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Motivations Related to Knowledge in Business Start-up Activity

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Abstract: The aim of this paper is to help to understand the role of motivations related to knowledge when people engage in a business start-up activity. The methodology is case study and expert’s opinion. The study was conducted in Germany and Costa Rica. The findings suggest that the exchange of knowledge, the development of business opportunities and personal skills can be considered as the main reasons that influence directly for engaging in a business start-up activity. It was also found interesting across-country differences for these reasons. The findings are relevant to new entrepreneurs, scholars and policy makers.

JEL Classifications: M13, L26, O31

Keywords: Entrepreneurship, Nascent entrepreneur, New entrepreneurs, Start-up activity, Knowledge, Social capital, Human capital
In recent years, entrepreneurship has been more relevant and it is considered as a base of research in economic, academic and social fields. Previous studies have established determinants that influence in the process of entrepreneurship such as alertness to opportunities, demographic characteristics and confidence in personal skills (Arenius & Minniti, 2005), opportunities in the entrepreneurial process (Eckhardt & Shane, 2003), education level (Arenius & De Clercq, 2005) or unemployment and economy (Sternberg & Wennekers, 2005; Ritsilä & Tervo, 2002; Arenius & Minniti, 2005).

However, there is a lack of studies that could show the causes of the knowledge role in the entrepreneurial process (De Clercq & Arenius, 2006; Dencker, Gruber & Shah, 2009). According to that, the necessity to determine the reasons based on knowledge that cause people engage in a new business is presented (Shaver et al., 2011; Madriz, Leiva & Henn, 2014; Herrera, 2014).

According to this, the aim of this study is to help to understand the role of motivations related to knowledge when people engage in a business start-up activity by studying cases in Germany and Costa Rica and the expert’s opinion about entrepreneurship.

1. Literature Review

Total Entrepreneurial Activity (TEA) rate is the central measure of Global Entrepreneurship Monitor (GEM). According to GEM Global Report (2012), TEA is the percentage of individuals between 18 – 64 years old that are in the process of starting or they are already been engaged in a new business and it contains people in two phases called nascent and new entrepreneurs. Nascent entrepreneurs are people doing any activity to engage in a new business in less than three months old. New entrepreneurs are those who have an own business for more than three months, but less than three and a half years (Xavier et al., 2012). This study is based on new entrepreneurs in order to collect information from owners with real entrepreneurial experience in a new business. Figure 1 shows the entrepreneurship phases.

(Source: GEM Global Report, 2012)

Figure 1. Entrepreneurship Phases

The Global Entrepreneurship Monitor establishes that there are people that decide to become entrepreneurs because of necessity and others that are motivated by opportunities, mostly depending


on the country where they live (Xavier et al., 2012). On the other hand, Herrera (2014) indicates the lack in the literature of the reasons why the human and social capital, are important to decide to engage in a new business.

Previous studies show a positive relationship between self-efficacy (human capital) and knowing an entrepreneur (social capital) with the business start-up activity (Madriz, Leiva & Henn, 2014; De Clercq & Arenius, 2006; Davidsson and Honig, 2003), but they determined a non-linear relationship between academic level (human capital) and the propensity to become an entrepreneur (Van der Sluis, Van Praag & Vijverberg, 2008; Oosterbeek, Van Praag & Ijsselstein, 2010; Brixy & Hessels, 2010).

Prior papers have presented the roll of human capital as driver for entrepreneurial activity (Madriz, Leiva & Henn, 2014; Autio & Wennberg, 2010; Morales & Roig, 2005; De Clercq & Arenius, 2006; Davidsson & Honig, 2003). The skills and knowledge of people are factors that influence in their behavior (De Clercq & Arenius, 2006; Herrera, 2014; Brinks, 2014 and Phannernzars, 2014). The human capital in this study pertains to the knowledge that is personally related (directly) with a new venture, the education is not included.

On the other hand, knowledge focused on start-up activity should increase in areas where they are exposed to more knowledge (Audretsch, Bunte & Keilbach, 2008), by geographic proximity to knowledge sources causing more entrepreneurial opportunities through a network referenced to the start-up intention (Acs, Audretsch & Lehmann, 2013). Experts like Phannernzars (2014) and Brinks (2014) agree that one of the main reasons for deciding to engage in a new business is the exchange of knowledge between people of different entrepreneurial approach. In this study, social capital will be the benefits obtained by gaining access to the knowledge of others (De Clercq & Arenius, 2006).

Another reason for the start-up activity is to pursue an opportunity. GEM identifies these people as opportunity–driven entrepreneurs (Xavier et al., 2012).

