Survival-driven or Growth-driven: Analysis on Types of Entrepreneurs from an Economic Growth Perspective

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Introduction

Entrepreneurs are a prominent group of individuals who make significant contributions to economic growth. The positive effect of entrepreneurship on economic growth has been highly noted (Rodrigues and AC TEIXEIRA, 2020; Hamdan, 2019; Zvavahera et al., 2018; Kressel and Lento, 2012; Kefela, 2011; Acs, 2006; Van Stel et al., 2004; Fritsch and Mueller, 2004; Audretsch and Fritsch, 2003; Reynolds et al., 2002; Wennekers and Thurik, 1999; Holcombe, 1998). However, until recent years, entrepreneurs were considered a unique group. Later, due to the expansion of the field of entrepreneurship, researchers tend to analyze entrepreneurship more closely in relation to economic growth. It was then noted that entrepreneurs are not uniform and can be categorized into different types based on various criteria.

Targeting higher economic growth, countries worldwide are preparing policies to promote, improve, and accelerate entrepreneurship. However, to achieve the expected results from these policies, it is essential to understand the contributions of different types of entrepreneurs to economic growth.

The identification of types of entrepreneurs is no longer a historical phenomenon. However, after identifying that entrepreneurs are not uniform, they were divided into types based on different criteria. One such criterion commonly used is the aspiration of being an entrepreneur. It refers to either survival or any other aspiration. Necessity, subsistence, survival, remedial, self-employed, and general entrepreneurs' primary aspiration of being an entrepreneur is survival. They are running businesses as a means of survival. Also, they have become entrepreneurs due to the absence of employment opportunities. Most probably, this was their last opportunity for a means of income for survival. Opportunity, growth-oriented, transformational, business owners and employer entrepreneurs run their businesses to capitalize on prevailing opportunities in the entrepreneurial ecosystem and exploit their advantages. Their main objective is the growth of the business (Stel et al., 2014; Berner et al., 2012; Schoar, 2010; Block and Wagner, 2010; Mondragon–Veles and Pena, 2010; Stam et al., 2009; Block and Sandner, 2009; Hechavarria and Reynolds, 2009; Ardagna and Lusardi, 2008; Hessels, 2008; Bergmann and Sternberg, 2007; Acs, 2006; Bosma and Harding, 2006; Reynolds et al., 2002).

Although there are different types of entrepreneurs, the literature highlights that not all types significantly contribute to economic growth. Additionally, it suggests that types of entrepreneurship with minimal economic impact should not be actively promoted. Instead, emphasis has been placed on encouraging entrepreneurship that makes a significant contribution to economic growth. However, counterviews can also be noted when reviewing the existing literature. Then, there is a higher requirement for a unique agreement to encourage and maintain different types of entrepreneurs from an economic growth perspective, facilitating effective policy design.

Objectives

This study aims to analyze whether there is a difference in the contribution of different types of entrepreneurs to economic growth. Are there any entrepreneurs who should be discouraged for correcting the inefficient resource allocation? Further, is there any special need for separate policies for different types of entrepreneurs to maximize their contribution to economic growth? The types of entrepreneurs are considered here are survival-driven and growth-driven.

Methodology

Although there are different types of entrepreneurs, this study categorizes them into two main types, primarily based on their aspiration to be an entrepreneur. The two types are survival-driven entrepreneurs and growth-driven entrepreneurs. Necessity, subsistence, survival, remedial, self-employed, and general entrepreneurs belong to the survival-driven type. In contrast, opportunity, growth-oriented, transformational business owners and employer entrepreneurs belong to the growth-driven type.

This study is based on a literature review. The thematic narrative literature review method is employed to address research questions in the survey. This literature review method offers a qualitative and descriptive overview. The discussion is organized based on the themes addressing types of entrepreneurship.

