

# Importance of Individual Characteristics of Entrepreneurs and Perception of Factors Determining the Start-Up of a Business in the Lubelskie Voivodship

Ada Domańska, Beata Żukowska, Robert Zajkowski

Maria Curie-Skłodowska University, Poland

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## Abstract

*Businesses are an important part of economic development in a region. Through business activity, new innovations are created which accelerate economic growth and structural change. It should also be said that entrepreneurship has a strong influence on the competitiveness of the area in which it operates and shapes the professional activity of the population. In addition, entrepreneurship absorbs development factors that are specific to the region such as natural resources, human resources, etc. Hence, it is important to build entrepreneurial attitudes that influence the establishment of enterprises. The main goal of this paper is to express the importance of creating an entrepreneurial attitude in the Lubelskie Voivodship. In the paper, we discuss how this attitude can be beneficial for creating businesses and thus for regional development. To achieve the main goal, we used data collected in April and May 2016 among small and medium enterprises operating in the Lubelskie Voivodship. After rejecting the large enterprises, incomplete responses, and those that did not respond, the research sample consisted of 186 entities. Using statistical methods, such as regression models and statistical tests we found out that features such as creativity, ambition, hard work and self-confidence are the ones that were recognized by entrepreneurs in the Lubelskie Voivodship as the most desirable. In order to improve the situation of the region by boosting the number of established enterprises, the authorities should take steps to build an entrepreneurial attitude based on these characteristics. Results indicate that self-discipline is not a desirable feature among potential entrepreneurs. It turns out that according to the opinion of entrepreneurs, the ability to control oneself is not a useful feature when you want to run your business. Likewise, risk-taking propensity is also an undesirable characteristic. It should be noted, however, that the research made for the purpose of the paper was conducted among entrepreneurs who decided to start their own company. Their answers give a better picture of the traits which a potential entrepreneur should have. So, the results of these studies are an interesting starting point for further in-depth research.*

**Keywords:** features of entrepreneur, entrepreneurship development, regional development

**JEL:** C20, O20, R11

## Introduction

Businesses are an important part of economic development in the region. With their participation, new innovations are created, which accelerate economic growth and structural change. It should also be said that entrepreneurship has a strong influence on the competitiveness of the area in which it operates and shapes the professional activity of the population. In addition, it absorbs development factors that are specific to the region (Acs, Desai, and Hessels 2008). That is why it is important to build entrepreneurial attitudes that influence the establishment of enterprises.

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### E-mail addresses of the authors

Ada Domańska: [ada.domanska@umcs.lublin.pl](mailto:ada.domanska@umcs.lublin.pl)

Beata Żukowska: [beata.zukowska@umcs.lublin.pl](mailto:beata.zukowska@umcs.lublin.pl)

Robert Zajkowski: [robert.zajkowski@umcs.lublin.pl](mailto:robert.zajkowski@umcs.lublin.pl)

In the literature, there are many threads about the impact of local social determinants on establishment of enterprises and the level of their innovation that translates into regional economic growth (Klasik 2006). Moreover, the entrepreneurial attitude is perceived as an important element that shapes how a company is run. There are studies that have investigated whether certain social features are significantly related to regional economic growth (Malecki 1997). There have not been many studies on the impact of different features of an entrepreneur on their setting up a new business. It is very important to identify such relations in order to build and support the attitudes in a society that determines decisions on setting up new businesses. This is particularly important in the context of underdeveloped regions. This paper is an attempt to find such dependencies in the Lubelskie Voivodship, which is the poorest region of Poland and one of the poorest in the EU.

The main goal is to express the importance of creating an entrepreneurial attitude in the Lubelskie Voivodship. In the paper, we discuss how this attitude can be beneficial for creating businesses and thus for regional development.

