneurs? Finding different recipes using a configuration approach. *Journal of Small Business Management*, <https://doi.org/10.1080/00472778.2020.1790291>
- Schumpeter, J.A. (1934). *The Theory of Economic Development*. Harvard Economic Studies.
- Schumpeter, J.A. (1942). *Capitalism, Socialism and Democracy*. London: Allen and Unwin.
- Shirokova, G., Osiyevskyy, O., & Bogatyreva, K. (2016). Exploring the intention–Behaviour link in student entrepreneurship: Moderating effects of individual and environmental characteristics. *European Management Journal*, 34(4), 386-399. <https://doi.org/10.1016/j.emj.2015.12.007>

- Siyanbola W.O, (2011). Framework for Technological Entrepreneurship Development: Key Issues and Policy Directions. *American Journal of Industrial and Business Management*, 1(1), 10-19. <https://doi.org/10.4236/ajibm.2011.11002>
- Souitaris, V., Zerbinati, S., & Al-Laham, A. (2007). Do entrepreneurship programmes raise entrepreneurial intention of science and engineering students? The effect of learning, inspiration and resources. *Journal of Business Venturing*, 22(4), 566-591. <https://doi.org/10.1016/j.jbusvent.2006.05.002>
- Sołek-Borowska, C., & Numprasertchai, H. (2018). Exploring entrepreneurial intentions of students: international perspective. *International Entrepreneurship Review*, 4(3), 357-372. Retrieved from <https://ier.uek.krakow.pl/index.php/pm/article/view/1779> on 1 August 2021.
- Titley, J., & Anderson-Macdonald, S. (2015). *When entrepreneurship training matters most*. International Growth Centre Blog. Retrieved from <https://www.theigc.org/blog/when-entrepreneurship-training-matters-most/> on 8 February 2021
- USAID (2011). *The entrepreneurship toolkit Successful approaches to fostering Entrepreneurship*. Business Growth Initiative Publication.
- Walter, S.G., & Block, J.H. (2016). Outcomes of entrepreneurship education: An institutional perspective. *Journal of Business Venturing*, 31(2), 216-233. <https://doi.org/10.1016/j.jbusvent.2015.10.003>.
- World Bank (2020). *The Human Capital Index 2020 Update: Human Capital in the Time of COVID-19*. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/3443>
- World Bank (2019). *Nigeria Economic Update: Accelerating Economic Expansion, Creating New Job Opportunities*. Retrieved from <https://www.worldbank.org/en/country/nigeria/publication/nigeria-economic-update-accelerating-economic-expansion-creating-new-job-opportunities> on 20 July 2021.
- Wu, S., & Wu, L. (2008). The Impact of Higher Education on Entrepreneurial Intentions of University Students in China. *Journal of Small Business and Enterprise Development*, 15(4), 752-774. <https://doi.org/10.1108/14626000810917843>

Authors

All three authors were jointly responsible for drafting the manuscript. C.M. Adelowo and O. Ilevbare obtained, analysed and interpreted the data. J. Surujlal critically revised the manuscript for submission.

Caleb M. Adelowo

PhD in Technology Management (2017) Obafemi Awolowo University, Nigeria; MSc Technology Management (2014), Obafemi Awolowo University; Master's degree in Intellectual Property (2010), Africa University, Zimbabwe, BSc Accounting (2008) Obafemi Awolowo University, Nigeria. His research interests include Entrepreneurship and innovation management, intellectual property management, technology transfer and commercialisation, organisational behaviour.

Correspondence to: Dr. Caleb M. Adelowo, Postdoctoral Fellow, Faculty of Economic and Management Sciences, North-West University, Potchefstroom, South Africa, e-mail: caleb.adelowo@nacetem.gov.ng; calebakinrinade@yahoo.com

ORCID  <http://orcid.org/0000-0002-4578-5708>

Oluwatosin E. Ilevbare

PhD in Psychology (2018), Obafemi Awolowo University, Nigeria; MSc Psychology, (2013), Obafemi Awolowo University, Nigeria; BSc Psychology, (2007), Obafemi Awolowo University, Nigeria. Her research interests include health behaviour, entrepreneurial studies and adoption of innovation.

Correspondence to: Dr. Oluwatosin E. Ilevbare, National Centre for Technology Management, Ile-Ife, Nigeria, e-mail: psytosin@yahoo.com

ORCID  <http://orcid.org/0000-0001-6263-6758>

Jhalukpreya Surujlal

PhD in Sport Management (2003), University of Johannesburg, South Africa; Master's in Public Administration (MPA), University of KwaZulu-Natal, South Africa; BCom, University of South Africa (UNISA). His research interests are human resource management, sport management, marketing and entrepreneurship.

Correspondence to: Dr. Jhalukpreya Surujlal, Faculty of Economic and Management Sciences, North-West University, Potchefstroom, South Africa, e-mail: Babs.Surujlal@nwu.ac.za

ORCID  <http://orcid.org/0000-0003-0604-4971>

Acknowledgements and Financial Disclosure

The authors acknowledged PEDL Research Team (ERG#3155) for making the data available to the authors. Data used were collected by the Team (Adelowo, Egbetokun and James) in 2016.

Conflict of Interest

The authors declare no conflict of interest.

Copyright and License



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License
<http://creativecommons.org/licenses/by-nd/4.0/>

The publisher:

Department of International Trade
Centre for Strategic and International Entrepreneurship
Cracow University of Economics
ul. Rakowicka 27, 31-510 Krakow, Poland
phone +12 293 5929, -5376, fax +12 293 5037
e-mail: ier@uek.krakow.pl
<http://ier.uek.krakow.pl>



CRACOW
UNIVERSITY
OF ECONOMICS



**INTERNATIONAL
TRADE
DEPARTMENT**

ISSN 2658-1841

