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## **Selected Aspects of the Entrepreneurial Process in Small Innovative Companies – Novice and Habitual Entrepreneurs**

### **Abstract**

Habitual entrepreneurs became an important group of entrepreneurs who make a large contribution to the process of wealth creation. Previous studies have indicated that habitual entrepreneurship is a widespread phenomenon. It highlights the need to focus on the habitual entrepreneurs to understand the dynamic aspect of entrepreneurship.

The aim of the article is to present the results of preliminary research on the relationships of entrepreneurial behavior of novice entrepreneurs and habitual entrepreneurs, in particular their motivation and impact on the entrepreneurial process. Research were conducted on a sample of 373 small innovative enterprises in the fourth quarter of 2017. The scale of habitual entrepreneurs in the examined sample is 32.44% and is comparable with research carried out in other countries. Survey results reveal that habitual entrepreneurs have greater tendency to create opportunities (introduction new products or services) than novice entrepreneurs. Habitual entrepreneurs also have higher development rate (increase of turnover) and larger share in the international market than novice entrepreneurs.

The article also contains indications for further research into the phenomenon of multiple entrepreneurship.

### **Key words**

Habitual entrepreneurship, entrepreneurial process, novice entrepreneurs

### **1. Introduction**

Entrepreneurship is not limited to creating a new company [1, 2], and it is also not a one-off event [3, 4]. The exploitation of entrepreneurial opportunities can also take the form of acquisition or inheritance of an existing business [5, 6, 7, 2]. In addition, entrepreneurs may not limit themselves to having one company and can run several businesses simultaneously.

Persons systematically undertaking business activity, one at a time or several activities concurrently, have been the subject of research in many countries with developed economies

in the last 20 years [8, 9, 10, 11, 12, 13]. Habitual entrepreneurs constitute a large and important segment in the population of entrepreneurs [14, 15]. According to MacMillan [16], entrepreneurial experience and research concerning habitual entrepreneurs should form the basis for studying the essence of entrepreneurship. Experienced entrepreneurs have had many opportunities to “try their hand” at running a business, analyse these attempts, identify errors and correct them in subsequent ventures. This is a departure from the search for entrepreneurial traits in favour of the behavioural approach, i.e. the study of behaviour and ways of undertaking entrepreneurial activities [17] as well as the perception of entrepreneurship as a process. The process approach is one of the contemporary approaches to entrepreneurship presented in many concepts [18, 19, 20, 21]. The models presented by the researchers treat entrepreneurship as a complex process, determined by the configuration of many different factors. The process approach allows one to carry out the analysis of the phenomenon of entrepreneurship based on a dynamic approach, illustrating the actions taken by the entrepreneur and their consequences. The identification and exploitation of entrepreneurial opportunities are fundamental to the entrepreneurial process [7]. Ucbasaran et al. [10], referring to the theory of human capital and cognitive capital, state that entrepreneurial experience is an important element of entrepreneurs’ human capital which affects how entrepreneurs think and identify opportunities. Therefore, the entrepreneurial process can be different in the case of novice and habitual entrepreneurs. Existing research highlights the important role of previous experience related to starting, owning and managing a business in developing entrepreneurial behaviour [16, 8, 22]. The results of these studies suggest that people who engage in numerous start-ups have developed an entrepreneurial way of thinking and solving problems, which in turn increases their ability to identify and exploit opportunities [23, 10]. Gordon et al. [24] state that the motivation of the entrepreneur has a significant impact on the ability to identify entrepreneurial opportunities. The research conducted by Westhead and Wright [8] suggests that novice and habitual entrepreneurs are guided by other motives when starting their business.

This study was aimed at examining the behaviour of novice and habitual entrepreneurs in relation to the entrepreneurial process. To achieve the goal, the differences between novice and habitual entrepreneurs in several areas were examined. First of all, the motives of undertaking business activity were compared with particular emphasis on pull and push factors. In light of the theory and research on entrepreneurship, it was expected that push factors would be less frequent among habitual entrepreneurs than among novice companies. Secondly, the ability of novice and habitual entrepreneurs to recognise and create

opportunities was examined, expecting that the entrepreneurial way of thinking developed as a result of previous experiences should positively affect the creation of opportunities by habitual entrepreneurs. The third area of research was an analysis conducted in order to verify whether business experience results in better performance in the current activity of habitual entrepreneurs than novice ones, as measured by the increase in sales and expansion into international markets.