## 1 Background

The process of socio-economic development runs unevenly across regions. It has its consequences in the form of disparities between them. Therefore, the theories of regional development assume the existence of weak and strong regions as natural divergences in each economy. At the same time, these theories present various reasons for regional development disparities. The location theory explains the reasons for the distribution of enterprises among regions. Initially, it was assumed that the aim of enterprises is the desire to minimize transport costs when choosing the location for their headquarters. In addition, factors related to relatively lower labor costs or the presence of producers and consumers were pointed out. Currently, different problems of localization are raised in the literature. The choice of various potential production sites is based on regional attractiveness, especially access to a highly qualified workforce (Godlewska-Majkowska 2013, 8–13). The limitations of investments in some regions partly cause their economic weaknesses.

The diversification of socio-economic development is also explained by the theory of growth poles which assumes that development is based on enterprises, developed industries and dynamic sectors. According to the theory, a communication network between the pole and the environment should develop, which will promote the spread of economic development (Grzeszczak 1999, 11). What is more, the theory of the core and periphery is related to the issue of impact of the center on other areas. According to it, the most competitive enterprises are located in the most competitive regions. Thus, in central regions there is the cumulative process of growth and development and the peripheral regions are unable to follow (Kłysik-Uryszek 2010, 29). According to the concept of endogenous development, regions should use internal factors. It assumes that capital, human resources, knowledge and entrepreneurship are accumulated in central regions. This means that peripheral regions are doomed to further marginalization through the outflow of resources to developing centers, and the only remedy is to use the potential inside the region (Grosse 2007, 30).

One of the endogenous factors of regional development is entrepreneurship. That is why it is important to support enterprises and an entrepreneurial attitude in society. Its impact on establishment of business has been of an increasing interest of researchers and public policy-makers for many years. Considerable research has therefore been undertaken to understand the processes that may lead to entrepreneurial behaviors (Fischer and Nijkamp 2009).

Entrepreneurship has three characteristics. Firstly, it involves a dynamic process in which new businesses are starting up, existing firms are growing, and unsuccessful ones are restructuring or closing-down. The second is identified with small businesses where the owner and manager are the same. Finally, entrepreneurship entails innovation (*Fostering Entrepreneurship* 1998). What is more, entrepreneurial culture influences regional economic growth in several ways. First of all, value patterns favorable to entrepreneurship may increase the start-up rate of new firms. Moreover, entrepreneurial activities may yield efficiency advantages within existing firms. That is why entrepreneurship attitude is so important in regional development.

A good research area in this respect is Lubelskie Voivodship, which belongs to the least developed regions of Poland and the European Union. This region presents the poorest performance among other regions of Poland in GDP per capita in euro (68,7% of Poland average in 2015) and gross value of fixed assets in enterprises per capita (53,5% of Poland average in 2015).<sup>1</sup> In addition, in total length of express-ways and motorways per 1 000 km<sup>2</sup>, investment outlays per capita, value of foreign capital per capita (only 14% of Poland average in 2015) it scores one of the last places. Therefore, it is so important to recognize entrepreneurial traits in this region that determine the establishment of enterprises.

The research shows that entrepreneurship is a behavioral characteristic of persons. For example, Abramowitz argues that a country's potential for rapid economic growth partly depends on societal characteristics, which he refers to as 'social capability' (Abramowitz 1986). In the literature on entrepreneurial trait research, three attributes are identified which are associated with entrepreneurial behavior: need for achievement, internal locus of control, and a risk-taking propensity (Brockhaus 1982). More recent research points to similar personality characteristics (Deshpande et al. 2013).

For the purpose of this paper the achievement motivation is understood as creativity, responsibility, ambition, persistence, hard work and self-confidence. Internal locus of control is shaped by the frequent experience of controlling one's own actions. That is why in the paper it is meant to be self-discipline. The last feature—risk-taking propensity is understood as acceptance of high risk. A study conducted in 54 regions showed that achievement motivation, risk-taking propensity and internal locus of control correlate positively with entrepreneurship (Beugelsdijk and Noorderhaven 2004). The general literature reaches similar findings where motivations for entrepreneurship are an important feature in the performance of business (Zahra 1993). Moreover, risk-takers are more likely to initiate a new activity and risk attitude affects the selection of individuals within entrepreneurial positions (Cramer et al. 2002). Additionally, having personal control was an important factor in differentiating entrepreneurs from non-entrepreneurs (Robinson et al. 1991). This paved the way to formulate the following research hypothesis: H1. Achievement motivation (a), internal locus of control (b), and higher acceptance of risk (c) positively influence the decision of whether to start a business. For a better interpretation, the hypothesis was divided into three smaller parts, a, b, c. The further study was devoted to verification of the hypothesis by the usage of statistical methods, such as regression models.

