

## **Entrepreneurial Perceptions and Activity – Differences and Similarities in Four Eastern European Countries**

**Ágnes NAGY**

Babeş-Bolyai, University, Cluj-Napoca  
agnes.nagy@econ.ubbcluj.ro

**Ştefan PETE**

Babeş-Bolyai University, Cluj-Napoca  
stefan.pete@econ.ubbcluj.ro

**Lehel-Zoltán GYÖRFY**

Babeş-Bolyai University, Cluj-Napoca  
lehel.gyorfy@econ.ubbcluj.ro

**Tünde Petra PETRU**

Babeş-Bolyai University, Cluj-Napoca  
petra.petru@econ.ubbcluj.ro

**Anamária BENYOVSZKI**

Babeş-Bolyai University, Cluj-Napoca  
annamaria.benyovszki@econ.ubbcluj.ro

**Abstract.** *The aim of this article is to reflect upon the differences between entrepreneurial perceptions, attitudes and activity in Croatia, Hungary, Romania and Serbia in 2007-2008 period using Global Entrepreneurship Monitor Adult Population Survey database.*

**Keywords:** entrepreneurship; entrepreneurial perceptions; entrepreneurial attitudes; early-stage entrepreneurs; nascent entrepreneurs; baby business owner-manager; global entrepreneurship monitor; efficiency-driven economies.

**JEL Codes:** M13, J26, C83.

**REL Codes:** 9B, 14D.

## Introduction

Entrepreneurship is a subject widely treated in the economic literature. Despite that there isn't any universally accepted definition of the entrepreneur or the entrepreneurial process, the specialists agree on their importance in the economic development. The aim of this paper is the comparative analysis of the Croatian, Hungarian, Romanian and Serbian entrepreneurial activity and behaviour emphasizing the attitudes and the perceptions of the population towards entrepreneurship.

### 1. Theoretical background

The entrepreneur concept isn't clearly defined, being significantly changed through its evolution in economic theories. Researchers' debate on this topic proved to be endless, without resulting until now a universally accepted definition (Bygrave, Hofer, 1991).

Accepting the Global Entrepreneurship Monitor theoretical model for this analysis, we used the following terms in assessing the entrepreneurial activity of the adult population:

- *Nascent Entrepreneurs* are those who are actively planning a new venture. These entrepreneurs have done something during the previous 12 months to help start a new business, that he or she will at least partly own. Activities such as organizing the start-up team, looking for equipment, saving money for the start-up or writing a business plan would all be considered as active commitments in starting a business. This business has not paid salaries, wages or any other payments to the owners for more than three months.
- *Young Business Entrepreneurs* (baby business owner-managers) are those entrepreneurs who at least partly own and manage a new business that is between 4 and 42 months old and have not paid salaries for longer than this period. These new ventures are in the first 42 month after the new venture has been set up.
- *Early-Stage Entrepreneurs* refers to the early stage entrepreneurial activity among the adult population aged between 18-64 years, identified as nascent or young business entrepreneurs. In those cases when the respondent is involved both as nascent and young business entrepreneur then the respondent is counted only once as a nascent entrepreneur.
- *Established Business Owners* are those entrepreneurs who have set up businesses that they have continued to own and manage and which had

paid wages and salaries for more than 42 months (Bosma et al., 2008, p. 11).

The newly created businesses will create new jobs and they will contribute further to the economic growth, stimulating both product and labour force market. On the other hand, not all of the entrepreneurs will succeed. Van Praag (2005) sees the entrepreneurial failure in the two following ways: the entrepreneur doesn't reach the phase in which he should employ labour force to turn his business in a profitable organisation, the business created doesn't survive the first period and bankrupts. This indicates also the psychological and social cost of the entrepreneurial failure.

In Bygrave and Minniti's (2000) opinion different cultures and regions from many countries indicate a geographical concentration of the entrepreneurial activities. The entrepreneurial activity might create proper conditions for new market development and also new business opportunities, catalysing the whole set of economical activities.

## **2. Data used**

In our article we used the Global Entrepreneurship Monitor (GEM) 2007 and 2008 Adult Population Survey database for Croatia, Hungary, Romania and Serbia.