In Poland, so far, there has been no research on entrepreneurial behaviour taking into account different types of entrepreneurs depending on their previous experience in running a business, hence the author's research fills a gap in this area. The paper also contains indications for further research into the phenomenon of habitual entrepreneurship.

## 2. Theoretical Background

### 2.1 Novice and habitual entrepreneurs

The definition of the phenomenon of habitual entrepreneurship has evolved, not finding a commonly accepted form for a long time. Defining habitual entrepreneurship is done on the basis of three main dimensions: (i) ownership [25, 26, 27], (ii) the decision-making role [26], as well as (iii) the ability to identify and exploit opportunities [28, 21]. The person of the entrepreneur plays a key role here, and habitual establishment of companies can be manifested in various forms and configurations.

Westhead et al. [29] and Ucbasaran et al. [22] have carried out the universal operationalisation of novice and habitual entrepreneurs:

**Novice entrepreneurs** are persons without prior experience (both minority and majority) in the ownership of a business, founders and buyers or heirs of an existing independent enterprise who currently have a minority or majority stake in a newly established, acquired or inherited enterprise.

**Habitual entrepreneurs** are persons who have or had a minority or majority stake in two or more enterprises, and at least one of them was founded, acquired or inherited. Habitual entrepreneurs include:

- **serial entrepreneurs** – are persons who have sold or closed at least one business in which they have had a minority or majority stake, and currently hold a minority or majority stake in one independent enterprise that was newly founded, acquired or inherited,

- *portfolio entrepreneurs* – are persons who currently hold a minority or majority stake in two or more independent enterprises that were newly established, acquired or inherited.

## 2.2 Entrepreneurial experience and human capital

Theoreticians suggest that people with greater human capital resources consisting of attributes achieved are associated with an increased level of productivity [30]. Later, the term human capital was extended to the cognitive abilities of entrepreneurs, as well as the cumulative work and habits that can have a positive or negative impact on productivity, both in the market and non-market sectors [31]. Therefore, the human capital of an entrepreneur can shape to some extent his or her business behaviour and activity [32]. In the context of entrepreneurship, human capital may have an impact on the identification, search for and exploitation of opportunities, their “quality” in relation to innovation, the survival of the company and its activities [33].

Bruderl et al. [34] proposed a division into general and specific human capital, where general human capital includes education, while specific capital encompasses professional and industry experience. General human capital is standard for all types of economic activity [35], as it refers to knowledge and skills that can be easily transferred in various economic conditions. The elements of general human capital include: age, gender, educational attainment, and ethnicity [30]. Direct entrepreneurial experience gained in the course of conducting business activity generates specific entrepreneurial human capital [36] which includes: entrepreneurial skills (the ability to create, identify and exploit opportunities), management skills (the ability to manage and organise resources) and technical skills [37]. It is more likely that people with greater professional and managerial experience will be able to better recognise opportunities and raise capital, and as a result create larger and better equipped enterprises [38, 23].

Previous experience can be used to improve entrepreneurial skills as well as reputation, which can help reallocate resources in subsequent business ventures that can be founded, acquired or inherited [39]. Some entrepreneurs may use experience, the ability to deal with formal requirements and gained credibility to obtain funds for further undertakings from banks, venture capital investors or other informal investors.

Habitual entrepreneurs who are able to draw conclusions from their experiences can thus enrich their entrepreneurial skills. Hart et al. [40] found that both the number of years of experience and the number of established ventures were important factors contributing to

industry success and maintaining access to resources. However, Chandler and Jansen [41], Kolvereid and Bullvag [42] as well as Birley and Westhead [43] stated that the number of business ventures initiated earlier and years spent as the owner-manager were not significantly related to the performance of the surveyed enterprises. This may be due to the fact that previous entrepreneurial experience is associated with both positive (faster reaching of growth thresholds) and negative (overconfidence and blindness) elements [10].

