

THE CHARACTERISTICS OF TURKISH ENTREPRENEURS

Melih Bulu

National Competitiveness Research Institute, Turkey

**I. Hakki Eraslan and Aslihan Nasir
Bogazici University, Turkey**

ABSTRACT

Current literature shows that there is no consensus among the researchers about the descriptions and definitions of entrepreneurship, entrepreneurs and their characteristics. The definitions have emphasized a broad range of activities including the creation of organizations, the exploration of opportunities, the bearing of uncertainty, and others. On the other hand, in spite of tremendous definitions, there are a few studies, which focus on the identification characteristics of Turkish entrepreneurs. Thus, the main objective of this exploratory research is to identify perceptions about the characteristics of Turkish entrepreneurs, and some macro environmental factors which substantially have an impact on entrepreneurs. In order to accomplish this purpose, along with secondary research, this study employs an exploratory descriptive methodology with a semi-structured questionnaire, semi-structured in depth interviews, group discussion, and expert opinion.

INTRODUCTION

A consistent universal definition of entrepreneurship does not exist, however, entrepreneurship consists of several different approaches including psychology, sociology, anthropology, management, and economics. The definition of an entrepreneur has changed over time and become more complex. During the beginning of Middle Ages, entrepreneur was used in relation to specific occupations, but today the notion of the entrepreneur has been refined and broadened to include concepts that are related to the person rather than the occupation. In this study, entrepreneurship is taken as the process of creating something different with value by giving the necessary time and effort; assuming the accompanying financial, psychical, and social risks; and attaining the resulting rewards of financial gains and personal satisfaction and independence.

One of the major reasons for the increased interest in entrepreneurship is the awareness that entrepreneurship has profound effects on employment and economic growth of a country. Today, the study of entrepreneurship has gained increased importance not only because it helps entrepreneurs better fulfill their personal needs but also because of the economic contribution of the new ventures. Entrepreneurship acts as a positive force in economic growth by serving as the bridge between innovation and application. The study of entrepreneurship and education of potential entrepreneurs are also essential parts of any attempt to strengthen a country's economic welfare (Baumol, 1990, 1993; McGrath, 1999).

ENTREPRENEURSHIP AND ENTREPRENEURS

In the literature, the role of the entrepreneur in the economic world is frequently described along with its definitions. However, the current literature shows that researchers have been inconsistent in their definitions of entrepreneurship phenomenon. The following paragraphs present some of the definitions of entrepreneurship and attempt to summarize the general viewpoints into a more meaningful whole.

According to Knight (1971), entrepreneurs attempt to foresee and act upon change within markets. He emphasizes the entrepreneur's role in bearing the uncertainty of market dynamics. Schumpeter (1934) indicates that the entrepreneur is the innovator who implements change within markets through carrying out new combinations, and assumes entrepreneurship as the concept of innovation applied to a business context. Penrose (1963) emphasizes that entrepreneurial activity involves identifying opportunities within the economic system. Leibenstein (1979) accepts that the entrepreneur fills market deficiencies through input-completing activities. This means that entrepreneurship involves activities necessary to create or carry on an enterprise where not all markets are well established or clearly defined and/or in which relevant parts of the production function are not completely known.

Low and MacMillan (1988: 141) suggest that entrepreneurship can be defined as the creation of new enterprise. Gartner (1989), another contributor to the field, asserts that entrepreneurship is the process of identifying, developing, and bringing a vision to life. The vision may be an innovative idea, an opportunity, or simply a better way to do something. The result of this process is the creation of a new venture, formed under conditions of risk and considerable uncertainty.

Ronstadt (1984, 28) views entrepreneurship as the dynamic process of creating incremental wealth. Individuals who assume the major risks in terms of equity, time and/or career commitment or provide value for some product or service create the wealth.