GEM is a large scale research program launched in 1997 by leading researchers in the field of entrepreneurship at London Business School and Babson College. The first research was published in 1999 and it included 10 countries. Since then the project has been extended to include 42 countries in 2007, 43 in 2008 and 54 countries in 2009. The main aim of GEM research is to study the complex relationship between entrepreneurship and economic growth, to measure the level of entrepreneurial activity between countries, to uncover factors determining the levels of entrepreneurial activity and to identify policies which may stimulate the level of entrepreneurial activity. GEM, as a research program that focuses on a major driver of economic growth, on entrepreneurship, admits the widely acknowledged phenomena that entrepreneurship is one of the most important forces shaping the changes in the economic landscape.

In each country, a survey company conducts a telephone survey or face to face interview of the adult population aged between 18 and 64 year. This survey was carried out to measure the entrepreneurial behaviour and the attitudes of adult population in Croatia, Hungary, Romania and Serbia. The survey data are used to calculate the Total Entrepreneurial Activity Index (TEA), a comparable measure of entrepreneurial activity across countries.

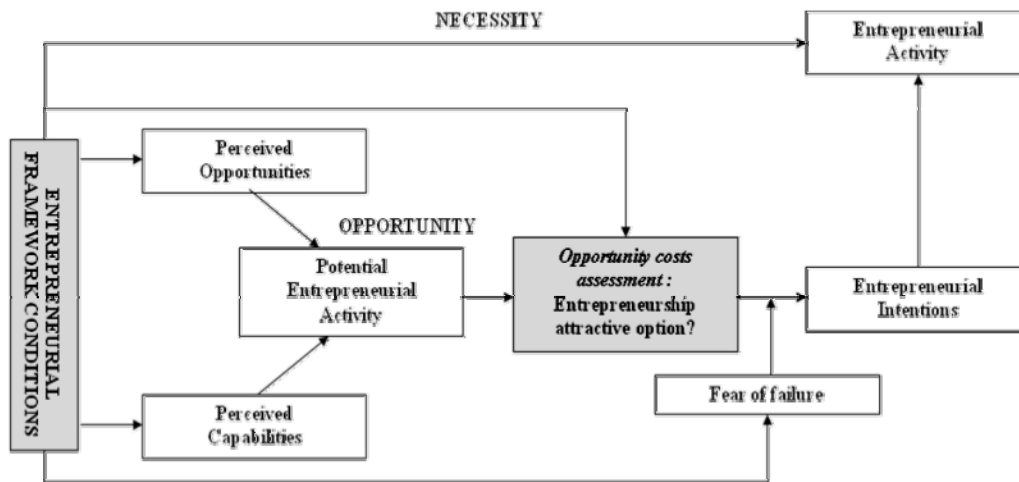
According to the Global Competitiveness Report, in the first stage, the economy is *factor-driven* and countries compete based on their factor endowments: primarily unskilled labor and natural resources. Companies compete on the basis of price and sell basic products or commodities, with their low productivity reflected in low wages. Maintaining competitiveness at this stage of development hinges primarily on well-functioning public and private institutions, well-developed infrastructure, a stable macroeconomic framework, and a healthy and literate workforce. As wages rise with advancing development, countries move into the *efficiency-driven* stage of development, when they must begin to develop more efficient production processes and increase product quality. At this point, competitiveness is increasingly driven by higher education and training, efficient goods markets, well-functioning labor markets, sophisticated financial markets, a large domestic and/or foreign market, and the ability to harness the benefits of existing technologies. Finally, as countries move into the *innovation-driven* stage, they are able to sustain higher wages and the associated standard of living only if their businesses are able to compete with new and unique products. At this stage, companies must compete through innovation, producing new and different goods using the most sophisticated production processes (Schwab, 2009, pp. 7-8).

The analyzed countries are efficiency-driven economies, from which three (Croatia, Hungary, Romania) are in transition to innovation-driven economies.

In Romania in 2007 a representative sample of 1739 adults aged between 18-64 years, in 2008 1667 adults was interviewed using the standard GEM questionnaire. The size of the sample in Croatia was 1541 in 2007, 1696 in 2008, in Hungary 1500 in 2007, respectively 1994 in 2008, while in Serbia 1766 in 2007, 1813 in 2008.

### **3. The evolution of the entrepreneurial perceptions and attitudes in the analyzed countries**

According to Davidsson (1991) an important driver of national entrepreneurial capacity is how people perceive entrepreneurship. Perceptions about entrepreneurship may affect the supply side and the demand side of entrepreneurship. The following figure presents the main components of entrepreneurial attitudes according to Wennekers (2006).