The cognitive perspective in the approach to human capital suggests that entrepreneurial behaviour (e.g.: the process of identifying opportunities) is noticeably affected by the way in which entrepreneurs think of, perceive and evaluate the environment and by their experiences [10]. People who engage in business activity usually operate under conditions of uncertainty of decision and complexity [44]. Taking into account the level of uncertainty they experience, entrepreneurs often use heuristics to connect limited information in order to make convincing decisions in the face of major turmoil [10, 33].

Entrepreneurial behaviours and activities have an impact on the implementation of the entrepreneurial process. In order to explore the differences between novice and habitual entrepreneurs, it seems important to analyse the elements of the entrepreneurial process from the point of view of entrepreneurial attitudes and motives of engaging in business as well as the efficiency of activities undertaken as part of the entrepreneurial process, especially the recognition and creation of business opportunities.

### *2.3 Entrepreneurial process*

According to P. Drucker [45], it is a process of seeking change, responding to it and using it as an opportunity. W. D. Bygrave and C. Hofer [19] define the entrepreneurial process as a process covering all functions, activities and operations related to perceiving opportunities and creating an organisation for their exploitation. According to M. H. Morris [46] as well as R. D. Hisrich et al. [20], the entrepreneurial process includes the identification of opportunities, development and improvement of concepts, planning and obtaining resources, and implementation. J. A. Timmons and J. Spinelli [47] proposed a model showing the relationship between opportunities, resources and a team managed by an entrepreneurial leader. There should be a balance and mutual fit between these elements, i.e. opportunities, resources and the team. First, the entrepreneur must recognise a market opportunity that forms the basis of the entire process. Its perception prompts the entrepreneur to take action that will make it possible to exploit it. For this purpose, the entrepreneur creates a team and acquires

the necessary resources. In turn, in the model proposed by S. A. Shane [21], the entrepreneurial process begins with identifying entrepreneurial opportunities, i.e. a situation where resources can be re-configured and used in such a way that they would bring profit. Entrepreneurship is understood here as a relationship between an individual and an opportunity, it is a directed process which proceeds in a certain specific order, though it does not have to be linear.

While analysing the characteristics of entrepreneurship in the process approach presented by different authors, it can be noted that what comes to the fore is the identification and exploitation of opportunities, or chances, which in the further stages (planning and development of concepts, obtaining resources) leads to the creation of a new venture.

#### *2.4 Entrepreneurial opportunities*

The process of identifying opportunities is an individual process which proceeds in different ways depending on the information available and beliefs held. Access to information is shaped by many factors such as life experience, networks of connections, education and the way of seeking information. Even having access to the same information, not everyone is able to identify emerging opportunities [21]. The literature presents two approaches to opportunities: discovering opportunities and creating opportunities.

The approach based on discovering opportunities assumes that market imbalance is caused by exogenous changes, such as imperfection of technology, consumer preferences or other characteristics of the industry [48]. S. Shane [21] comes to a similar conclusion, indicating that technological, political, legal, social and demographic changes may disrupt the competitive balance existing in the market, thus creating opportunities. It follows from the above-presented considerations that an opportunity exists in the market and is not related to the activities of the entrepreneur but is sought after by the entrepreneur, hence there is a need to constantly scan the environment in order to discover this opportunity. On the other hand, opportunities seen from the perspective of the creation approach indicate constructivism that emphasises the role of the entrepreneur in creating opportunities through the perception, interpretation and understanding of market forces. An opportunity is not an event formed by the market through changes in demand and/or supply and resulting from information asymmetry. It arises as a result of endogenous activities created by the entrepreneur using his or her knowledge. Creating opportunities suggests that the creation of new products/services is not necessarily related to those existing in current industries and current markets [49]. One can refer to Schumpeter's theory of creative destruction, according to which an opportunity

emerges from the entrepreneur's internal environment and determines his or propensity for initiating changes.

