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What Motivates People to Start Their Own Businesses: A Nordic Perspective

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by

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The findings we will present about the the Nordic Perspective on What Motivates people to start their own business, is based on the international research project that Sari Scheinberg presented earlier today. The results we present here are based on data from eleven countries. This data was collected through a questionnaire covering motives, cultural and environmental factors and characteristics of the entrepreneurs and their experiences and finally also performance data about the start-up company.

Today's presentation is about motivation for starting one's own firm in the Nordic countries. To get a wider perspective, we also include some other countries in our comparisons. The differences are in fact sometimes relatively small between the Nordic countries.

As mentioned earlier, the motivation for starting a company can be divided into six different factors or groups:

1. Need for Personal Development
2. Degree of communitarianism (family orientation)
3. Need for social approval (or recognition)
4. Perceived instrumentality of wealth (or seeing money as a means of accomplishing something)
5. Need for independence
6. Need to escape

If we now look at these factors, two at a time, and start with money as a means and degree of communitarianism, we get an interesting pattern. The 11 countries involved in this analysis form three different groups, one "Family Oriented" including China, Italy, Portugal and Italy, one "Anglo-Saxon" with Australia, Great Britain and the USA, together with Finland, and finally, one "Scandinavian" with Denmark, Norway and Sweden.

A closer look at each factor separately reveals that: (we start with money as a means)

The three Scandinavian countries (Denmark, Sweden and Norway) form a distinct group in that way that all countries perceive money as a means to be a low motivator for starting a new business. This finding is in direct contrast to Italy and Australia where "money as a means" for getting something, and

not an end in itself, is found to be very important. In relation to the other Nordic countries, the Finnish entrepreneurs consider money as a means to be of importance.

The degree of communitarianism, i.e. the opportunity of providing welfare to one's family or closer community, is not a strong motivation for Swedish or Danish entrepreneurs nor is it for the Finnish. The Norwegian entrepreneurs are slightly more motivated by the possibility of giving something back to their families and communities. On the other hand this kind of motivation is very important for more primary group oriented countries (with a wider family concept than what is common in the Nordic countries) such as Portugal and Italy. A plausible explanation is that governmental welfare systems and "safety-nets" in the Nordic countries have taken away the immediate concern for the welfare of the extended group from the individuals.

The need for independence, i.e. the need for controlling one's own time and for adapting one's own approach to work, is an important motivation for all Nordic entrepreneurs. In addition, this is the only factor where Sweden is found in the main stream, as there are no significant differences between Sweden and the rest of the world. For Italy the independence motive is very low, while for Denmark and the USA it is very high.

The need for social approval and recognition from others is a very low motivational factor for entrepreneurs in Sweden, Finland and Norway. They are even the lowest among the eleven countries studied. On the other end of the scale, China and Portugal can be found. Denmark is placed in the middle as an average for the world.

The fact that the Nordic entrepreneurs do not mention this factor as motivating them is a finding which contradicts existing research. It has for example been shown that this factor is highly important for motivating Swedes in work. In the design of new production systems in Sweden, e.g. Volvo's new assembly plant in Uddevalla, this type of incentive is used to a large extent, probably to a larger extent than in any other country. The importance of role models of entrepreneurship has also been emphasized. Nevertheless, the Swedish entrepreneurs, together with the Finns and the Norwegians, considered this factor to be of minor importance.

One contributing explanation for this can be that Swedish entrepreneurs do not want to "show off", or put in other words, it is not considered to be "good behaviour" to clearly show an accomplishment (such as the start of a new business) for others. This can also have something to do with the much talked about Swedish envy (avundsjuke). Similar reasons can also be found in Finland, self-esteem is poor among Finns, and in Norway where the expression the "Jante law" was created (the intention of this "law" is that: you should not believe that you are someone or ever will be someone).

The entrepreneurs in Sweden and Norway are less inclined to see a business start-up as a means for personal development. The opposite is the case for their closest neighbours, Finland and Denmark. Why does this difference in motivation exist within the Nordic countries?

One explanation could be that the samples have been drawn in different ways. The Swedish entrepreneurs were randomly selected and the majority were so called "general" entrepreneurs (in the terminology of Hult & Odeen 1979). That study of Swedish entrepreneurs found that the "general" entrepreneur primarily was motivated by self-employment and dissatisfaction with previous employment whereas the "technological" entrepreneur was motivated by self-fulfilment or to realize one's own idea, a need for independence and a desire fo not being employed. A "technological" entrepreneur is defined as a person starting a business based on a technological idea/invention, and additional characteristics are that he/she has a higher level of education than a "general" entrepreneur. In comparison with the Swedes, the Danish entrepreneurs were to a larger extent found among the more educated group, but on the other hand the opposite was the case for Finland.

