ENTREPRENEURIAL CAPACITY OF INDIVIDUAL AS A STRATEGIC RESOURCE OF MODERN DEVELOPMENT

Liliia Votchel (a)*, Valeriya Vikulina (b), Ekaterina Zinovyeva (c)

*Corresponding author

(a) Nosov Magnitogorsk State Technical University,Lenina st,38, Magnitogorsk, Russia
(b) Nosov Magnitogorsk State Technical University,Lenina st,38, Magnitogorsk, Russia
(c) Nosov Magnitogorsk State Technical University,Lenina st,38, Magnitogorsk, Russia,

Abstract

This article is devoted to the problem of reasoning of the individual entrepreneurial capacity. For the Russian socio-economic environment, when the problem of transition to an innovation-oriented economy is becoming an issue of the highest priority, this problem is quite relevant, since the level of development of entrepreneurial activity becomes the main strategic resource and an internal source of economic growth. The assessment of the individual entrepreneurship in the economy allows to determine the potential of the entrepreneurial community, as well as to identify the stimulating and inhibiting factors of its development. The complexity of the scientific research of this problem is related to the controversy and insufficient development of methodological foundations of entrepreneurship. In the article the essence of the individual entrepreneurial aspirations and the conditions of their implementation in various models of the economy is gradually revealed. The need-motivational mechanism involving an individual in the entrepreneurial process is considered and two types of entrepreneurs such as "by necessity" and "by opportunity" are distinguished on its basis. The authors examine the significant factors contributing to the implementation of entrepreneurial intentions of the individual in each model of resource-oriented, effectively-oriented and innovation-oriented economy. The authors pay attention to the fact that the objective environmental conditions determine the quality and dynamics of entrepreneurial activity. It is established that the institutional environment of innovative economy creates favourable conditions for realization of the individual entrepreneurial potential.

© 2019 Published by Future Academy www.FutureAcademy.org.UK

Keywords: Entrepreneurial activity, conditions of entrepreneurial activity, need-motivational mechanism.
1. Introduction

For the Russian socio-economic environment in the transition to an innovation-oriented economy, the processes of human development, the formation of a highly competitive institutional environment, the structural diversification of the economy on the basis of innovative technological development are becoming relevant. The inclusion of an entrepreneurial resource in the transformed economy requires an assessment of the potential of the business community, as well as the identification of stimulating and constraining factors of its development.

2. Problem Statement

Currently, there is no unified approach in determining the theoretical and methodological foundations of entrepreneurship, and the study is interdisciplinary. In search of objective conditions of the enterprise the representatives of economic science, in particular p. Drucker, R. Cantillon, A. Marshall, F. Knight, A. Smith, J. B., Say, Johann Heinrich von Thünen, F. Hayek, J. Schumpeter and others developed their ideas (Anikin, 1975; Marx & Engels 1968; Lenin, 1967; Marshall, 1993). In the economic interpretation, entrepreneurship is considered as an activity of the stakeholders related to innovation and risk (Blaug & Thunen, 2008; Knight, 2003; Schumpeter, 2007). The representatives of social psychology, in particular, A. Meskon, H. Aldrich and others, as well as social philosophers, such as M. Weber, Werner Sombart et al. tend to identify the essence of entrepreneurship through the analysis of the stakeholders’ psychological and spiritual characteristics (Weber, 1990; Meskon, Albert, & Hedouri, 2008).

In this regard, understanding of the nature of entrepreneurial activity and the conditions of its implementation develops methodological foundations of entrepreneurship and allows to create effective measures for the formation of the entrepreneurial environment in the transformed economy.

3. Research Questions

Notwithstanding the diversity of positions (ontological, epistemological, axiological approaches) in the definition of entrepreneurship, in general terms, entrepreneurial activity is defined as a specific form of the individual economic activity, who, based on risk, initiates, on the basis of entrepreneurship, organizes, on the basis of responsibility, stabilizes, on the basis of personal interest, develops a particular new form of business (Vikulina, Votchel, & Akhmedzhanova, 2016).