### 3. Hypothesis Development

#### 3.1 Entrepreneurial motivations and exploitation of opportunities

Many years of research on entrepreneurial motivation have led to the determination of various categories of reasons for starting business activity. The division into opportunity factors and necessity factors is often used in these studies [50, 51], or in other words, pull factors and push factors [52]. Positive motives result from the 'desire to become an entrepreneur' [53], a conscious choice of a better alternative, perceiving the chance for a successful venture [54]. The necessity (compulsion) to start business activity results mainly from the situation in the labour market. Push factors related to the situation in the labour market include: unemployment, unsatisfactory earnings, dissatisfaction with the current job, as well as difficulties with reconciling professional and family roles [51, 55]. Research carried out by Gottschalk et al. [56] has shown that the necessity motivated founders are more at risk of failure than the opportunity founders.

The current research carried out in the framework of the GEM project shows that in countries with a higher level of economic development<sup>1</sup> the number of enterprises established out of necessity decreases, while the motivation related to the exploitation of a market opportunity becomes more significant. In Poland, in 2015, the percentage of people setting up a business due to a perceived market opportunity was 46.4% (the European average – 47.5%), while 28.1% of owners of new companies (operating for less than 3.5 years) decided to start their own business due to a lack of other earning alternatives (the European average – 22.4%). Despite the decline in the share of push factors observed for several years, Poland's result is still worse than in innovative countries and compared to the European average. In his research, M. Koczerga noticed the appearance of willingness to create their own venture among people employed as a result of two factors – a lack of job satisfaction and the

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<sup>1</sup> The GEM methodology assumes the division of countries according to their economic development into three groups: (i) production factors-oriented, (ii) efficiency-oriented, and (iii) innovation-oriented [57]. In production factors-oriented economies, competition is based on labour or natural resources, and price is the main factor in market competition among companies, low productivity and low labour costs are observed. Efficiency-oriented countries with increasing labour costs need to create more efficient production methods and improve the quality of products and services. Innovation-oriented countries can maintain high wages and an adequate standard of living if enterprises are able to compete on the basis of new and specialised products or other innovative solutions. In this study, Poland is classified as a country with an efficiency-oriented economy.

identification of opportunities to exploit in the environment [58]. According to the researcher, this is not entrepreneurship initiated strictly out of necessity, but rather inspired by professional experience and the perception of opportunities in the environment.

Habitual entrepreneurs should create enterprises out of necessity to a lesser extent. Having previous experience in business, they are equipped with knowledge and skills, thus they make decisions to establish a business of their own volition instead of being forced to do so [24]. On the basis of the above-presented considerations, the following hypothesis was formulated:

*H1: Novice entrepreneurs are more often motivated to establish enterprises by economic reasons than habitual entrepreneurs.*

Business opportunities, their identification or creation, are a basic element of the entrepreneurial process, emphasised by many researchers [45, 59, 47, 21]. Westehead et al. [14] studied the differences in decisions and actions taken by experienced and novice entrepreneurs. Experienced entrepreneurs, using their own human capital related to the previous business operations, can acquire skills and experience that would allow them to identify additional business opportunities. According to the theory of cognitive adaptation [60], experienced entrepreneurs are dynamic, flexible, capable of self-regulation and involved in the process of creating decision-making frameworks that focus on the ability to perceive and process changes in their environment. Based on the studies conducted, Ucbasaran et al. [11] as well as Westhead and Wright [33] stated that experienced entrepreneurs identify more business opportunities, create companies more often on the basis of challenges that arise along with opportunities, and are more innovative, i.e. more involved in introducing new products or services into the market as well as new production or distribution methods.

People who have gained experience as business owners should have a higher cumulative level of entrepreneurial human capital [10, 61]. In particular, they ought to have better managerial and technical skills, networks of contacts, access to market-specific information and knowledge, and should therefore be better prepared to identify and benefit from new opportunities [62].

*H2: Habitual entrepreneurs engage in creating opportunities in the process of establishing companies to a greater extent than novice entrepreneurs.*

### 3.2 Entrepreneurial activities

Scott and Rosa [63] state that habitual entrepreneurs are an important sub-group of entrepreneurs who can make a fundamental contribution to "...the process of wealth creation and capital accumulation which is entrepreneur- (not organisation) based...".