As regards the need to escape the previous work due to an unreasonable boss or because of frustration, this motive is much stronger in Finland than in the other Nordic countries. Why could this be the case? A hypothesis could be that the corporate climate may be more autocratic in Finland, which can be explained by Finland's suffering after the war and later growth into being a Nordic community type of country. This autocratic leadership style could possibly be a contributing reason for the higher degree of escape motivation.

A comparison between the motivations of the Nordic entrepreneurs reveals that the Swedish and Norwegian entrepreneurs are motivated most similarly. Norway is similar to Sweden regarding all factors except communitarianism, where Norwegian entrepreneurs are more family oriented. Finland is similar to Norway and Sweden on two factors, as it also presents a very minor need for social approval and the need for independence was also relatively strong.

On the other hand Finland differs from Sweden and Norway regarding their need for personal development, which was identified as a very strong motivator for Finnish entrepreneurs. Also, the need for escape in Finland is different from Sweden and Norway, since Finnish entrepreneurs consider this factor to be important.

The only factor where Denmark is similar to Sweden/Norway is in their need for money as a means. Personal development is a very strong motivator for the Danes, as it also was for the Finnish entrepreneurs. Lastly, the need for independence is a more

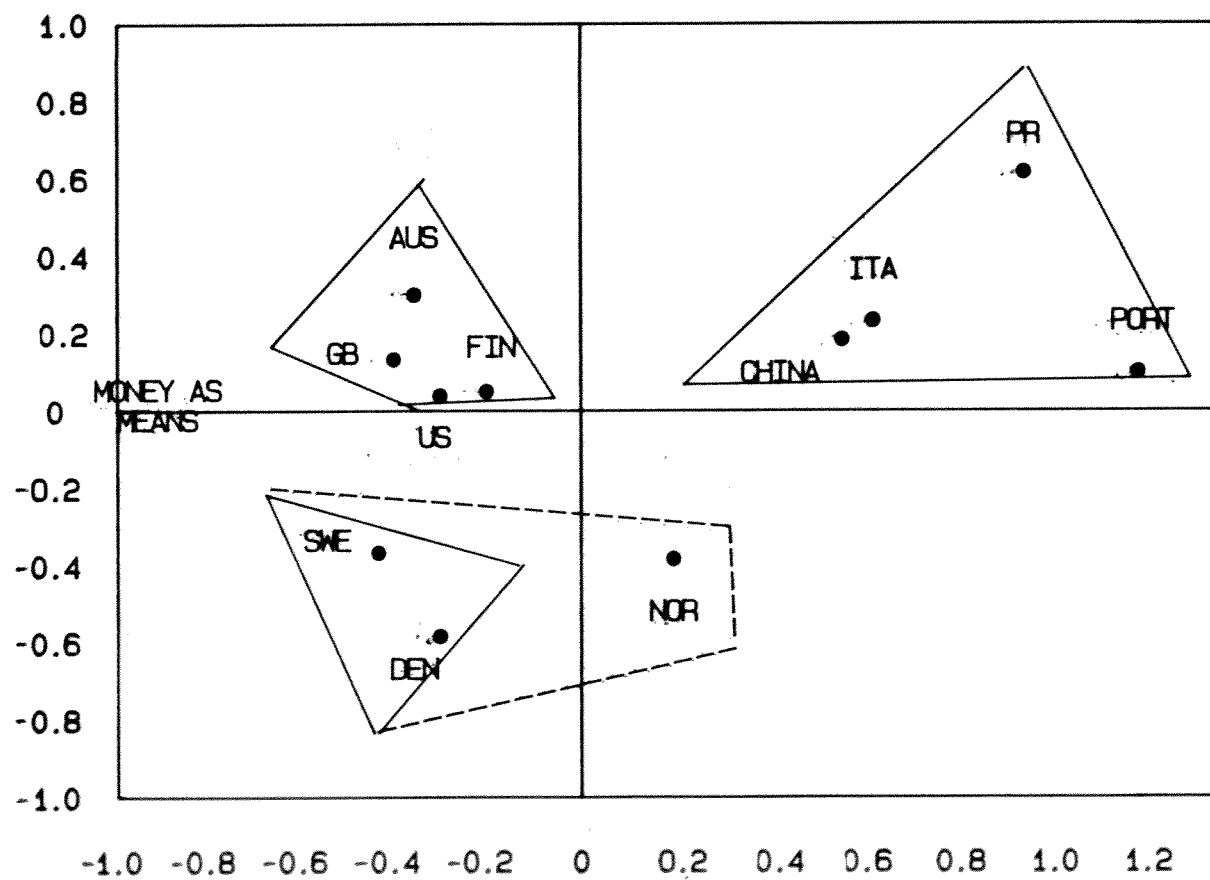
important motivator for Danish entrepreneurs than for their Swedish and Norwegian colleagues.