Moreover, Pickle and Abrahamson (1990: 5-9) introduce that an entrepreneur is one who organizes and manages a business undertaking, assuming the risk, for the sake of profit. The entrepreneur evaluates perceived opportunities and strives to make the decisions that will enable the firm to realize sustained growth. In this definition, the authors introduce the terms of decision-making ability and growth objective of an entrepreneur. Finally, entrepreneurship takes place and has effects on different societal levels simultaneously. Entrepreneurial initiatives are carried out by individuals (Schumpeter, 1934). These initiatives take place in organizational contexts (Moran and Ghoshal, 1999), often resulting in the formation of new firms (Schumpeter, 1934) or the transformation of established firms (Zahra, 1991). Entrepreneurial initiatives often result in innovations, which in turn, may effect whole industries (Schumpeter, 1934), and even create totally new ones.

Entrepreneurship and Different Types of Businesses

In the literature entrepreneurship is linked with different types of businesses, such as small businesses, family businesses, start-ups, growing ventures and large organizations. In many cases there is an overlap with entrepreneurship, but they should not be considered as synonymous.

- **Small-Business Owner**

Some people use the term entrepreneur incorrectly to mean small-business owner. The EU defines a small business as a company employing fewer than 250 people. So, the term small-business owner simply refers to anyone who owns a major equity stake in a company with fewer than 250 employees. Many entrepreneurs are small-business owners for a while, but not all small-business owners become entrepreneurs.

- **Family Business**

A family business may be either large or small, and also can be growing rapidly or slowly. Even though there is no certain government definition of family business, most often the term is used to describe a business owned and managed generally by people who are related by blood and/or marriage.

- **Company Ownership**

Mere ownership in a company does not make a person an entrepreneur. The existence of company ownership by the entrepreneur gives a specific dimension to the management of the firm, through the investment of the own financial resources.

- **New Ventures**

Entrepreneurship is often linked with the start-up of new ventures. This start-up is considered as an important phase in the whole entrepreneurial process. A lot of attention is paid to the driving factors to start a business. According to Shapero and Sokol (1982), the entrepreneurial event is often the result of the interaction between social, cultural and personal factors. Negative displacements (being fired, retired, bored, divorced, etc.) can provide the immediate shock that accelerates the entrepreneurial event. A possible reason to actually start a business is the expectation of gain. Culture, family, peers and colleagues can reinforce that expectation.

- **Growing Companies**

Company growth is a typical characteristic of entrepreneurial ventures. The existence of growth is more important than the company size itself. Entrepreneurship occurs at all size levels of companies. Companies growing rapidly through the size hierarchy, not by those who remain at one particular level, characterize it.

- **Intrapreneurs**

The term intrapreneur was created to describe someone in an organization who turns ideas into profitable realities. Top management can foster an intrapreneurial culture by eliminating barriers and providing incentives for intrapreneurship. The entrepreneurial attitude can also occur in large organizations. In this case, the entrepreneurial spirit of small companies is transferred to big companies and the term intrapreneurship is used. Intrapreneurship is a method for stimulating and then capitalizing on individuals in an organization who think that something can be done differently and better (Hisrich and Peter, 1995). There are strong similarities between intrapreneurs and entrepreneurs. Intrapreneurs, however, should always take into account the existence of a hierarchical structure within the organization.

- **Innovation, Inventor and Entrepreneur**

Entrepreneurship is characterized by the existence of new combinations causing discontinuity. Various descriptions of entrepreneurship can be considered as redefinitions of the concept developed by Schumpeter (1936). Examples of these concepts are terms like fundamental change innovative, flexible, dynamic risk taking, creative and alertness (Murray, 1984; Stevenson and Gumpert, 1985). Innovation is not always considered as a sufficient condition for entrepreneurship. The existence of outcomes is also an important factor. Gartner (1990) focuses on the existence of characteristics such as innovation, growth and uniqueness. Accordingly, Drucker (1985) defines entrepreneurship as an act of innovation that involves adding a new wealth-producing capacity to existing resources. A distinction should be made between entrepreneurs, inventors and investors. An entrepreneur may or may not be the creator of a new product or process (inventor). The distinguishing point is that he recognizes the value of an idea and actively exploits it.

