ANALYSIS OF ENTREPRENEUR'S MOTIVATION TO START BUSINESS (COMPARATIVE STUDIES IN LATVIA IN COMPARISON WITH CANADA, USA, MEXICO)

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Business start is important issue from government policy side as well as it has interests of academic researchers worldwide. Researcher attention is paid on decision to start or not to start business (Townsend, et al, 2010), on issues on business takeover or new venture start (Parker, et al, 2012), different approaches in business start – up are analysed (Chwolka and Raith, 2012), there are made evaluations of different research conducted in this area during half a decade (Lambert and Davidson, 2013), made comparisons and cross – country investigations (Clerq, et al, 2012), made different kinds of forecasts (Cassar, 2014). Researchers are interested in performance expectations of entrepreneurs in business start: which driving forces are most important, do they differ in different countries, by age groups, by education level obtained to examine intrinsic and extrinsic motives in different contexts. Aim of the current research is to make comparisons of performance expectations of entrepreneurs willing to start business with special attention to factors influencing business success in comparison with entrepreneurs in Canada, USA and Mexico. Tasks of the current paper are: to find out the results of opinion of starting entrepreneurs, which factors are more important; find out the complex factors of entrepreneurs motivation to start business and make comparisons with the results in other countries; find out the opinion differences of starting entrepreneurs by age groups and by education level. The results of researchers could be used for public administrators and politicians for preparation of suggestions for decision making.

Methods and results: Research methods used: scientific literature studies, survey of starting entrepreneurs in the business start phase in Latvia (survey was conducted in October 2013 – February, 2014) which is comparable with survey conducted in Canada, USA and Mexico, results are compared with survey results in Canada, USA and Mexico. In survey for most of questions evaluation scale 1 – 5 is applied. The same methodology is used as in countries listed. For data processing descriptive statistical indicators, factor analysis and variance analysis are applied. Main findings of the paper are that in general the motivation factors in different countries are alike, but for Latvia entrepreneurs willing to start their business most important factors influencing business success are: good client service; honesty reputation; charisma and friendliness with clients; good management abilities and among the less important factors are: political support and interest. Factor analysis has indicated five complex factors from 17 initial factors. Factor analysis with extraction method: Principal component analysis, rotation method: varimax with Kaiser normalisation was performed rotated five complex factors in 9 iterations.

Keywords: *business start, entrepreneurs, performance expectations.*

Introduction

New venture start has been on research agenda worldwide for many decades as entrepreneurs and their success in business create conditions for further development of their businesses as well as national economy. Motivation to start new businesses has been researched by many scientists and on different aspects. The aim of the current research is to make comparisons of performance expectations of entrepreneurs willing to start business with special attention to factors influencing business success in comparison with entrepreneurs in Canada, USA and Mexico. Tasks of the current paper are: to find out the results of opinion of starting entrepreneurs, which factors are more important; find out the complex factors of entrepreneurs motivation to start business and make comparisons with the results in other countries; find out the opinion differences of starting entrepreneurs by age groups and by education level. The results of researchers could be used for public administrators and politicians for preparation of suggestions for decision making.

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Theoretical background

American scientists David M. Townsend, Lowel W. Busenitz and Jonathan D. Arturs have devoted their research on outcome and ability expectations in the decision to start a new venture and after five year's study came to conclusion that there are different results proved by statistical data (Townsend, *et al,* 2010). Personality aspects are important in new enterprise start which has been indicated by five meta-analyses and scientifically discussed by researcher Hermann Bradstrater from Austria (Bradstrater, 2011). Researchers from United Kingdom, Norway and the Netherlads have devoted their scientific interest to the nature of entrepreneurial experience, business failure and comparative optimism came to conclusion that entrepreneurs who have experienced failure do not appear to adjust their comparative optimism (Uchasaran, *et al,* 2010). Researchers from Canada and the Netherlands have investigated the entrepreneur's mode of entry: business takeover or new venture start (Parker and van Praag, 2012). Research on importance of entrepreneurial goals and resource allocation in new owner-managed firms have been researched by scientists from United States and have

found that owner goals have statistically significant effect on resource allocation for new firms (Dunkelberg, *et al,* 2012). Research on what kind of capital is needed to start business: financial or human have resulted that both factors are important (Montgomery, *et al,* 2005). Gavin Cassar from USA has indicated the linkages among providers of finance, maturity of assets, and the capital structure of start – ups (Cassar, 2004). Researching aspects in service business and service revenue have indicated that if manufacturing companies can overcome beghavioral processes thr managerial motivation is increasing leading to more investments in the service business and thus enhancing service revenue and overall profitability (Gebauer and Fleisch, 2007).