An entrepreneurial study reveals that the behavior norms in social groups have a relevant impact of more than three times of influence the possibility of being involved in free enterprise compared to individual approaches (Autio & Wennberg, 2010). Phannernzars (2014) and Hauk (2014) consider that social capital is more important to become an entrepreneur because everybody can do anything, but it is more a decision from the social effect. They think human capital is more a limiting factor, because if you do not have the knowledge you can do a little effort and improving it.

However, Herrera (2014) considers that the social capital will be always presented in the environment but skills cannot be transmitted and what people can do is what really has relevance in the entrepreneurial activity. For this reason, the development of personal skills can be identified as a reason for a business start-up activity.

According to this, the question derived from the above concepts is defined as follows: What are the main motivations related to knowledge that influence directly for engaging in a business start-up activity?

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2. Methodology

Research was conducted with a qualitative approach because it provides depth data, interpretive richness and unique experiences. It also provides a point of view as a flexible integrated appearance or phenomenon that is developing. Also, Hernández Sampieri, Fernández & Baptista (2010) indicates that this approach is used to describe or refine those questions involved in the process of interpretation.

During the investigation a case study is devised using a homogeneous sample in which there are included individuals who share the same profile Hernández Sampieri, Fernández & Baptista (2010) identifying the "new entrepreneurs" group, according to the GEM.

To achieve the objectives, a qualitative methodology with a descriptive scope was employed in the study. The analyses are based on new entrepreneurs'. Even though studies from the GEM data base have been focused on nascent entrepreneurs that means people doing any activity are engaged in a new business that is less than three months (Madriz, Leiva & Henn, 2014; De Clercq & Arenius, 2006).

More specifically, this study is focus on entrepreneurs from Germany and Costa Rica. The principal objective of this study is not to make a comparison between two countries. However, Germany and Costa Rica were chosen to examine if there are differences between knowledge-based variables related with the start-up activity from a developed country and an underdeveloped country.

There were interviewed four experts with personal opinion in entrepreneurial aspects and entrepreneurial knowledge, in order to have a base to the respective analyses (Table 1). Also, there were twelve new entrepreneurs interviewed, six from each country (Table 2).

Table 1 Summary Description of Experts, Entrepreneurial and Academic Experience

<table>
<thead>
<tr>
<th>Expert</th>
<th>Country</th>
<th>Entrepreneurial Experience</th>
<th>Academic Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof. Ph.D.–Ing.</td>
<td>Germany</td>
<td>Owner of Führung und</td>
<td>Professor in Duale Hochschule Baden-Württemberg Karlsruhe.</td>
</tr>
<tr>
<td>Eckhard Brinks</td>
<td></td>
<td>Reform for Brinks company.</td>
<td>Professor of course for entrepreneurs in Duale Hochschule Baden-Württemberg Karlsruhe.</td>
</tr>
<tr>
<td>Prof. Ph.D.</td>
<td>Germany</td>
<td>He had his own business.</td>
<td>Professor in Duale Hochschule Baden-Württemberg Karlsruhe.</td>
</tr>
<tr>
<td>Armin Pfannenschwaz</td>
<td></td>
<td>Owner of HAUK Consulting.</td>
<td></td>
</tr>
<tr>
<td>Prof. Dipl-Ing</td>
<td>Germany</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alois Hauk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prof. M.BA</td>
<td>Costa Rica</td>
<td>Member of Costa Rica’s GEM team.</td>
<td>Professor of Business School in University of Costa Rica.</td>
</tr>
<tr>
<td>Rafael Herrera</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Data Source: Surveys to experts from Costa Rica and Germany, 2014. Own elaboration

6 Nascent entrepreneur is who had taken an action for being part in an entrepreneurial process. Established entrepreneurs were not taken into account (who have paid wages for more than three months, according to GEM) in order to avoid bias.
Table 2  Summary Description of Firms in Research Sample