- **Manager and Entrepreneur**

There are significant differences between entrepreneurs and the overall profile of managers. Entrepreneurs usually are considered to bear risk while pursuing opportunities, and entrepreneurship is often associated with creative and innovative actions. Entrepreneurs undertake a managerial role in their activities, but routine management of an ongoing operation is not considered to be entrepreneurship. An individual may

perform an entrepreneurial function in creating an organization, but later can shift to the role of managing it without performing an entrepreneurial role.

Common Personality Characteristics of Entrepreneurs

Vesper (1980) and Gartner et. al. (1989, 183) emphasize the diversity among entrepreneurs and entrepreneur types. They try to identify the differentiating characteristics of entrepreneurs by developing a taxonomy. Gartner (1989: 48) considers trait approaches to be unfruitful for the search of definition and suggests behavioral theories. Traits and characteristics may be those intermediating variables that explain and predict entrepreneurial activity and behavior. Researchers have sought the features that contribute to successful entrepreneurship. The personal attributes that most entrepreneurs share are strong need for achievement, a desire to be independent, self-confidence, and the willingness to make sacrifices for the sake of the business. During the 1950s, researchers try to identify personality factors that determine who is, and who is not, likely to become an entrepreneur.

McClelland (1961) found that entrepreneurs had a higher need for achievement than non-entrepreneurs and were, contrary to popular opinion, only moderate risk takers. Timmons (1994) examines more than 50 studies and found a consensus around six general characteristics of entrepreneurs: commitment and determination, leadership, opportunity obsession, tolerance of risk, ambiguity and uncertainty, creativity, self-reliance and ability to adapt, and finally motivation to excel.

Furthermore, McClelland (1987) conducted a study about the entrepreneurs in India in an effort to distinguish between characteristics of successful and unsuccessful entrepreneurs. The study identified nine characteristics that were stronger in the *very successful* than the *average* entrepreneurs, and six characteristics for which there was no significant difference in strength between the two groups. In addition, many people believe successful entrepreneurs are individuals who do not afraid to fail (Kuratko, and Hodgetts, 1998: 100). Sandberg and Hofer (1987: 5-28) look at the entrepreneurial characteristics from the perspective of success dimension. According to the authors, successful entrepreneurs are able to identify potential venture opportunities better than most people.

Table 1 gives the historical overview about these characteristics in the literature. However, new characteristics are continually being added to this ever-growing list. In addition to this context, a related stream of research examines how individual demographic and cultural backgrounds affect the chances that a person will become an entrepreneur and be successful at the task (Bianchi, 1993: 58).

Table 1: Entrepreneurial Characteristics

DATE	AUTHOR(S)	CHARACTERISTIC(S)
1954	Sutton	Desire for responsibility
1959	Hartman	Source of formal authority
1961	McClelland	Need for achievement
1963	Dauids	Ambition, independence, self-confidence
1964	Pickle	Drive, human relations skills
1971	Palmer	Risk
1973	Winter	Need for power
1974	Borland	Internal locus of control
1974	Liles	Need for achievement
1977	Gasse	Personal value orientation
1978	Timmons	Drive, moderate risk taker
1980	Sexton	Energetic

Source: Carland, Hoy, Bolton and Carland, 1984: 354-359.

METHODOLOGY OF RESEARCH

The main objective of this exploratory research is to identify the perceptions about the characteristics of Turkish entrepreneurs, and to determine some macro environmental factors which substantially have an impact on Turkish entrepreneurs. In order to accomplish this purpose, along with secondary research, this study employed an exploratory descriptive methodology with a (1) semi-structured questionnaire, (2) semi-structured in depth interviews, (3) group discussion, and (4) expert opinion.

As secondary research, an extensive literature review was done for determining the characteristics of entrepreneurs within various dimensions, and under different concepts. During the literature survey, some of the assumptions about research issues were generated for primary research.

The primary part of the current study was designed to investigate the research purpose through a qualitative methodology. Thus, initially, an evaluation of a large sample of managers is taken in order to determine what they consider to be the attributes of entrepreneurship. In this research, a two staged design was employed with 140 entrepreneurs, in which the first step was constituted of *in-depth interviews*, and the second one was constituted of *expert opinions*. The interviews were lasted within a one year period, and conducted to various entrepreneurs who engage in different types of business in various Turkish cities.