## 2 Methodology

The hypothesis was verified on the basis of primary data collected in April and May 2016 among small and medium enterprises operating in the Lubelskie Voivodship. The survey questionnaire included questions about the general assessment of the conditions of business operation and development, as well as specific questions about the challenges inducted by demographic changes. In the paper information is used about the factors determining the establishment of a business, as well as the expected features of entrepreneurs. The study used two data collection techniques: CAWI and PAPI. The survey was submitted to a total of 8 500 companies, 2,59% of which answered it. After rejecting records of large enterprises and incomplete responses and lack of responses, the research sample reached the size of 186 entities. The sample selection was not random, but representativeness was ensured by the use of quota sampling. The structure of the respondents due to the type of activity was not significantly different from the actual structure for the entities from Lubelskie Voivodship. This was confirmed by the chi-square test.

The analyses were focused on statistical confirmation of whether the perception of factors determining a business start-up are in line with individual characteristics of entrepreneurs. In the models of regression, the reasons for starting a business were used as dependent variables, such as:

- $y_1$  — willingness to take responsibility for their future,
- $y_2$  — getting satisfaction from running your own business,

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1. [In the journal European practice of number notation is followed—for example, 36 333,33 (European style) = 36 333.33 (Canadian style) = 36,333.33 (US and British style).—Ed.]

- $y_3$  — willingness to be your own boss,  
 $y_4$  — drawing inspiration from having an original idea,  
 $y_5$  — willingness to have more money,  
 $y_6$  — desire to work flexible hours,  
 $y_7$  — self-employment as an antidote to unemployment,  
 $y_8$  — the ability to get support from institutions,  
 $y_9$  — sighting a market niche,  
 $y_{10}$  — own business as a desirable career path,  
 $y_{11}$  — social status and approval for successful entrepreneurs, and  
 $y_{12}$  — dissatisfaction with previous employment.

Characteristics related to entrepreneurial attitude performed as independent variables, such as:

- $x_1$  — creativity,  
 $x_2$  — self-discipline,  
 $x_3$  — ambition,  
 $x_4$  — hard work,  
 $x_5$  — self-confidence, and  
 $x_6$  — risk-taking propensity.

During analytical processes related to the regression modes two independent variables (e.g., responsibility and persistence were found not to be significant in all models). Hence these variables were excluded from the final models.

The specific variables were described on ordinary scales. With respect to reasons for starting a business, the respondents were obliged to assess factors which were decisive ( $y$ s) by usage a scale from 0—low importance to 5—very important. Referring to features and traits of entrepreneurs, they were asked to rate the importance ( $x$ s) on a scale where 1—low importance to 5—very important. In addition, chosen controls, such as age of company, whether it was a being family or