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Entrepreneur</th>
<th>Position of entrepreneur</th>
<th>Principal reason why he/she decided to engage in business start-up activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUBERISIM</td>
<td>Germany</td>
<td>Iris Pantle</td>
<td>Owner</td>
<td>Exchange of Knowledge.</td>
</tr>
<tr>
<td>Marketing build a bridge</td>
<td>Germany</td>
<td>Pia Grawlik – Rau</td>
<td>Owner</td>
<td>Development of personal skills (comunication, personal abilities and experience).</td>
</tr>
<tr>
<td>hbp I hauß Buchmüller partnerscraft</td>
<td>Germany</td>
<td>Tatjana Buchmüller</td>
<td>Owner</td>
<td>Development of personal skills (comunication, personal abilities and experience).</td>
</tr>
<tr>
<td>Livedooh</td>
<td>Germany</td>
<td>Rodrigo Prahl</td>
<td>Owner/CEO</td>
<td>Development of personal skills (comunication, personal abilities and experience).</td>
</tr>
<tr>
<td>Campusjäger</td>
<td>Germany</td>
<td>Martin Trenkle</td>
<td>Owner</td>
<td>Development of business opportunities (Innovation, idea and economic facilities).</td>
</tr>
<tr>
<td>SearchHaus</td>
<td>Germany</td>
<td>Daniel Breucker</td>
<td>Owner/Business development</td>
<td>Development of business opportunities (Innovation, idea and economic facilities).</td>
</tr>
<tr>
<td>CMR, Consultoría de Manejo de Recursos</td>
<td>Costa Rica</td>
<td>Maria Sequeira</td>
<td>Owner/Consultant</td>
<td>Development of personal skills (comunication, personal abilities and experience).</td>
</tr>
<tr>
<td>GSI Consultores</td>
<td>Costa Rica</td>
<td>Adriana Morales</td>
<td>Owner/Consultant</td>
<td>Development of business opportunities (Innovation, idea and economic facilities).</td>
</tr>
<tr>
<td>Jiro</td>
<td>Costa Rica</td>
<td>Paula Halabi</td>
<td>Owner/Consultant</td>
<td>Development of business opportunities (Innovation, idea and economic facilities).</td>
</tr>
<tr>
<td>Pelletics</td>
<td>Costa Rica</td>
<td>Juan Sauma</td>
<td>Owner</td>
<td>Exchange of Knowledge.</td>
</tr>
<tr>
<td>Virtual Works</td>
<td>Costa Rica</td>
<td>Juan Carlos Madriz</td>
<td>Owner</td>
<td>Development of business opportunities (Innovation, idea and economic facilities).</td>
</tr>
<tr>
<td>Grupo ABC</td>
<td>Costa Rica</td>
<td>José Eduardo Arce</td>
<td>Owner/Consultant</td>
<td>Development of business opportunities (Innovation, idea and economic facilities).</td>
</tr>
</tbody>
</table>

Data Source: Surveys to entrepreneurs from Costa Rica and Germany, 2014. Own elaboration


For the analyses a standardized questionnaire was used translated to English and Spanish, which consists of 18 semi-open questions, in order to deepen those reasons related to knowledge which influenced the decision to engage in a new business, focus on human and social variables, especially self-efficacy, knowing an entrepreneur and academic level (Madriz, Leiva & Henn, 2014; De Clercq & Arenius, 2006).

The data were collected during October 2\textsuperscript{nd} – 29\textsuperscript{th}, 2014 in Germany and November 11\textsuperscript{th} – 28\textsuperscript{th}, 2014 in Costa Rica. Telephone and personal interviews were conducted in order to get access to the information. The average time of the interviews was 45 minutes.

3. Results

According to the data collected, three principal reasons that influence people to make the decision to start-up a new business have been identified. First of all, the development of business opportunities can be shown, in which are included the innovation, developing an idea and economy facilities. Second, the development of personal skills was determined; this reason includes the communication skills, personal strengths and experience. Finally, another reason is the exchange of knowledge between people who have lived different entrepreneurial experiences.

The majority of the respondents in both countries (pooled sample) consider the development of business opportunities as the most important reason that people decide to engage in a new venture. For example, Trenkle (2014)\textsuperscript{10} described a business opportunity as the principal reason why he decided a new venture, which came from:

\begin{quote}
It was an idea from a championship for start-ups (start-up cup). My classmate and I won the championship and our idea was to build a platform for connecting students with companies. Companies send the jobs to the system and automatically students contact with them. We had the idea and a lot of support, space for free.
\end{quote}

It was because Martin Trenkle and his classmates were looking for developing the great idea that they had, taking advantage of economic facilities at that time. Madriz (2014), Halabi (2014)\textsuperscript{11} and Breucker (2014)\textsuperscript{12} found the opportunity from an idea of final projects of some courses at the university and they wanted venturing into areas such as innovation. Also, Arce (2014)\textsuperscript{13} and Morales (2014)\textsuperscript{14} saw the opportunity because projects from other companies, Morales (2014) said:

\begin{quote}
I was working in a project from the NGO (non-governmental organization), I was giving an international consulting during two years. After that, the same organization
\end{quote}