Group discussion was also employed with 35 managers of Small and Medium Industry Development Organization (*KOSGEB*) in Ankara. After giving one day initial training program about the general features of Turkish entrepreneurship, group discussion was done with these managers around research issue. In order to foster an environment conducive to an open discussion of sensitive issues, participants were offered confidentiality regarding attribution of their comments. Further, no conversations were electronically recorded.

Based on secondary research, in depth interviews, expert opinions, and group discussion; *semi-structured questionnaires* were generated, and delivered to students who are already studying managerial disciplines in various Turkish colleges including Bogazici, Koc, ITU, and Bahcesehir Universities. A total of 120 undergraduates completed and returned the questionnaire for a response rate of 95%.

RESEARCH RESULTS: THE PERCEPTIONS ABOUT TURKISH ENTREPRENEURS' PROFILE

According to questionnaire results, entrepreneurs are perceived as active and dynamic (as the youngest child in the family- 38%), single, and male individuals, 66% and 93% respectively. On the other hand, 62% of the respondents perceive that an individual usually begins his first entrepreneurial business enterprise at his twenties. Furthermore, 33% of the respondents also perceive that usually an individual's entrepreneurial tendency first appears evident in his twenties. In addition, 41% of the respondents believe that typically, an entrepreneur has achieved the high school diploma by the time the first significant business venture begins. Moreover, 51% of the respondents perceive that an entrepreneur's primary motivation for starting a business is to make money. Interestingly, 61% of the respondents state that the primary motivation for the entrepreneur's high ego and need for achievement is based upon a relationship with father. In addition, 58% of the respondents perceive that to be successful in an entrepreneurial venture, there is a need for a number of factors including luck, hard work, good idea, and money. According to the results of the study, 38% of the respondents believe that entrepreneurs and venture capitalists get along well, and they are the best of friends and also are cordial friends. Another finding of the study is that, 39% of the respondents declare that for critical management advice, a successful entrepreneur must rely on internal management team. One crucial finding of this research is that, entrepreneurs are perceived best as planners by the 46% of the respondents and also perceived as realistic gamblers again by the 46% of the people. Also, it is believed that entrepreneurs are the life of a party (48%). Furthermore, 47% of the respondents believe that entrepreneurs tend to *fall in love* with new ideas, and 48% of respondents state that entrepreneurs typically form a variety of ventures.

People with high-level education choose to be a manager in a big company. Especially, their first priority is to work for a foreign company, which operates in Turkey. Then, big Turkish companies are the places that skilled managers want to work. People who do not have necessary skills, enough knowledge and quality of education for finding a position in companies, are the most important candidates for being entrepreneurs in Turkey. Since they can not find a job, they are forced to establish a new entrepreneur for themselves. Thus, they become risk takers whereas skilled people do not prefer to take that level of risk. Therefore, level of education is lower in entrepreneurs compared to managers in Turkey.

Today, State Owned Enterprises (SOEs) are still majority among the companies, and they have monopoly power in their sectors. Even though they make huge losses, there is no problem with the salary of the people working in these companies. Moreover, people working in these companies have social security rights, which is not the case if you work in a Small and Medium Enterprises (SMEs) in Turkey. Hence, new graduates from universities prefer to work for government instead of establishing their own work in Turkey.

Due to instability, rules and regulations of the economic system are changed frequently for the last two-decades in Turkey. For instance, tax rates have changed several times since 1980s, particularly, tax exemptions and rates, providing for specific sectors or areas, have been removed or substantially altered. Besides, Turkish government is redesigning the laws for synchronization with EU. Since the rules of the game are changing frequently in Turkey, entrepreneurs should be flexible in order to adapt their enterprises to new circumstances.

According to Ingelhart's research (1999), trust in people to each other decreases in Turkey with respect to world values. The research shows that only 10% of Turkish people say *I trust most of the people*. The author's second research (1999) also shows that this rate is decreasing (6.5%). In other words, trust level among people decreases to establish new joint ventures. Therefore, entrepreneurs in Turkey prefer to establish firms together with their relatives instead of someone who is not from his/her family.