The differences between the Nordic countries are considerable and larger than expected, especially the difference between Sweden and Norway in relation to Denmark. Whether this finding should lead to recommendations on differentiated policy measures is yet to be determined, but should be pursued. In order to determine this properly there is a need for analyzing the Nordic data on a more detailed level, considering sampling differences, industries represented as well as regional differences.

NO UNIVERSAL SOLUTIONS

MOTIVATION FACTOR SCORES COUNTRY COMPARISON MONEY AS MEANS AND COMMUNITARIANISM

STRONG



WEAK

COMMUNITARIANISM

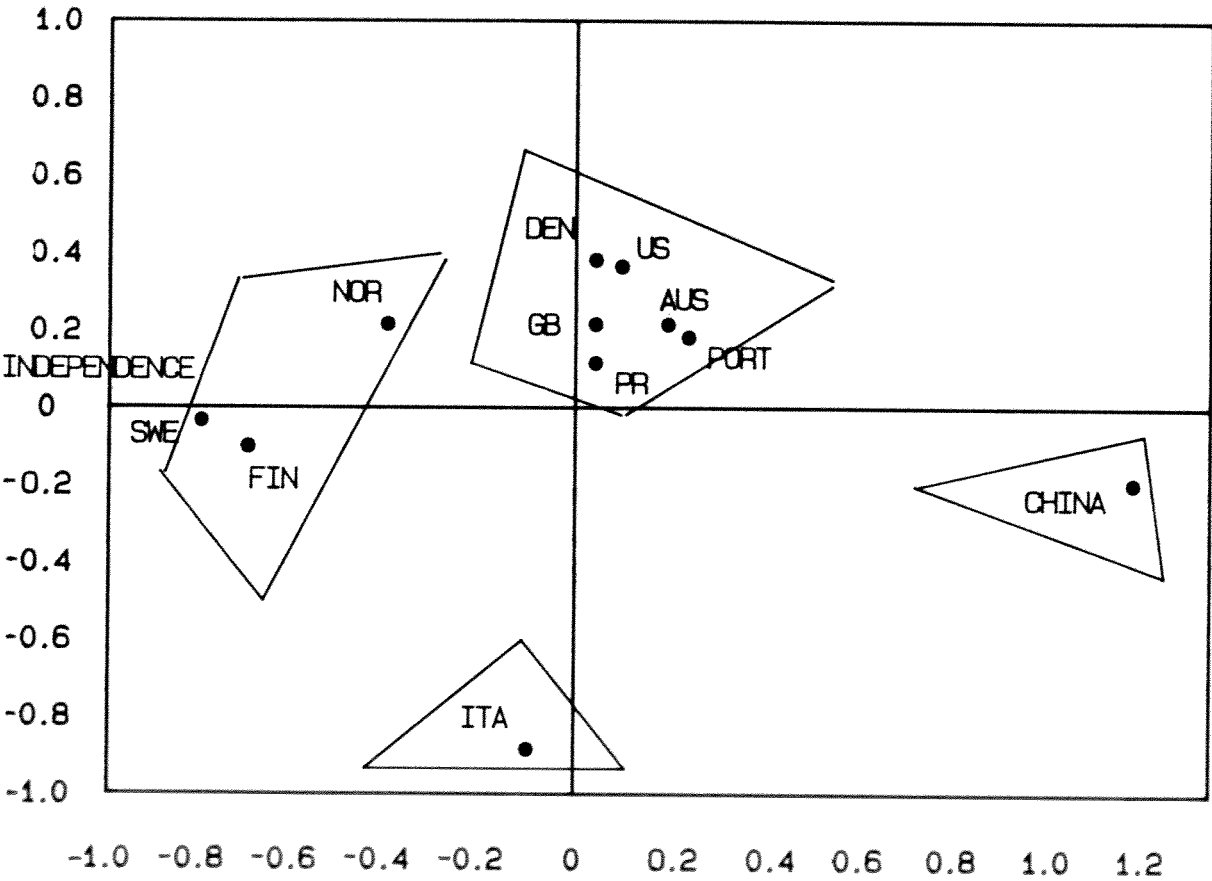
STRONG



NO UNIVERSAL SOLUTIONS

MOTIVATION FACTOR SCORES COUNTRY COMPARISON NEED FOR INDEPENDENCE AND APPROVAL

STRONG



WEAK

NEED FOR APPROVAL

STRONG



ESCAPE and PERSONAL DEVELOPMENT

Motivation Factor Scores

Country Comparison