\textsuperscript{10}Trenkle, M. (October 17, 2014). Motivations Related to Knowledge in Start-up Activity. (C. Madriz Ortiz, Interviewer).
\textsuperscript{11}Halabi, P. (November 13, 2014). Motivations Related to Knowledge in Start-up Activity. (C. Madriz Ortiz, Interviewer).
\textsuperscript{12}Breucker, D. (October 15, 2014). Motivations Related to Knowledge in Start-up Activity. (C. Madriz Ortiz, Interviewer).
\textsuperscript{13}Arce, J. (November 17, 2014). Motivations Related to Knowledge in Start-up Activity. (C. Madriz Ortiz, Interviewer).
\textsuperscript{14}Morales, A. (November 11, 2014). Motivations Related to Knowledge in Start-up Activity. (C. Madriz Ortiz, Interviewer).
told me that they needed that I had my own company to continue with their consulting.

Also, interviewees saw the entrepreneurship as a way for developing their personal skills, such as the communication and the experience from various entrepreneurial activities.

* I worked in CEMEX I helped the boss a lot but the leadership changed. I knew I had a lot of potential, experience and knowledge so I decided to resign and providing a specialized service (Sequeira, 201415).

Also, Prahl (2014)16 said that he and his classmates all had experience founding companies. And Buchmüller (2014)17 expressed that his husband (colleague) had the labor experience required for a new business. Grawlik-Rau (2014)18 reaffirms that the experience was very important for her to engage in a new business:

* Making the decision to have an independent work was easy for me, because I had been working in a company and I was sure I could work as independent providing the service.

Another aspect considered by respondents is to exchange knowledge with other people in different aspects, being motivated by university friends.

* I and my colleagues were scientist researches in the KIT (Karlsruhe Institute of Technology), in mechanical engineering developing softwares for technical simulation. We had the knowledge that could be exchanged, so we decided to leave KIT for working independently (Pantle, 2014).

Also, respondents agree that to have family and friends who have created their own company had a great impact in making the decision to be involved in business start-up activity, because relatives and friends told them about the experiences as entrepreneurs and they were influenced to a new venture.

From the following question asked to respondents: “Did you know someone personally who started a business in the 2 years before that you did it?”, it is important to mention that almost all of them answered “Yes”, identifying especially friends from the university and relatives. They said that they were motivated by those entrepreneurs to make the decision for being involved in business start-up activity.

A relevant aspect is that interviewees from Costa Rica and Germany during the entrepreneurial process received advice especially from their parents, other family or relatives, somebody who was starting a business, somebody with great business experience.

On the other hand, the analysis from each country demonstrates that there is no major difference in the reasons for entrepreneurial initiatives between the two countries, respondents from Germany and Costa Rica considered that the main reasons to make an entrepreneurial decision are developing a business opportunity, personal skills development and exchange of knowledge.

However, in Costa Rica the most important aspect to decide to become an entrepreneur is given by the development of a business opportunity, especially they were motivated by the desire to grow personally and professionally. It was indicated that the desire to grow professionally and personally was considered as a great motivator to be involved in business start-up activity.

*It has been a little hard but this dream is mine... I will continue fighting to achieve what I really want in order to grow professionally and as a person, it is what has always motivated me. This dream is mine and nobody can take it away (Sequeira, 2014).*

According to the GEM Global report 2012, the absence of work and the need for a source of income are reasons why people in underdeveloped countries choose to be involved in entrepreneurial activities. People in similar situations decide to be an entrepreneur especially by necessity.

In the case of Germany the development of personal skills is considered by respondents the most important reason why people undertake followed by those looking for developing a business opportunity. Trenkle (2014) described his experience for being engaged in the entrepreneurial process, such us:

*I consider that my personal characteristics like knowledge, abilities, experience and skills influenced for making the start-up decision, because my founder and I studied how taking business for being founders in business school...Also, I saw there were extremely good market opportunities.*

According to the GEM Global Report 2012 the opportunity of development aims the independence through entrepreneurship, mostly being motivated by the economic development.

Moreover, in Costa Rica one factor was determined as a reason that influences people to engage in a business start-up activity, which is the labor independence. Respondents from Costa Rica considered that having independent work is a good reason to become an entrepreneur because they do not want to have a boss always telling what and what not to do (Sequeira, 2014).

4. Discussion

After the respective results and analysis, the exchange of knowledge, the development of business opportunities and personal skills may be identified as the main reasons that influence directly for engaging in a business start-up activity.