Haynes [64] recorded a positive correlation between entrepreneurial experience and higher sales value. Westhead et al. [65, 14] stated that the average sales revenues in portfolio companies were higher than among novice and serial entrepreneurs in Scotland. The companies belonging to portfolio entrepreneurs recorded a higher absolute increase in sales than those belonging to novice entrepreneurs. A larger percentage of portfolio and serial entrepreneurs than novice ones declared that the current operating activity was above average compared to the competition. An increase in revenues, as one of the indicators of entrepreneurship, is widely used in the analysis of enterprise development dynamics [66].

*H3: Activities undertaken by habitual entrepreneurs more often cause an increase in revenues than actions undertaken by novice entrepreneurs.*

Involvement in export activities can be seen as a measure of company performance. Entrepreneurial experience may mean that habitual entrepreneurs would engage in various activities, introduce a larger number of products or services into the market, and make better use of information from clients or suppliers in comparison with novice entrepreneurs [14]. Earlier experience in running a business can contribute to the development of cooperation networks and the acquisition of more information, knowledge and contacts [67] as well as skills in the field of production, marketing and distribution [11], which may increase the perception or creation of opportunities related to entering into international markets.

Based on the above, the following hypothesis was formulated:

*H4: Habitual entrepreneurs start trading on international markets more often than novice entrepreneurs.*

## 4. Materials and Methods

### 4.1. Sample and data collection

Data for the study were collected as part of a comprehensive project entitled "Determinants of the development of entrepreneurship and innovation in small business"

(“*Uwarunkowania rozwoju przedsiębiorczości i innowacji w małych firmach*”), carried out at the Faculty of Management of the University of Lodz, addressed to owners/co-owners of small innovative companies, i.e. companies that in the years 2014-2017 made at least one change related to the introduction of new products/services or upgrading existing ones, or related to the implementation of new technical methods of production/provision of services or their modernisation.

Small companies, in the Polish law called small entrepreneurs, according to the definition adopted in Poland on the basis of recommendations of the European Union, are enterprises that in at least one year of the last two financial years have met all the following conditions:

- on average employed fewer than 50 employees annually,
- achieved annual net turnover from the sale of goods, products and services and from financial operations not exceeding the PLN equivalent of EUR 10 million, or the total assets of the balance sheet prepared at the end of one of these years did not exceed the PLN equivalent of EUR 10 million,
- and are not micro-enterprises.

The study was conducted by an experienced research agency. Random sampling was applied. The research sample was selected from the database of enterprises employing from 10 to 49 people containing over 50,000 records, out of which 20,000 enterprises were drawn (from the database, every tenth unit was drawn for examination). The database was purchased from an external company (Bisnode). Enterprises were surveyed by means of a questionnaire using the CATI (Computer Assisted Telephone Interviewing) technique. The interviews were conducted by 21 interviewers from a research agency. 19,402 companies were surveyed, out of which 3,793 companies did not meet the criteria (i.e. they were not small companies employing from 10 to 49 employees or did not introduce any changes in products, services, production or organisation methods in the years 2014-2017), and 4,352 companies refused to participate in the study. The total number of completed questionnaires was 400, of which 373 were accepted for the study (27 companies provided an ambiguous answer to the question “what is your business activity” – the answer “hard to say” suggests that the owner or co-owner did not participate in the study). Telephone interviews were conducted in the fourth quarter of 2017.

Out of the surveyed respondents, for 252 it was the first business activity, 121 had previous experience in business, however, the limited research framework did not allow to

specify whether they were a portfolio or serial entrepreneurs. The characteristics of the research sample are presented in Table 1.