The influence of personality traits may be stronger with entrepreneurs than with most other professions, achievement motivation is favourable both for business foundation and business success (Brandstätter, 2011). David M. Townsend, Lowell W. Busenitz and Jonathan D. Arthurs (Townsend, et al, 2010) had indicated that ability expectancies are a robust predictor of new venture start-up decisions while outcome expectancies play a marginal role.

Extensive research on cross – country investigation of micro-angel investment activity and the roles of new business opportunities and institutions were performed by researchers from Canada, Belgium and United Kingdom has shown that there are cross – country differences in micro – angel investment activity (de Clercq, *et al,* 2012). Research on entry regulation and business start-ups as evidence from Mexico has indicated that new start – ups about 5 % per month are in eligible industries (Kalpan, *et al,* 2011). Research on start – up incentives as entrepreneurship policy or active labour market programme has indicated that several approaches could be applied (Roman, *et al,* 2013). Issues on business creation in higher education establishments and use of academic experience in entrepreneurial activities are on research agenda of Italian and American researchers, good results could be used in practice (Fini, *et al*, 2014). Researchers on different kinds of companies and their activities in R&D in Japanese start – ups have concluded that firms investing more in R&D tend to engage in R&D cooperation, regardless the type of partners (Okamuro, *et al,* 2011). In many researchers have been confirmed that it is important to have business support infrastructure for entrepreneurs are for special importance for developing of work-based learning with the encouragement of efficient knowledge management in entrepreneurship (Cakula, *et al,* 2013). In different countries motivation, self-efficiacy, and risk attitudes among entrepreneurs are different and it is important to take into account local specifics to manage the company in a successful way (Tyszka, *et al,* 2011). In most of the countries illegal entrepreneurship is on agenda. Researchers have investigated the aspects of illegal entrepreneurship and the level of business performance and motivation and have found that such experience create problems for company development (Aidis and van Praag, 2007). The findings of researchers in other countries (Schane, 2014; Birley and Westhead, 1994) and wide range of scientific publications make motivation to investigate the researched aspects in home country and make comparisons with the results of other countries.

Empirical data analysis

The data of the Register statistics of Latvia (Lursoft – Enterprise Register, Republic of Latvia, 2014) has shown that the largest newly founded businesses in the last 5 years were in 2011, the 18045 were founded. During the last two years the number of newly founded businesses had decreased approximately by 9.3% (in 2012 the 16891 were founded, in 2013 – 16365). The number of the liquidated businesses during the last two years had increased approximately by 5.9% (in 2011 were liquidated 3921 businesses, in 2012 – 4307, in 2013 – 4152). The average age of small businesses in Latvia is approximately 6.5 years.

Motivation to start business and business success influencing factors were measured using a five-point Likert scale. The evaluation 1 would rate as unimportant, 2 as not very important, 3 as mildly important, 4 as very important and 5 as extremely important. The same evaluation scale was used in the Canada, USA and Mexico.

Most important motivations factors to start business for entrepreneurs in Latvia were: make own decisions; increase income and maintain personal freedom. The entrepreneurs evaluated these factors more than very important. Among the less important factors were: provide jobs for family; gain public recognition and build a business to pass on. The entrepreneur's evaluations were quite homogeneous (see Table 1).

In the Canada and USA the motivation factor make my own decision were evaluated uppermost (mean 4.46 and 4.30, std. deviation 0.793 and 0.780), in the Mexico entrepreneurs higher evaluated factor increase income (mean 4.33, std. deviation 0.881).

For identifying the key factors motivating entrepreneurs to start business and determining the mutual statistical relations of the factors the authors had used the factor analysis. As a result of the factor analysis the initial 18 factors, through six iterations (by using the Varimax rotation with Kaiser Normalisation), using extraction method Principal Component Analysis were grouped in 6 complex factors (see Table 2).