The strategic element of entrepreneurial activity is the individual, whose activity in interaction with the object mediates the process of self-realization. At the heart of the motivational mechanism that encourages the individual to economic activity underlie the needs (Akhmedzhanova, Vikulina, Votchel, Ivashina, & Kuznetsova, 2015). The vital needs are aimed at providing its individual, species existence. From the point of view of the individual's involvement in the business process, the prerequisite for such activity can be either the lack of alternative sources of income, or the need to maintain the necessary level of income. In this case, the individual's participation in the business process is forced, and such market participants are called forced entrepreneurs or "entrepreneurs by necessity". Social individual needs are realized in an attempt not only to gain economic independence in solving business goals, but also to take advantage of the opportunities associated with doing business, and to form a class of voluntary
entrepreneurship or "entrepreneurs by opportunity" as well. For successful participation in the business process, the individual must be motivated to achieve professional and creative self-realization. The very same activity can involve complexity and variety of tasks, the ability to test their professional skills in a new business. This contributes to the emergence of new products, the implementation of new production processes, the development of the company and the expansion of the market as a whole. The result is a "demand-driven entrepreneurship", having entrepreneurial competences, aimed at high achievement.

4. Purpose of the Study

To reveal the need-motivational mechanism underlying the entrepreneurial activity of an individual, as well as to assess the impact of environmental factors on its level in various models of the economy. On the basis of the above to offer a model of integrated assessment of the quality of the business environment using scientific research and empirical data on this issue.

5. Research Methods

The research is based on the principles of a systematic approach. The essence of entrepreneurial capacity is considered in the unity of system-structural and functional analysis. This has made it possible to disclose the essence of the entrepreneurial potential of the individual and the conditions of its implementation in the emerging market economy.

6. Findings

The individual's aspirations associated with his participation in the business process are realized in the appropriate conditions under which he is formed. They also have influence on his actions and development. The external environment sets the "framework conditions" of the activity, having impact on his dynamics and efficiency (Praag, 2003; Reid & Smith, 2003; Poper, 1998). Each economy has a unique set of socio-economic conditions that involve the individual in the business process. They contribute to the creation and development of business structures, form the business climate, and specify the parameters of economic growth.

For example, in resource-based developing countries, early-stage entrepreneurs and stable business owners operate in a competitive price environment using natural resources and unskilled labour. Therefore, the basic conditions for the formation of entrepreneurial activity of the individual are: the presence of market institutions and infrastructure, macroeconomic stability, a sufficient level of health care and universal primary education. They stimulate individuals to search for ways of survival and creation of their own business, to intense early-stage entrepreneurial activity in the field of small and medium businesses, occupying a significant share in the structure of the national economy. Such conditions are intended to support business based on necessity and do not provide the prerequisites for the development of entrepreneurship based on possibilities. The vital needs are the main cause for intense early-stage entrepreneurial activity with high rates of dynamics, both in terms of the level of an individual's entry into the business (about 21% of the economically active population) and in terms of the level of exit from it (about 12%) (Global Entrepreneurship Monitor). This dynamism is explained by the high share of small business in the resource-oriented economy, less stable and more risk-prone.
An efficient-oriented economy ensures business competitiveness by increasing the productivity of the used resources. It is based on: efficient production with the involvement of skilled labor on the basis of existing technologies and effectively functioning market institutions. Now the individual has alternative options of economic activity. On the one hand, it is the creation of their own business on a forced or voluntary basis and with a positive assessment of the opportunities for early-stage business, on the other - is the employment in a sustainable large company. In such an economy, the level of "forced" entrepreneurship is much lower than in the resource-oriented economy, and is about 29% (Global Entrepreneurship Monitor). At the same time, the number of start-up entrepreneurs motivated by the emerging opportunities to increase their income and gain independence reaches 42% (Global Entrepreneurship Monitor). Effective market conditions allow to increase the stability of small and medium-sized businesses and reduce the number of individuals left the business. Thus, the level of activity of the individual in a well-established, stable business reaches 8% of the economically active population of the country, and the level of exit from the business process-4% (Global Entrepreneurship Monitor).

For an economy based on innovation, the framework conditions for entrepreneurship become more important incentives for economic development than in previous economic models (Everett & Watson, 1998; Welter, Baker, Audretsch, & Gartner, 2017; Thomas, 2000). The business sector increases, there is a "demand-driven" entrepreneurship aimed at high achievements. In this model, individuals look not only for ways to increase income, but also strive for self-realization and independence in decision-making qualitatively new business tasks of innovative development.