Table 1. Characteristics of the research sample

Variables	First business n = 252	Subsequent business n = 121	X <sup>2</sup>	Significance level
Family business			1.13	0.2865
Yes	(n 148) 58.73%	(n 64) 52.89%		
No	(n 104) 41.27%	(n 57) 47.11%		
Gender of the general manager			0.79	0.3753
Male	(n 212) 84.13%	(n 106) 87.60%		
Female	(n 40) 15.87%	(n 15) 12.40%		
Sector			3.59	0.1660
Manufacturing	(n 105) 41.67%	(n 40) 33.06%		
Commerce	(n 33) 13.10 %	(n 23) 19.01 %		
Services	(n 114) 45.23%	(n 58) 47.93%		

Source: Own elaboration based on the research results (n 373)

The scale of the phenomenon of habitual entrepreneurship (32.44%) demonstrated in this study is comparable to studies carried out in other countries. Westhead and Wright [8] noted that 34% of entrepreneurs setting up new manufacturing companies in Wales had previous business experience. The research conducted by Taylor [9] showed that 39% of companies in Malaysia, 42% in England and 49% in Australia belonged to habitual entrepreneurs. A high percentage of habitual entrepreneurs was also recorded in studies conducted in Sweden (40%) [13], Norway (47%) [42], Finland (50%) [12], and the UK (52%) [22]. Measuring the scale of the phenomenon is determined by the definition used, the chosen sector or the selection of the research sample. Regardless of these differences, the analysis of conducted international studies and the author's research show that the phenomenon of habitual entrepreneurship is widespread.

The conducted research revealed differences in the characteristics of habitual entrepreneurs and those for whom it was the first business activity in relation to family businesses. A larger share of family businesses (58.73%) was recorded among entrepreneurs conducting business activity for the first time than among habitual ones (52.89%), however, those were not statistically significant differences.

The presented research also did not show statistically significant differences between habitual and novice entrepreneurs in terms of gender ( $p = 0.3753$ ). In both cases, the participation of women as persons making key decisions in the enterprise was relatively small and amounted to 15.87% and 12.40%, respectively, for novice and habitual entrepreneurs. Westhead et al. [14], examining novice, portfolio and serial entrepreneurs in Scotland, drew similar conclusions. Kolvereid and Bullvag [42] showed that women were less likely to become habitual entrepreneurs, and the same conclusions were drawn by Amaral and Baptista [68] in relation to serial entrepreneurs.

In reference to the sector of conducted activity, the research also did not show statistically significant differences ( $p = 0.1660$ ) between habitual and novice entrepreneurs.

### *Independent variables*

In the presented study, habitual entrepreneurship is an independent variable. This variable was assessed using the following interview question: *Which company is it for you? (Subsequent business - this term includes conducting business activity in various forms (natural person, partner/company shareholder). One business activity could be completed and the next company established, or the respondent might run several businesses concurrently).* The study adopted the most general definition of habitual entrepreneurship, without distinction between portfolio and serial entrepreneurs or criteria concerning previous experience in terms of business success or failure. This was an initial survey of habitual entrepreneurs, hence the focus was on the general comparison of the two groups of entrepreneurs, with the assumption that if the hypotheses were confirmed, more detailed analyses would be possible in future research.

### *Dependent variables*

The motivations for starting business activity were operationalised with the opportunity, necessity or social motives variable and were assessed using the following question: *Which of the following motives guided you while establishing your company: Economic (earnings, a lack of a better job opportunity), Personal (personal development, self-fulfilment, your own ideas, perception of a market opportunity), Social (family tradition, job creation).*

The ability to discover or create opportunities was measured by means of the question about factors that influenced the establishment of the company. The respondents had the following answers to choose from: *Entering into a network of business or personal*

*connections that provided an opportunity to develop my own ideas, An idea for a new product or service, Discovery of new market needs, Creation of new market needs.*

To assess the development of the enterprise, the respondents were asked to estimate the turnover trend in the last three years, whether there has been a decrease, increase, or it has remained at a stable level.

Another variable regarding the performance of the entrepreneurs surveyed was their companies' involvement in international markets. The question concerned the dominant market range of company operations: local, regional, national, or international.

In the study, the statistical significance level (alpha) for testing statistical hypotheses was set at  $p < 0.05$ , and  $p < 0.1$  was adopted as the acceptable level.