Results and Discussions

Survival-driven Entrepreneurs and Economic Growth: The most common type of entrepreneurs, which belongs to the survival-driven category, is necessity entrepreneurs. When examining the contribution of those entrepreneurs to economic growth, reviewing the literature, some studies in their analyses have revealed that necessity entrepreneurship does not significantly affect economic growth (Rodrigues, 2018; Stam and Stel, 2011 & 2009; Block and Wagner, 2010, Hessels et al., 2008; Acs, 2006). Further, entrepreneurial activity motivated by necessity could solve short-run problems, but it does not affect long-run economic growth (Aparicio et al., 2016). When turning to the self-employed, survival and subsistence entrepreneurship that belong to survival entrepreneurs, they are relatively unproductive in a growth sense and do not contribute to a vibrant economy (Margolis, 2014; Berner et al., 2012; Schoar, 2010; Salgado-Banda, 2007). Survival businesses primarily serve as a buffer against slipping deeper into poverty and help many poor people to become a little less poor (Berner et al., 2012 & 2008).

Conversely, Block and Sandner (2009) found that necessity entrepreneurs are not necessarily less successful and therefore less desirable from an economic perspective. Necessity entrepreneurship also has a significant impact on economic growth, like opportunity entrepreneurship and early-stage entrepreneurship (Rodrigues and AC TEIXEIRA, 2020; Stoica et al., 2020). Further, a shortage or surplus of such entrepreneurs can have adverse effects on macroeconomic development (Stel et al., 2014).

Growth-driven Entrepreneurs and Economic Growth: When examining the growth-driven category, numerous studies have found that opportunity entrepreneurs stimulate the economy and make a substantial contribution to economic growth. Furthermore, opportunity entrepreneurship has a more substantial positive impact on economic growth and is more productive. (Rodrigues AC TEIXEIRA, 2020; Stoica et al, 2020; Rodrigues ,2018; Aparicio et al., 2016; Van Stel et al., 2014; Block and Wagner, 2010; Ardagna and Lusardi; 2008; Berner, 2008; Acs, 2006). Growth-oriented entrepreneurship plays a crucial role in achieving GDP growth, and supporting growth-oriented entrepreneurs is worthwhile (Stam and Van Stel, 2011). Berner et al. (2012) revealed that employer entrepreneurship has multiple paths that lead to high macroeconomic growth rates. According to Schoar (2010), transformational entrepreneurs contribute to a vibrant economy.

When summarizing the findings of the literature review, there is no unique agreement on survival-driven entrepreneurship. However, it was unanimously agreed that growth-driven entrepreneurship makes a significant contribution to economic growth. Therefore, researchers have forwarded a strong idea that, while promoting growth-driven entrepreneurship, which is efficient from an economic perspective, survival-driven entrepreneurship, which is inefficient from that perspective, should not be encouraged. Further, they highlighted that survival-driven entrepreneurship should be discouraged to prevent inefficient utilization of resources (Margolis, 2014; Stam and Van Stel, 2011; Stam and Van Stel, 2009 & 2011; Schoar, 2010; Shane, 2009; Stam and André, 2009; Hessels et al., 2008).

The literature shows that there is a need to identify different types of policies for different types of entrepreneurship. Most researchers highly emphasized the need for different policies to have their maximum effect on economic growth, as they differ from each other. Otherwise, considerable inefficiencies may result. An appropriate policy for each type provides an incentive for better contributions to economic growth (Berner et al., 2012; Schoar, 2010; Mondragon–Veles and Pena, 2010; Block and Wagner, 2010; Berner et al., 2008). However, this study found that any type of entrepreneur is important, although their contributions to economic growth differ. Especially, survival-driven entrepreneurship helps reduce poverty, and if there is an improvement in the economy, poverty reduction becomes a basic requirement. Then, discouragement of survival-driven entrepreneurs is an unacceptable view.

Conclusions and Policy Recommendations

The contribution of different types of entrepreneurship to economic growth vary. Growth-driven entrepreneurship is more productive and significantly contributes to economic growth whereas survival-driven entrepreneurship is less productive and contributes less to economic growth. However, this type of entrepreneurship helps to reduce poverty, provides means of generating a survival income. Then, although there is a suggestion to discourage survival-driven entrepreneurship, this study concludes that discouragement is not a solution. Instead, apply correct policies is a viable solution. This contributes to the literature and highly emphasizes that any type of entrepreneurship is a part of the economy important from economic growth perspective. Further, if any entrepreneurship is discouraged, it will adversely affect the smooth flow of economic growth. Therefore, effective contribution of different types of entrepreneurship can be achieved by designing policies tailored to their specific needs.

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