Source: Bosma et al., 2008, p. 36.

**Figure 1.** Entrepreneurial perceptions, attitudes and entrepreneurial activity

The individual perceptions and attitudes regarding the entrepreneurial activity in Croatia, Hungary, Romania and Serbia describe a changed situation in the analyzed period as it can be seen in Table 1.

The obtained results emphasize similarities in the perception of Croatian and Serbian people towards entrepreneurship in the both analyzed years, in comparison with Romania and Hungary. In Croatia and Serbia, entrepreneurship informal networks might be built easier and entrepreneurial models are easier observed in the personal environment of the people. In 2008 in Croatia 57.21% (60.04% in 2007) and in Serbia (59.11% in 2008) of the adult population aged between 18 and 64 years know somebody who started a business in the past two years, while in Romania 41.23% (46.96% in 2007) and in Hungary only 32.39%. The share of those who saw good business opportunities for the next half year was similar in Romania and Hungary in 2007 (27.36%, respectively 29.62%), share which remains at the same level in 2008 in Romania and decreased to 22.42% in Hungary. These results describe much less opportunity recognition than the around 50% positive answer in case of Serbia and Croatia in the analyzed period. The opportunity perception of starting a new business decreased in the analyzed countries, with one exception, Serbia.

Serbian and Croatian citizens seem to be, according to our analysis, much more self confident in their entrepreneurial skills, almost two thirds of the adult population thinking that they have the required experience and skills to

start a business, while in Hungary half of the population considers this. While this share remained at the same level in the three mentioned countries in 2008 as it was in 2007 (with a slight increase in Hungary), in Romania the lowest share from the four analyzed countries decreased from one third to 28.67% in 2008. The proportion of those whom the fear of failure would prevent from starting a new business increased considerably in Hungary and Romania (from 29.57% in 2007 to 39.77% in 2008, respectively from 29.05% to 40.62%), while in 2007 it was indicated the same (around 30%) level in each country. The entrepreneurship, as career of choice, is appreciated positively in each country. In Romania, in 2008 almost half of the adults think that people would prefer that everyone should have the same standard life, this aspect is much worse in Hungary, especially (with around 80%) in Serbia and Croatia. The proportion of those who consider that the successful businesses get a good media coverage and are properly promoted is much lower in Hungary than in the other analyzed countries.

Table 1  
(%)

**Entrepreneurial perceptions and attitudes, 2007-2008**

		Croatia	Hungary	Romania	Serbia
Do you know someone personally who started a business in the past two years?	2007	60.04	32.80	46.96	59.11
	2008	57.21	32.39	41.23	57.91
In the next six months there will be good opportunities for starting a business in the area where you live?	2007	47.26	27.36	29.62	49.10
	2008	46.66	22.42	28.01	54.02
Do you have the knowledge, skill and experience required to start a new business?	2007	65.89	53.50	34.84	69.15
	2008	65.10	55.92	28.67	69.67
Would the fear of failure prevent you from starting a business?	2007	32.37	29.57	29.05	29.24
	2008	33.54	39.77	40.62	28.51
In my country, most people would prefer that everyone had a similar standard of living.	2007	80.87	66.03	48.31	76.56
	2008	79.90	61.27	48.93	79.88
In my country, most people consider starting a new business a desirable career choice.	2007	72.22	58.80	63.07	78.17
	2008	70.70	46.97	-	71.60
In my country, those successful at starting a new business have a high level of status and respect.	2007	50.88	65.23	63.48	62.05
	2008	53.94	57.63	68.68	65.18
In my country, you will often see stories in the public media about successful new businesses.	2007	63.92	23.71	53.39	65.58
	2008	60.76	20.55	57.71	67.24

**Source:** Own calculations in SPSS based on GEM, Adult Population Survey, 2007-2008.

The comparisons of proportions of those who gave a positive answer to the above questions are shown in Table 2. In each analyzed year the proportion of those who know a nascent entrepreneur in Croatia and Serbia is significantly higher than in Romania and Hungary, and in Romania is significantly higher than in Hungary. In 2008 the proportion of those who perceive good opportunities for starting a business in the next six months in the area where they live is significantly higher than in the other analyzed countries.