**Tab. 1.** Descriptive statistics for analyzed variables

Variable	<i>N</i>	Min	Max	Mean	St. dev.	Variance	Skewness	Kurtosis
$x_1$	203	1	5	4,49	0,841	0,707	−1,896	3,532
$x_2$	203	1	5	4,44	0,821	0,674	−1,417	1,511
$x_3$	203	1	5	4,30	0,862	0,744	−1,126	0,996
$x_4$	203	1	5	4,60	0,693	0,480	−1,975	4,621
$x_5$	203	1	5	4,32	0,844	0,712	−1,102	0,729
$x_6$	203	1	5	3,54	1,127	1,269	−0,221	−0,818
$y_1$	199	0	5	3,84	1,386	1,920	−1,305	0,955
$y_2$	199	0	5	3,54	1,483	2,199	−0,914	−0,121
$y_3$	199	0	5	3,41	1,602	2,567	−0,717	−0,638
$y_4$	199	0	5	3,08	1,392	1,939	−0,612	−0,235
$y_5$	199	0	5	3,65	1,373	1,886	−1,224	0,994
$y_6$	199	0	5	2,54	1,620	2,624	0,000	−1,171
$y_7$	199	0	5	3,04	1,619	2,620	−0,426	−0,934
$y_8$	199	0	5	2,52	1,817	3,301	0,135	−1,419
$y_9$	199	0	5	2,18	1,663	2,765	0,281	−1,184
$y_{10}$	199	0	5	2,85	1,561	2,438	−0,455	−0,924
$y_{11}$	199	0	5	3,41	1,518	2,304	−0,767	−0,424
$y_{12}$	199	0	5	2,57	1,680	2,822	−0,099	−1,273
Company's age	203	1	73	12,46	10,033	100,666	1,803	7,321
Family <sup>a</sup>	203	0	1	0,52	0,501	0,251	−0,089	−2,012
Employment	190	1	400	8,53	34,322	1 178,028	9,368	97,911
Gender <sup>b</sup>	203	0	1	0,64	0,481	0,231	−0,589	−1,669

<sup>a</sup>0—non family, 1—family; <sup>b</sup>0—female, 1—male

**Tab. 2.** Models of regression — individual characteristics of entrepreneurs vs. perception of factors determining the start-up of a business ( $N = 186$ )

	$y_1$	$y_2$	$y_3$	$y_4$	$y_5$	$y_6$	$y_7$	$y_8$	$y_9$	$y_{10}$	$y_{11}$	$y_{12}$
Constant	1,832*	0,876	1,114	1,739*	4,042***	2,381*	3,367**	-0,125	1,680*	0,360	0,117	3,324***
$x_1$	0,090	0,309**	0,020	0,384**	0,107	0,223*	0,222	0,383**	0,484***	0,341*	0,302*	-0,027
$x_2$	-0,100	-0,301**	-0,198	-0,155	-0,267*	-0,143	-0,348*	-0,506***	-0,313**	-0,019	-0,368*	-0,040
$x_3$	0,134	0,341**	0,217	0,200*	0,355**	-0,002	0,235	0,180	0,009	0,135	0,467***	0,175
$x_4$	0,055	0,273**	0,389*	0,011	0,055	-0,055	-0,098	0,295*	-0,011	0,052	0,284*	0,014
$x_5$	0,371**	-0,044	0,147	-0,118	-0,096	-0,030	-0,065	0,081	0,075	0,298*	-0,085	-0,282*
$x_6$	-0,088	0,092	0,038	-0,003	-0,206*	0,286**	-0,035	0,187*	0,037	-0,098	-0,056	0,092
Company age	-0,011	-0,005	-0,014	0,002	-0,004	-0,011	0,016	0,007	0,010	-0,005	0,018*	0,010
Family	0,286**	0,208	0,143	0,364*	0,190	0,322	0,142	0,306*	0,245	0,344*	0,600**	0,143
Employment	-0,011*	-0,009*	-0,007	-0,005	-0,009*	-0,007*	-0,012**	-0,009*	-0,009**	-0,005	-0,005	-0,012*
Gender	0,018	-0,262	-0,313**	-0,290	-0,399*	-0,396*	-0,769*	-0,457*	-0,179	-0,241	-0,617**	-0,545*
$R^2$	0,137	0,168	0,115	0,128	0,159	0,108	0,113	0,194	0,109	0,144	0,241	0,086
Adjusted $R^2$	0,088	0,120	0,065	0,078	0,111	0,057	0,062	0,148	0,058	0,095	0,198	0,034
$F$ statistics	2,789**	3,523***	2,281*	2,558**	3,310***	2,124*	2,225*	4,210***	2,134*	2,933**	5,559***	1,642*

\* $p < 0,05$ ; \*\* $p < 0,01$ ; \*\*\* $p < 0,001$

non-family business, employment, or gender of management staff, were introduced to the equations (tab. 1). Despite the fact that the independent variables are discrete, relatively low skewness and kurtosis of their distributions allowed implementation of Ordinary Least Squares regression (OLS) as a method of model estimation (tab. 2).