Experts in entrepreneurship as Herrera (2014), Brinks (2014) and Phannernzars (2014) agree that education is not a relevant aspect for being involved in a business start-up activity. Because it is an external factor similar to the absence of employment, the necessity of income or taking advantage of market opportunities and all the factors that drive people to create new businesses. Besides, the entrepreneurial education is scarcely considered in educational institutions or universities. From this study the majority of respondents from Costa Rica and Germany indicated that they did not receive any support by the institution from which they graduated.
Besides the fact that respondents that did not have any help from the institution specified, the main obstacle to engage in a business start-up activity is the culture that dominates in each country. Experts from Germany and Herrera from Costa Rica claim that their country's entrepreneurial culture is not good, the culture is considered as an obstacle to start-up a new business, because people prefer to have a secure job, for example working for an international company and receiving a fixed salary.

The results from this study show that the most important reason why respondents decide to be involved in business start-up is the development of business opportunities.

The Global Entrepreneurship Monitor establishes that are two principal reasons why people decide to become an entrepreneur. First of all, the group of people that is pushed into a new venture because they do not have job and they need money, for this individuals start-up a new business is the unique option and they are called necessity-driven entrepreneurs by the GEM. Second, GEM defines opportunity-motivated entrepreneurs as people that decide to engage in a business start-up activity because they want to take a chance on different opportunities. Also, those that decide on a new business because they are looking for having more income or independence are consider as improvement-driven opportunity (Xavier et al., 2012).

According to GEM Global Report 2012, the proportion of entrepreneurs with necessity should decline when economic development levels are higher. However, there are different reasons that cause an increase in the improvement-driven opportunity. According to this, experts interviewed consider Costa Rica as an underdeveloped country, it has a low economic development level and people from Costa Rica decide to engage in a new venture because the necessity, for that reason the majority of them could be considered as necessity-driven entrepreneurs. On the other hand, Germany is a developed country and for that reason it could be considered that the economic situation should be better than in Costa Rica, that is why in Germany most of people that decide to have an independent business could be because the good market opportunities. In addition, that developed countries have more business opportunities, but the Total Entrepreneurial Activity (TEA) rate in developed countries is lower than in underdeveloped countries, but what is important to analyze is the sustainability of the business after the start-up.

GEM Global Report (2012) mentioned that geographic differences occur, even at the identical economic development level. For example, the Latin American/Caribbean region, normally experiences efficiency-driven economies, reported twice of a lot of entrepreneurs with improvement-driven opportunity motives than those entrepreneurs with necessity motivations. In fact, the non-EU region, as well with principally efficiency-driven economies, informed practically equal levels of any motive.

Results from Costa Rica show that the development of business opportunities could be the first reason to become an entrepreneur. However, respondents answered that it was from a personal idea that could help in different situations because they had some resources like equipment and human capital, as a result they were considered as business opportunities and not at all from good market opportunities. It is important to mention that all the respondents from Costa Rica had a university academic level and it could be for that that they did not consider it a necessity. However, they mention other reasons such us, personal and professional growth, independence labor, development of skills, and exchange of knowledge. According to Herrera (2014) opportunities in Costa Rica are not good making a comparison with developed countries where the social capital is very important.

On the other hand, in Germany development of business opportunities is considered as an important reason why people decide to engage in business start-up activity. Respondents said that there were good market opportunities at the moment of the start-up. Also, Phannernzars (2014)
mentions that market opportunities are very high in Germany, which helps to improve the entrepreneurial activity by opportunity and not by necessity like in underdeveloped countries.

As a conclusion, by this study it can be showed the importance of human and social capital for making a decision for entrepreneurship. The principal reasons for engaging in a business start-up activity are the development of personal skills and business opportunities, through the exchange of knowledge and taking advantage of economic facilities from each country, principally Germany and Costa Rica.

5. Limitations and Future Research

It was not possible to contact entrepreneurs with academic degree(s), so there is no basis for making a comparison with people without having theoretical knowledge creating a business, which could be a bias to analyze the question.

For instance, it is very important for future researchers to conduct a deep study involving people with different academic levels, to avoid bias of analyzing only entrepreneurs with a similar academic level.

In Costa Rica, it was difficult to access to experts, because they were out of the country or because the limited time for the development of this research and they did not have time for the interview at the moment. For this reason, it is important for future researchers to expand information provided by experts from Costa Rica to have reliable information for making a comparison.

Moreover, the reasons that were established in this study as determinants why people decide to engage in business start-up activity could be used as a base for future entrepreneurial studies.

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