To verify the research hypotheses, the Pearson X<sup>2</sup> coefficient was applied with the use of the IBM SPSS Statistics 24 software.

## 5. Results

### *Motivation and factors influencing the establishment of a business*

The economic motives of starting business activity were more often indicated among novice entrepreneurs (60.32%) than among experienced ones (54.55%), while personal motives were slightly more frequently (31.40%) indicated by habitual than by novice entrepreneurs (26.98%). ). This result, however, was not statistically significant ( $p = 0.5992$ ). Thus, H1 hypothesis has not been confirmed.

The results of the research showed a greater tendency of habitual entrepreneurs (28.10%) to create opportunities, manifested in the introduction of a new product or service, in relation to novice entrepreneurs (16.67%). However, the establishment of a new business based on creating new market needs was at a similar level for habitual (9.09%) and novice entrepreneurs (10.32%). Thus, H2 hypothesis has been partially confirmed in regard to the introduction of a new product or service.

Table 2. Motivation for and factors related to establishing companies depending on entrepreneurial experience

Variables	First business n = 252	Subsequent business n = 121	X <sup>2</sup>	Significance level
1. Motivation for starting a business Economic (financial - push)	(n 152) 60.32%	(n 66) 54.55%	1.87	0.5992

Personal (development, self-fulfilment - pull)	(n 68) 26.98%	(n 38) 31.40%		
Social (family tradition, job creation)	(n 29) 11.51%	(n 14) 11.57%		
Other	(n 3) 1.19%	(n 3) 2.48%		
2. Factors that have influenced the establishment of a business			11.19	0.0477
Entering into a system of business and personal connections	(n 82) 32.54%	(n 39) 32.23%		
An idea for a new product or service	(n 42) 16.67%	(n 34) 28.10%		
Discovery of new market needs	(n 76) 30.16%	(n 30) 24.79%		
Creation of new market needs	(n 26) 10.32%	(n 11) 9.09%		
Other	(n 7) 2.78%	(n 1) 0.83%		
I do not know/it's hard to say	(n 19) 7.54%	(n 6) 4.96%		

Source: Own elaboration based on the research results (n 373)

### *The results of entrepreneurial activities*

The enterprise development rate, manifested by an increase in turnover, was higher for habitual entrepreneurs (72.73%) than for novice entrepreneurs (62.70%). Thus, H3 hypothesis has been confirmed ( $p = 0.0501$ ).

The study showed a smaller share of dominance in the regional and national market of habitual entrepreneurs (11.57% and 37.19%) than novice entrepreneurs (18.25% and 43.25%). Habitual entrepreneurs (34.71%) had a much larger share in the international market than novice ones (22.22%). Thus, H4 hypothesis has been confirmed ( $p = 0.0491$ ).

Table 3. Comparison of the results of entrepreneurial activities of novice and habitual entrepreneurs

Variables	First business n = 252	Subsequent business n = 121	X <sup>2</sup>	Significance level
1. Changes in turnover in the last three years			5.98	0.0501
Increase	(n 158) 62.70%	(n 88) 72.73%		
Decrease	(n 16) 6.35%	(n 10) 8.26%		
No change	(n 78) 30.95%	(n 23) 19.01%		

Dominant range of activities			7.84	0.0491
Local	(n 41) 16.27%	(n 20) 16.53%		
Regional	( n 46) 18.25%	( n 14) 11.57%		
National	(n 109) 43.25%	(n 45) 37.19%		
International	(n 56) 22.22%	(n 42) 34.71%		

Source: Own elaboration based on the research results (n 373)

## 6. Discussion

The paper presents the results of the preliminary exploration of differences between novice and habitual entrepreneurs. The scale of the phenomenon of habitual entrepreneurship in Poland among small innovative companies demonstrated in the presented research results (32.44%) leads to the conclusion that more comprehensive research on this subject should be carried out, both in the scientific and practical aspect – in terms of the policy towards entrepreneurship. The question of whether habitual entrepreneurs differ from novice ones can be partly answered in the affirmative.