### 3 Results

Subsequently for dependent, independent and controls 12 models of regression have been estimated (tab. 2). The first regression model confirmed the positive impact of self-confidence on willingness to take responsibility for one's own future. The second model showed that creativity, ambition and hard-working traits influence the decision to get satisfaction from running a business. On the other hand, self-discipline had a negative impact here, which denied the second part (b) of the hypothesis.

The third and fourth models confirm the first part (a) of the hypothesis, because being hard-working has a positive effect on willingness to be your own boss, and creativity and ambition have a positive effect on the inspiration from having an original idea. The fifth model simultaneously confirms the first part (a) of the hypothesis due to ambition impacting positively the desire to have more money and denials of the second (b) and the third part (c) of the hypothesis. It follows that self-discipline and acceptance of high risk negatively affect the decision to set up a business because of a desire to have more money. On the contrary, the sixth model confirms the third part (c) of the hypothesis, because here the acceptance of high risk has a positive effect on setting up one's own company and also confirms the first part (a) of the hypothesis in which creativity was statistically significant for decisions regarding desire to work flexible hours.

From the seventh model, self-discipline negatively influences the decision to start a business because of being unemployed. The next model also confirms that self-discipline negatively affects the decision about setting up one's own company because of willingness to use support from institutions. On the other hand, features such as creativity, hard work and risk-taking propensity have a positive impact here. This confirmed the first (a) and third (c) parts of the hypothesis. Being creative is also helpful in sighting a niche market, but having self-discipline brings opposite results. Similarly, the situation is shaped by the willingness to set up a company because of social status and approval for successful entrepreneurs (model number 11). The decision taken for this reason is also positively influenced by ambition and the lack of resistance to hard work. Model 10 confirms the first (a) and the third (c) part of the hypothesis, because it indicates that creativity and self-confidence positively influence the decision about starting one's own company because of the desire to shape one's own career path. The last model shows a surprisingly negative impact of self-confidence on the decision to set up a business because of dissatisfaction from previous employment.

Taken all together, the first part (a) of the hypothesis was confirmed. This means that achievement motivation positively affects the desire to start a business. The second part (b) of the hypothesis has not been confirmed because having self-discipline negatively affects the decision to set up a company. The third part (c) of the hypothesis was partially confirmed. However, taking into account the data from table 3 on the average grade of factors determining the start-up of a business, it should be noted that the highest value was placed on desire to have more money and it was negatively affected by risk-taking propensity. This leads to the conclusion that high risk propensity rather negatively affects the willingness to set up one's own enterprise. It should be noted that these results are not surprising, because the research took place in the Lubelskie Voivodship, which is specific because of its situation. Entrepreneurs in this region may be more cautious.

**Tab. 3.** Average grade of factors determining a business start-up

$y_1$	$y_2$	$y_3$	$y_4$	$y_5$	$y_6$	$y_7$	$y_8$	$y_9$	$y_{10}$	$y_{11}$	$y_{12}$
3,844	3,538	3,412	3,075	3,648	2,538	3,035	2,518	2,181	2,854	3,412	2,573

## Conclusions

In conclusion, features such as creativity, ambition, hard work and self-confidence are the ones that were recognized by entrepreneurs in the Lubelskie Voivodship as the most desirable. This means that the authorities should take steps to build an entrepreneurial attitude based on these characteristics. It will result in boosting the number of established enterprises, and improvement in the regional economic situation. Research results indicate that self-discipline is not a desirable feature among potential entrepreneurs. It turns out that according to the opinion of entrepreneurs, the ability to control oneself is not a useful feature when you want to run your business. It is also not risk-taking propensity which motivates start-ups. However, this issue requires further investigations because of the methodological approach based on the personality approach. In this type of research, there is always a problem with measuring certain phenomena and using appropriate instruments.

It should be noted, however, that the research made for the purpose of this paper was carried out among entrepreneurs who decided to start their own companies. Their answers give a better picture of the traits that a potential entrepreneur should have. Thus, the results of these studies are an interesting starting point for further in-depth research.

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