So it is noted that in such a model of the economy the level of activity of early-stage entrepreneurs "by necessity" is low enough and is 18%, but a significant proportion of the population involved in entrepreneurial activity is "by opportunity". They account for 54% of all those involved in early entrepreneurial activity. The involvement of individuals in the business process and high business survival (the level of business exit is about 3 %) is due to the special conditions formed by the innovation economy (Global Entrepreneurship Monitor). Innovation is the most important characteristic of entrepreneurial activity. The novelty of the product, the novelty of the applied technologies provides the subject of activity advantages in a highly competitive environment. Entrepreneurial aspirations and the qualitative nature of entrepreneurship are changing. Its distinctive features are product and technological innovations, the expansion of the scale of activity in the high-tech sphere, and involvement in foreign markets. As a result, the entrepreneurial mechanism turns innovation into a factor of economic growth.

The achieved level of entrepreneurial potential is proposed to be assessed by means of a comprehensive indicator of the business environment by a group of parameters characterizing the level and quality of entrepreneurial activity in various models of the economy. Among them: the level of activity of the newly created business (a 1), the level of start-up entrepreneurial activity (A2), the level of activity of established business (A3), the level of business exit (A4), the level of forced entrepreneurship (A5), the level of high-demand-driven entrepreneurship (A6):

\[ O = \kappa_1 A_1 + \kappa_2 A_2 + \kappa_3 A_3 + \kappa_4 A_4 + \kappa_5 A_5 + \kappa_6 A_6 \]  
(1)

The significance of each parameter (coefficient of \( \kappa_i \)) is set by experts. Data processing is carried out on the basis of Delphi method, the degree of consistency of experts' opinions is sufficient (concordance coefficient – 0.57). Thus, formula 1 takes the form of:
The proposed formula takes into account both stimulating and limiting factors of entrepreneurial activity of the individual and allows to rank different models of the economy according to the level of efficiency of the formed business framework conditions. Based on the data of the Global Entrepreneurship Monitor (GEM) for the period 2009-2016, a comprehensive assessment of the business environment was carried out (Global Entrepreneurship Monitor). The calculations confirmed that the necessary and sufficient conditions for entrepreneurial activity are formed by the innovation-oriented economy ($O = 46.77$), in the resource-oriented and efficient economy the indicator is 27.34 and 28.04, respectively. Such cumulative conditions contribute to the creation of new enterprises in the sphere of small and medium business by individuals, has a positive impact on the business environment, and, consequently, on the rate of economic growth and the level of employment in the economy. Among them: availability of financial resources and support for new and developing business structures; quality monetary and fiscal regulation that stimulates the creation of new forms of entrepreneurial activity; programs to support new and developing business; general system of training and retraining of early stage and established entrepreneurs; development of scientific and technical developments and their availability for new, small and developing firms; market openness and the opportunity for new and developing firms to compete freely with existing business entities; social and cultural norms that support the actions of the individual to create new ways of doing business (Stephan, Uhlaner, & Straide, 2015; Zemtsov & Barinova, 2016).

7. Conclusion

For the domestic economy, the level of entrepreneurial activity in the early stages and stages of stability of small and medium businesses is quite low (6% and 3%, respectively) (Vikulina, Votchel, & Akhmedzhianova, 2016). This speaks not only of the low involvement of the population in the business process, but also of the low survival rate of business in the Russian Federation. The share of stable entrepreneurs is 38% of the total number involved in entrepreneurial activity. The lack of effective “framework conditions” in our country is constrained by the entrepreneurial innovation activity of individuals (Vikulina, Votchel, & Akhmedzhianova, 2016). The most negative impact on entrepreneurial activity is exerted by: inefficient state policies in the development and support of medium and small businesses, weak legislative framework governing business activities, problems of access to finance and availability of research and development, the unfavorable socio-political climate in the country, poor quality of business culture.

The formation of the "framework conditions" of entrepreneurship in the domestic economy actualizes the innovative potential of Russian entrepreneurs. The proposed model can be used in a comprehensive assessment of the quality of the business environment at the meso-level of the national economy and the ranking of regions a well. It identifies cause-and-effect relationships and allows creating the necessary and sufficient conditions for the development of "demand-driven" entrepreneurship at the national and regional levels.
References