Table 2

**Comparisons of proportions of entrepreneurial perceptions and attitudes, 2007-2008<sup>a,b</sup>** (%)

		Croatia	Hungary	Romania	Serbia
		(A)	(B)	(C)	(D)
Do you know someone personally who started a business in the past two years?	2007	B C	-	B	B C
	2008	B C	-	B	B C
In the next six months there will be good opportunities for starting a business in the area where you live?	2007	B C	-	-	B C
	2008	B C	-	B	A B C
Do you have the knowledge, skill and experience required to start a new business?	2007	B C	C	-	B C
	2008	B C	C	-	B C
Would the fear of failure prevent you from starting a business?	2007	-	-	-	-
	2008	D	A D	A D	-
In my country, most people would prefer that everyone had a similar standard of living.	2007	B C	C	-	B C
	2008	B C	C	-	B C
In my country, most people consider starting a new business a desirable career choice.	2007	B C	-	-	A B C
	2008	B	-	-	B
In my country, those successful at starting a new business have a high level of status and respect.	2007	-	A	A	A
	2008	-	-	A B	A B
In my country, you will often see stories in the public media about successful new businesses.	2007	B C	-	B	B C
	2008	B	-	B	A B C
<p>Note:                      Results are based on two-sided tests with significance level 0.05. For each significant pair, the key of the category with the smaller column proportion appears under the category with the larger column proportion.                      a. Tests are adjusted for all pair wise comparisons within a row of each innermost subtable using the Bonferroni correction.                      b. Cell counts of some categories are not integers. They were rounded to the nearest integers before performing column proportions tests.</p>					

**Source:** Own calculations in SPSS based on GEM, Adult Population Survey, 2007-2008.

The proportion of those who perceive themselves capable (i.e., they believe they have the required skills and knowledge to start a business) in Croatia and Serbia are significantly higher than in Hungary and Romania, this rate is the lowest in Romania. While in 2007 there is no significant difference between the proportions of those who have fear of failure in the analyzed countries, in 2008 this proportion is significantly higher in Hungary and Romania. In 2007, in Serbia it was the highest the proportion of those who consider that starting a business is a good career choice, in 2008 it was higher only than in Hungary. In Croatia the people attach the less high status to successful entrepreneurs in 2007 than in the other analyzed countries. In 2008 in Serbia is the higher the media attention for entrepreneurship.

#### 4. Differences in entrepreneurial activity in case of the analyzed countries

The entrepreneurial perceptions and attitudes have impact on the entrepreneurial activity of the countries. As it can be seen in Table 3, the proportion of nascent entrepreneurs is the lowest in each analyzed year in Romania. The proportion of baby business owner-managers and established business owners are the highest in Serbia in each year, despite of the measured decrease of baby business owner-manager rate in 2008. Analyzing the entrepreneurial motivation, we can conclude that in Romania can be found the lowest opportunity-driven early-stage entrepreneurial activity rate. The necessity-driven early-stage entrepreneurial activity is the lowest in Romania, but also here can be seen a considerable increasing in accordance to 2007.

Table 3  
Evolution of the entrepreneurial activity in the analyzed countries, 2007-2008 (%)

		Croatia	Hungary	Romania	Serbia
Involved in total early-stage entrepreneurial activity	2007	7.27	6.86	4.02	8.56
	2008	7.59	6.61	3.98	7.59
Actively involved in start-up effort, owner, no wages yet (nascent entrepreneurs)	2007	5.31	3.77	2.90	4.75
	2008	4.91	3.84	2.54	3.97
Manages and owns a business that is up to 42 months old (baby business owner-managers)	2007	1.96	3.10	1.32	4.01
	2008	2.75	2.80	1.56	3.62
Manages and owns a business that is older than 42 months (established entrepreneurs)	2007	4.22	4.83	2.51	5.27
	2008	4.83	5.34	2.07	9.26
Involved in opportunity early-stage entrepreneurial activity	2007	4.16	5.01	2.68	4.02
	2008	5.43	4.44	2.12	4.69
Involved in necessity early-stage entrepreneurial activity	2007	2.90	1.60	0.56	3.94
	2008	2.16	1.87	1.37	2.53

Source: Own calculations in SPSS based on GEM, Adult Population Survey, 2007-2008.