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

1) Complex factor F1: independence – the factor has relatively high burdens on the following motivation variables: be my own boss; create my own job; make my own decisions; maintain my personal freedom.
2) Complex factor F2: family support – the factor has relatively high burdens on the following motivation variables: build a business to pass on; provide jobs for family; be closer to my family; always have job security.
3) Complex factor F3: business development – the factor has relatively high burdens on the following motivation variables: maximize business growth; increase sales and profits; meet the challenge.
4) Complex factor F4: prove that I achieve success – the factor has relatively high burdens on the following motivation variables: gain public recognition; prove I can succeed.
5) Complex factor F5: income – the factor has relatively high burdens on the following motivation variables: acquire a comfortable living; increase my income; build up equity for retirement.
6) Complex factor F6: personal satisfaction – the factor has relatively high burdens on the following motivation variables: have fun; for my own satisfaction.

Table 1. Entrepreneurs Assessments of Motivation to Start Business, means and standard deviations

	Mean	Std. Deviation
Make my own decisions	4.38	0.666
Increase my income	4.36	0.678
Maintain my personal freedom	4.30	0.831
Maximize business growth	4.27	0.863
Have fun	4.26	0.846
Acquire a comfortable living	4.23	0.753
Increase sales and profits	4.20	0.822
Be my own boss	4.20	0.835
Create my own job	4.17	0.874
For my own satisfaction	4.15	0.866
Prove I can succeed	3.97	1.002
Meet the challenge	3.95	0.954
To always have job security	3.87	1.020
Be closer to my family	3.79	1.081
Build up equity for retirement	3.68	1.095
Build a business to pass on	3.47	1.128
Gain public recognition	3.30	1.062
Provide jobs for family	3.12	1.140

Source: authors calculations based on entrepreneurs survey conducted in October 2013 - February 2014 (n = 195), evaluation scale 1–5, where 1 – unimportant; 5 – extremely important.

The results of descriptive statistic indicators – indicators of central tendency (arithmetic mean, mode and median) as well as indicators of variability (range, standard deviation and standard error of mean) have shown the importance of respective motive which was associated to each complex factor (see Table 3).

The motivation factor of independence had the highest evaluations by respondents, this factor has been evaluated by the highest evaluation by most of respondents (indicated by mode), the second most important factor was personal satisfactions, third – business development, fourth – income, fifth – prove that achieve success and sixth – family support. All analysed factors had very high evaluations indicated by indicators of central tendency (arithmetic mean, mode and median).

In the Canada, USA and Mexico four complex factors were extracted by using factor analysis: income, personal motivation, independence and family, security. In the Canada the first complex factor was the family, security, second – income, third – independence and fourth – personal motivation. In the USA and Mexico the first complex factor like in the Canada was income factor, second – independence, third – personal motivation and fourth family, security.

The business success factors were measured with same five-point Likert scale described above. The most important factors influencing business success were: good client service; honesty reputation; charisma and friendliness with clients; good management abilities, the entrepreneur's evaluations were quite homogeneous. Among the less important factors were: previous entrepreneurship experience, geographical location, political support and interest (see Table 4).

Table 2. Entrepreneurs Motivations to Start Business Factor Analysis (complex factor matrix after rotation)

	Factors					
	F1	F2	F3	F4	F5	F6
Be my own boss	0.861	0.036	-0.004	0.086	0.179	0.041
Create my own job	0.822	0.216	0.225	0.094	0.054	0.043
Make my own decisions	0.636	0.025	0.176	-0.005	0.116	0.224
Maintain my personal freedom	0.538	0.272	-0.144	-0.118	0.105	0.519
Build a business to pass on	0.099	0.782	0.222	0.213	-0.016	0.052
Provide jobs for family	-0.022	0.780	-0.024	0.079	0.184	0.039
Be closer to my family	0.186	0.723	0.159	-0.144	0.091	0.256
To always have job security	0.449	0.570	0.137	0.071	0.108	-0.150
Maximize business growth	0.049	0.117	0.843	0.091	0.193	0.179
Increase sales and profits	0.304	0.302	0.722	0.004	0.123	0.015
Meet the challenge	0.083	0.021	0.590	0.481	0.043	0.240
Gain public recognition	-0.073	0.026	-0.021	0.824	0.105	0.077
Prove I can succeed	0.195	0.143	0.196	0.813	0.031	0.037
Acquire a comfortable living	0.179	-0.021	0.127	0.065	0.776	0.175
Increase my income	0.176	0.075	0.056	-0.046	0.720	0.020
Build up equity for retirement	-0.011	0.279	0.113	0.172	0.669	-0.058
Have fun	0.110	0.066	0.157	0.013	0.101	0.824
For my own satisfaction	0.092	0.042	0.213	0.388	-0.022	0.689

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 6 iterations
Source: authors calculations based on entrepreneurs survey conducted in October 2013 - February 2014 (n=195), evaluation scale 1–5, where 1 – unimportant; 5 – extremely important.