Although it can be said that actions of habitual entrepreneurs differ from actions of novice entrepreneurs, it cannot be assumed that this is true in every aspect. Discovering and creating opportunities is emphasised as a factor in establishing their business by both habitual and novice entrepreneurs. Negative motives (necessity) for starting business activity dominate among novice entrepreneurs to a small extent, however, these are not statistically significant differences. It should also be noted that the percentage of businesses created under the influence of push factors, both in the case of habitual and novice entrepreneurs, is high, much higher than in the GEM research. This may be due to the perception of economic factors by the respondents as a mixed motivation, not strictly negative – the need to set up a business due to a lack of an alternative way to earn money. Fu et al. [69] point to an important issue related to re-starting a business which are labour market regulations. They showed that in the case of high thresholds for obtaining paid employment in labour markets with rigid regulations, there is also a high percentage of people entering business again, driven by necessity.

The study assumed that previous entrepreneurial experience would increase the likelihood that habitual entrepreneurs would be more involved in innovative activities by creating opportunities. These opportunities can refer to new products, services or processes, as well as to creating new market needs. Habitual entrepreneurs showed greater propensity for the first option, while in the case of creating new market needs, the responses of novice and

habitual entrepreneurs were at a similar level. Deliberate demand and market creation is a risky action that requires the adoption of an appropriate strategy, hence there is a small percentage of entrepreneurs opting to conduct such activities. There are also studies that do not confirm the positive impact of entrepreneurial experience on the recognition and exploitation of opportunities [56] or provides only temporary performance effects [70]. Habitual entrepreneurs may not be able to transfer previous experience to a new venture due to dynamic changes in the environment, errors in the cause-effect interpretation or over optimism. This has implications for the entrepreneurs support policy, which on the one hand would encourage novice entrepreneurs to use a good business practices presented by experienced habitual entrepreneurs and, on the other hand, would offer professional expert support aimed at eliminating development barriers by various types of entrepreneurs.

As assumed, habitual entrepreneurs show greater efficiency in pursuing the development of their undertakings than novice entrepreneurs. Both the increase in revenues and the expansion into international markets were observed to a greater extent among this group of entrepreneurs.

## **7. Limitations and future research directions**

It should be noted that the study has some limitations. The research sample consists of small enterprises, i.e. employing from 10 to 49 people. The inclusion of micro enterprises in the study, which constitute the vast majority of companies operating in Poland, would provide a comprehensive picture of entrepreneurial behaviours of habitual entrepreneurs. Another limitation is related to the specificity of the analysed sample associated with innovation. The criterion for the selection of the sample was the introduction by the company in its operations any changes in products, services, production or organisation methods in the last three years. As a result, the study was conducted among innovative companies in which the motives of entrepreneurs, their ability to recognise and exploit opportunities as well as activities undertaken may significantly differ from entrepreneurs not introducing innovations. Due to the fact that, as noted earlier, the study of habitual entrepreneurs was only part of a larger, comprehensive study, the analysis was limited to the comparison of novice and habitual entrepreneurs. Research results [71, 11, 65, 14] indicate, however, that differences between portfolio and serial entrepreneurs are often greater than between habitual and novice entrepreneurs. Therefore, there is a need to carry out in-depth studies based on the division into these two subgroups of entrepreneurs. Another issue to be considered in the deliberations is the impact of previous business experience on the entrepreneurial process, especially the

differences in entrepreneurial behaviour of people who failed and succeeded in business. For example, Ucbasaran et al. [11] and Westhead and Wright [33], based on the conducted research, conclude that entrepreneurs who have suffered a business failure exhibit a diminished ability to identify opportunities. Westhead et al. [65] note that policy makers and practitioners need to match the formulated policy for different types of entrepreneurs instead of the same support available to all entrepreneurs.

The presented research results are just a starting point for further detailed analyses that should be undertaken to investigate the nature of habitual entrepreneurship. The answers to the following questions are important in order to explore the characteristics of habitual entrepreneurs: whether and to what extent entrepreneurs learn from their own experience, what is the impact of success or failure in previous businesses on the current behaviour of entrepreneurs and their companies, and what implications this brings for the development of the future SME support policy.

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