The total early-stage entrepreneurial activity rate is significantly lower in Romania than in the analyzed countries in each year. The proportion of baby business owner-managers in 2007 is significantly lower in Romania than in Hungary and Serbia, while in 2008 only in Serbia is significantly higher than in Romania. The rate of the established business owners is significantly higher in Serbia and Hungary than in Romania, meanwhile in 2008 this rate is significantly higher in Serbia than in all analyzed countries. We can observe that the opportunity-driven early-stage entrepreneurial activity rate measured in Romania is significantly lower than in Croatia, Hungary and Serbia. In 2008 there is no significant difference in case of the necessity-driven early-stage entrepreneurial activity rate.

Table 4

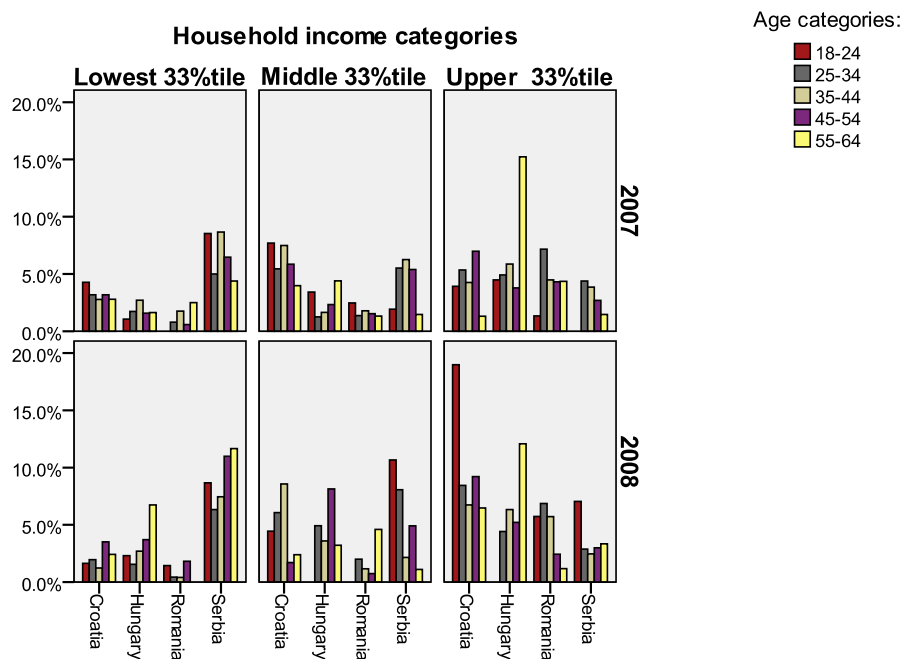
**Differences between the means of the entrepreneurial activity rates of Croatia, Hungary, Romania and Serbia, 2007-2008<sup>a,b</sup>**

		Croatia	Hungary	Romania	Serbia
		(A)	(B)	(C)	(D)
Involved in total early-stage entrepreneurial activity	2007	C	C	-	C
	2008	C	C	-	C
Actively involved in start-up effort, owner, no wages yet (nascent entrepreneurs)	2007	C	-	-	C
	2008	C	-	-	-
Manages and owns a business that is up to 42 months old (baby business owner-managers)	2007	-	C	-	A C
	2008	-	-	-	C
Manages and owns a business that is older than 42 months (established entrepreneurs)	2007	-	C	-	C
	2008	C	C	-	A B C
Involved in opportunity early-stage entrepreneurial activity	2007	-	C	-	-
	2008	C	C	-	C
Involved in necessity early-stage entrepreneurial activity	2007	C	-	-	B C
	2008	-	-	-	-
<p>Note:                      Results are based on two-sided tests assuming equal variances with significance level 0.05. For each significant pair, the key of the smaller category appears under the category with larger mean.                      a. Tests are adjusted for all pairwise comparisons within a row of each innermost subtable using the Bonferroni correction.                      b. Cell counts in some subtables are not integers. They were rounded to the nearest integers before performing pairwise comparisons.</p>					

**Source:** Own calculations in SPSS based on GEM, Adult Population Survey, 2007-2008.

Analyzing the entrepreneurial profile, according to Figure 2, we can affirm that the early-stage entrepreneur in 2007 and 2008 is male, aged between 25 and 34 years in all countries, except for Serbia, where the most frequent age category is 35-44 years. In Hungary and Romania in each year the income of