Table 3. Descriptive Statistics Figures for Motivations Factors

Motivation Factors	Mean	Std. Error of Mean	Median	Mode	Std. Deviation	Range
Independence	4.26	0.029	4	5	0.808	4
Family support	3.56	0.040	4	4	1.130	4
Business development	4.14	0.036	4	4	0.793	4
Prove that achieve success	3.64	0.055	4	4	1.085	4
Income	4.09	0.038	4	4	0.828	4
Personal satisfaction	4.21	0.044	4	4	0.856	4

Source: authors calculations based on entrepreneurs survey conducted in October 2013 - February 2014 (n=195), evaluation scale 1–5, where 1 – unimportant; 5 – extremely important.

Table 4. Entrepreneurs Evaluations of Business Success Influencing Factors, means and standard deviations

	Mean	Standard Deviation
Good client service	4.56	0.638
Honesty reputation	4.52	0.725
Charisma and friendliness with clients	4.44	0.671
Good management abilities	4.44	0.605
Ability of personnel management	4.35	0.756
Good product and competitive price	4.34	0.718
Society involvement	4.13	0.911
Marketing factors. sales support	4.12	0.824
Capital availability	4.11	0.876
Family and friends support	4.01	0.890
Appropriate training	3.99	0.800
Accurate sales/documentation of income	3.80	0.881
Hard work	3.74	0.919
Support from management	3.63	0.999
Previous entrepreneurship experience	3.55	0.960
Geographical location	3.53	1.082
Political support and interest	3.16	1.061

Source: authors calculations based on entrepreneurs survey conducted in October 2013 - February 2014 (n = 195), evaluation scale 1–5, where 1 – unimportant; 5 – extremely important.

Table 5. Business Success influencing Factors which Influence Differed Statistically Significant by Age Groups, variance analysis (ANOVA)

		Sum of Squares	df	Mean Square	F	Sig.
Appropriate training	Between Groups	6.476	4	1.619	2.643	0.036
	Within Groups	100.471	164	0.613		
	Total	106.947	168			
Previous entrepreneurship experience	Between Groups	10.490	4	2.623	3.015	0.020
	Within Groups	143.533	165	0.870		
	Total	154.024	169			
Marketing factors, sales support	Between Groups	8.086	4	2.021	2.932	0.022
	Within Groups	113.050	164	0.689		
	Total	121.136	168			

Source: authors calculations based on entrepreneurs survey conducted in October 2013 - February 2014 (n = 195), evaluation scale 1–5, where 1 – unimportant; 5 – extremely important.

The three factors that influence business success – appropriate training, previous entrepreneurship experience and marketing factors, sales support, differed statistically significant by age groups. The evaluation of differences by age groups were evaluated by help of analysis of variance (ANOVA), the mean difference of age groups was significant (p < 0.05) (see Table 5).

The factor – appropriate training, differed statistically significant in the age groups 20–29 years and 50–59 years (Tamhane test, $p = 0.043$). In the age group 50–59 years entrepreneurs evaluated factor appropriate training higher than entrepreneurs in the age group 20–29 years (mean 4.4 and 3.8 accordingly).

The factor – previous entrepreneurship experience, differed statistically significant in the age groups 20–29 years and over than 50 (LSD test, $p = 0.017$). In the age group

over than 50 years entrepreneurs evaluated factor previous entrepreneurship experience higher than entrepreneurs in the age group 20–29 years (mean 4.3 and 3.3 accordingly).

The factor – marketing factors, sales support, differed statistically significant in the age groups 30–39 years and 40 – 49 years (Tamhane test, $p = 0.020$). Entrepreneurs in the age group 40 – 49 years evaluated factor appropriate training higher than entrepreneurs in the age group 30–39 years (mean 4.4 and 3.9 accordingly).

It is checked, the evaluations of only one factor that influence business success – good product and competitive price, differed statistically significant depending on entrepreneur's education level, it was performed by help of analysis of variance. The mean difference of entrepreneur's evaluations was significant (p < 0.05) for education levels: college and university degree. The entrepreneurs whose

education level was college level education have evaluated factor of good product and competitive price higher than entrepreneurs whose education level were university degree (mean 4.8 and 4.3; standard deviation 0.41 and 0.75 accordingly). The average evaluations (arithmetic mean, mode and median) are reflected in figure 1.