Entrepreneurs, who are experienced in the firms that have place in a cluster, prefer to establish new firms in the same cluster. Because they know the environment and, accordingly, they know the gap of suppliers in the value system, this circumstance leads to establish new companies, which have competitive advantage in the cluster.

IMPLICATIONS FOR TURKEY

Indeed the environmental factors affect and stimulate the entrepreneurial activity. The number of entrepreneurs can increase and decrease with the environmental conditions. Low interest rates and higher rates of immigration also seem to contribute to higher rates of entrepreneurial activity. Political and economic factors also play a role. Finally, local conditions also stimulate entrepreneurship.

Turkey has experienced significant economic instability for the last decade, including two serious economic crises in 1994 and 2001. In fact, the political system of Turkey triggered the recessions, and, democratic system had been interrupted several times since the existence of the republic. Justice system of Turkey also does not work properly. For instance, there is a high probability that a legal case can continue for years. Bureaucracy creates significant barriers for entrepreneurs while establishing and continuing their ventures. Thus, people in Turkey are not willing to establish new ventures if they have other alternatives to do in order to earn money due to those negative circumstances.

For several years, real interest rates were quite high in Turkey. Therefore money owners prefer to get the benefit of these high interest rates from government bonds instead of establishing new ventures. This fundamental problem created serious financial problems for the entrepreneurs who wish to establish his/her own business, because financing a new venture either with debt or with equity becomes nearly impossible. Credit interest rates were quite high so that using credit from a bank in order to establish a venture was not logical. Since money owners have a safe option of getting high real interest rates from government bonds, it was also

quite difficult to find a partner as business angel or as a venture capital firm in order to use equity financing option. Besides stock exchange was not an option for SME owners, because IMKB (Istanbul Stock Exchange) was permitting only big companies to be traded in their market.

Today, real interest rates are decreasing and economic environment becomes more reliable for the last 3 years. This brought the decreasing interest rates which is very important for entrepreneurs. On the other hand, Turkish entrepreneurs still have problems with equity financing options. There are three venture capital firms only which are quite insufficient for Turkey. Besides, due to problems with corporate governance infrastructure of firms, business angels could not invest the ideas easily if they do not know the entrepreneurs personally.

Entrepreneurship education is being given only in a few universities. A university student does not know how to prepare a business plan, how to establish a company and how to finance his/her venture. Therefore it is an unreachable goal for a university student to start a new venture. This gap should be filled by increasing the entrepreneurship courses not only in universities but also in high schools as well.

Finally, being an entrepreneur is thought to be a bad thing among most of Turkish people. This bias comes from the entrepreneurs who behave in a wrong way in the past. Turkish media amplified these people and Turkish society generated a bias that being an entrepreneur is a bad thing. This bias also should be changed. For doing this, new television programs should be made which describe successful entrepreneurs and their life stories to the coming generations. Moreover, new role models should be found among successful entrepreneurs and necessary attempts should be made in order to make them popular among Turkish youth.