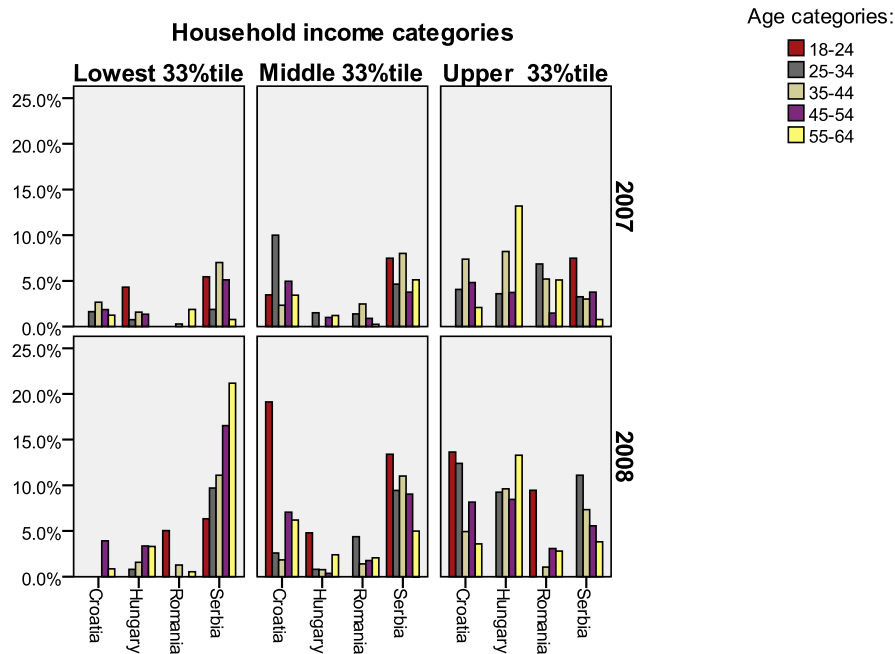
the early-stage entrepreneur's household is situated in upper 33% tile, while in Serbia in the lowest 33% tile. The educational level of the early-stage entrepreneur is significantly higher in Romania and Hungary than in Croatia and Serbia.



Source: Own calculations in SPSS based on GEM APS data.

**Figure 2.** The distribution of early-stage entrepreneurs by household income, age categories, year of survey and country of origin

The figure below shows that the established entrepreneur in 2007 is male, aged between 35 and 44 years in all countries, except Hungary (where the most frequent age category is 55-64 years). In Hungary and Romania, in each year, the income of the established entrepreneur's household is situated in the upper 33% tile, while in Serbia in the middle 33% tile in 2007, while in 2008 the lowest 33% tile, meanwhile in the case of Croatia in 2007 the household income category was middle 33% tile, which in 2008 moved to the upper 33% tile category. The educational level of the established entrepreneur is significantly higher in Hungary than in Croatia, Romania and Serbia.



**Source:** Own calculations in SPSS based on GEM APS data.

**Figure 3.** *The distribution of established entrepreneurs by household income, age categories, year of survey and country of origin*

## 5. Conclusions

We studied the main differences between the entrepreneurial perceptions and attitudes in Croatia, Hungary, Romania and Serbia in 2007-2008 time period based on GEM Adult Population Survey database. In each analyzed year the proportion of those who know a nascent entrepreneur in Croatia and Serbia is significantly higher than in Romania and Hungary, and in Romania is significantly higher than in Hungary. In 2008 the proportion of those who perceive good opportunities for starting a business in the next six months in the area where they live is significantly higher in Serbia than in the other analyzed countries. The proportion of those who perceive themselves capable in Croatia and Serbia are significantly higher than in Hungary and Romania, this rate being the lowest in Romania. While in 2007 there is no significant difference between the proportions of those who have fear of failure in the analyzed countries, in 2008 this proportion is significantly higher in Hungary and Romania.

Our findings regarding the entrepreneurial activity are: the total early-stage entrepreneurial activity rate is significantly lowest in Romania than in the analyzed countries in each year; while the rate of the established business owners is significantly higher in Serbia and Hungary than in Romania, meanwhile in 2008 this rate is significantly higher in Serbia than in all analyzed countries.

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