Conclusions

Main findings of the research results included in the paper are that in general the motivation factors in different countries are alike, but for Latvia entrepreneurs willing to start their business most important factors influencing business success are: good client service; honesty reputation; charisma and friendliness with clients; good management abilities and among the less important factors are: political support and interest.

The entrepreneurs in Latvia were more centred on intrinsic motives to start a business– the desire to be independent. Most important motivations factors for beginners in entrepreneurship are: to start business for entrepreneurs in Latvia were: make own decisions; increase income and maintain personal freedom which is similar to the Canada, USA and Mexico entrepreneurs view.

In Latvia the most important factors influencing expectations for business success for starting entrepreneurs were: good client service; honesty reputation; charisma and friendliness with clients; good management abilities.

There are statistically significant differences with high probability of starting entrepreneurs on attitudes towards appropriate training: the evaluations of respondents by age groups: older entrepreneurs evaluate appropriate training higher than younger entrepreneurs.

There are statistically significant differences on starting entrepreneur's attitudes towards previous entrepreneurship experience: the evaluations of respondents were different by age groups: older entrepreneurs evaluate appropriate training higher than younger entrepreneurs. For other evaluated factors there were not statistically significant differences by age groups.

The entrepreneurs with college level education have evaluated factor of good product and competitive price statistically significant higher than entrepreneurs who had university level education.

The evaluations of business success influenced the following factors: appropriate training, previous entrepreneurship experience and marketing factors, sales support, differed statistically significant by age groups. In evaluations of starting entrepreneurs only one factor of the evaluated factors – good product and competitive price, differed statistically significant depending on entrepreneur's education level. The investigated factors had high evaluations of respondents.

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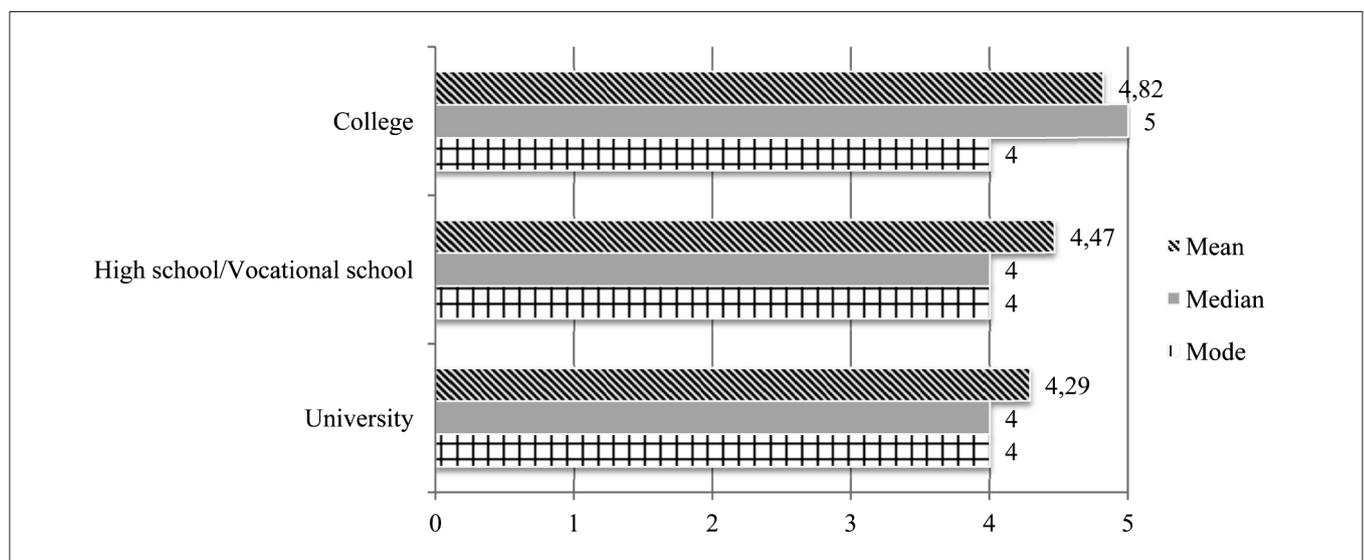
Figure. 1. Entrepreneurs Average Evaluations of Business Success Influencing Factor – Good Product and Competitive Price, by Education Level

Source: authors calculations based on entrepreneurs survey conducted in October 2013–February 2014 (n = 195), evaluation scale 1 – 5, where 1 – unimportant; 5 – extremely important.

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