REFERENCES

- Baumol, W. J. 'Entrepreneurship: Productive, Unproductive and Destructive,' *Journal of Political Economy*, Vol. 98, No. 5, (1990): 893-921.
- Baumol, W. J. 'Formal Entrepreneurship Theory in Economics, Existence and Bounds,' *Journal of Business Venturing*, Vol. 8, (1993): 197-210.
- Bianchi, A. 'Who's most likely to go it alone?' *Inc.*, Vol. 15, No. 5, (1993): 58.
- Carland, J.W., Hoy, F., Boulton, W.R., and Carland, J.C. 'Differentiating Entrepreneurs from Small Business Owners: A Conceptualization,' *Academy of Management Review*, Vol. 9, No. 2, (1984).
- Davidsson, P. 'Entrepreneurship and after? A study of Growth Willingness in Small Firms,' *Journal of Business Venturing*, Vol. 4, No. 3, (1989): 211-226.
- Drucker, P., *Innovation and Entrepreneurship: Practice and Principles*, Harper & Row, Publishers, 1985.
- Gartner, W.B., Mitchell, T.R., and Vesper, K.H., 'A Taxonomy of New Business Ventures,' *Journal of Business Venturing*, Vol. 4, (1989): 169 - 186.
- Gartner, W.B. 'A Conceptual Framework for Describing the Phenomenon of New Venture Creation,' *Academy of Management Review*, Vol. 14, No. 4, (1989): 696-706.
- Gartner, W.B. 'What Are We Talking About When We Talk About Entrepreneurship?' *Journal of Business Venturing*, Vol. 5, (1990): 15-28.
- Hebert, R. and Link, A. 'In Search of the Meaning of Entrepreneurship,' *Small Business Economics*, Vol. 1, No. 1, (1989): 39-50.
- Hisrich, R.D., and Peters, M.P., *Entrepreneurship*, 4th Edition, Boston: Irwin / McGraw Hill., 1995.

- Inglehart, R., *Trust, Well-being and Democracy*, in: Mark Warren (ed.) *Democracy and Trust*, New York and Cambridge: Cambridge University Press, 1999.
- Knight, F. H., *Risk, Uncertainty and Profit*, in: G. J. Stigler (Ed.), Chicago: University of Chicago Press, (1971).
- Kuratko, D.F, and Hodgetts, R.M, *Entrepreneurship: A Contemporary Approach*, 4th Edition, The Dryden Press., 1998.
- Leibenstein, H., *General X Efficiency Theory and Economic Development*. New York, Oxford University Press, 1979.
- Low, M.B., and MacMillan, I.C. 'Entrepreneurship: Past Research and Future Challenges,' *Journal of Management*, Vol. 14, (1988): 139-161.
- McClelland, D.C. 'Characteristics of Successful Entrepreneurs,' *Journal of Creative Behavior*, Vol. 21, (1987): 219-233.
- McClelland D.C. *The Achieving Society*, Van Nostrand Co, Princeton, NJ. 1961.
- McGrath, R.G. 'Falling forward: Real Options Reasoning and Entrepreneurial Failure,' *Academy of Management Review*, Vol. 24, No. 1, (1999): 13-30.
- Moran, P., and Ghoshal, S. 'Markets, Firms, and the Process of Economic Development,' *Academy of Management Review*, Vol. 24, No. 3, (1999): 390-412.
- Murray, H.A., *Explorations in Personality*, New York., 1938
- Penrose, E., *The Theory of the Growth of the Firm*, Revised Edition, Oxford: Oxford University Press, 1963.
- Pickle, H.B., and Abrahamson, R.L., *Small Business Management*, John Wiley & Sons, Inc., 1990.
- Ronstadt, R., 'The Corridor Principle,' *Journal of Business Venturing*, Vol. 3, (1988): 3-40.
- Sandberg, W.R., and Hofer, C.W., 'Improving New Venture Performance: The Role of Strategy, Industry Structure, and the Entrepreneur,' *Journal of Business Venturing*, Vol. 2, No. 1, (1987): 5-28.
- Schumpeter, J., *The Theory of Economic Development*, Cambridge: MA: Harvard University Press, 1934.
- Shapiro, A., and Sokol, L., *Social Dimensions of Entrepreneurship*, In: The Encyclopedia of Entrepreneurship. Prentice Hall, Englewood Cliffs, 1982.
- Stevenson, H., and Gumpert, D., 'The Heart of Entrepreneurship,' *Harvard Business Review*, May–April, (1985): 85–94.
- Timmons, J.A., *New Venture Creation, Entrepreneurship for the 21st Century*, 4th Edition, Irwin., 1994.
- Vesper, K. H., *New Venture Strategies*, Revised Edition, Prentice Hall, Englewood Cliffs, N.J., 1990.
- Zahra, S., 'Predictors and Financial Outcomes of Corporate Entrepreneurship: An explorative study,' *Journal of Business Venturing*, Vol. 6, (1991): 259-2.