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# Systematization of the Factors of Development of Entrepreneurial Activity

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### Introduction

**E**ntrepreneurship is a form of manifestation of socio-economic activity of a personality, caused by a search for ways of either a solution of pressing issues or achievement of individual values. The general entrepreneurial activity (hereinafter referred to as GEA) demonstrates a specific weight of a part of the working-age population that actively tries to start own business, including self-employment and establishing a business <sup>[9]</sup>. An empirical study of the Global Entrepreneurship Monitor (GEM) <sup>[8]</sup> showed, based on the GEA index analysis in twenty seven countries, that small entrepreneurship exerts a direct influence on the growth of GDP. David Deakins and Mark

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Freel <sup>[6]</sup> assumed, using statistical data of Great Britain for the period from 1980 until 2002, that there also could be an inverse dependence: economic growth precedes an increase of business activity in small entrepreneurship. It is explained by the fact that the volume of money in circulation grows as the economy grows. It facilitates emergence of new opportunities for entrepreneurs. The data of the VAT payment of registered small enterprises, rather than GEA, were used in the study of D. Deakins and M. Freel.

Variety of parameters of empirical data, conclusions and assumptions underlines significance of theoretical systematization of the factors of development of entrepreneurial activity.

### **Conceptual Schemes of Interaction of the Factors of Formation of Entrepreneurial Activity**

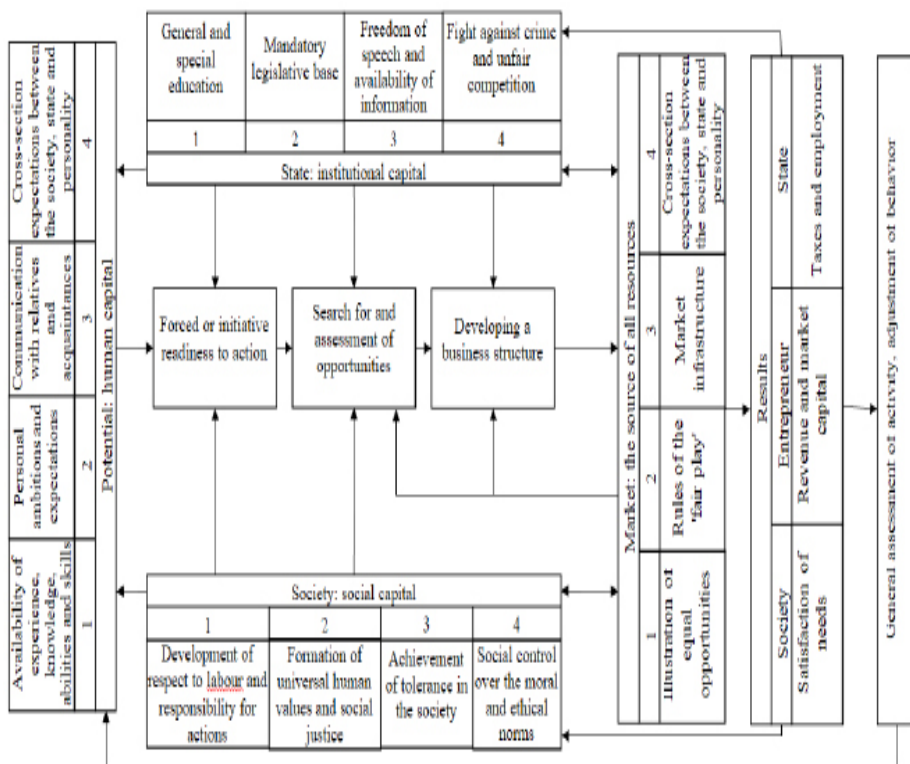
Entrepreneurial activity is a consequence of interaction and complementarity of internal and external stimuli of influencing the personality. The role of the main internal factor is the quality of the human capital, especially such its characteristics as the general level of education, aptitude for analysis, creativity, concentration on achieving a result and confidence in own powers. Naturally, the human capital doesn't spring out from nowhere but reflects specific features of family education, national traditions, the general level of education in a country, attitude of the society to labour in general, wealth and poverty, etc. (see Figure 1).

A set of personified expectations emerges in the result of a combination of various factors. First of all, these are personality expectations as a subjective assessment of the current situation, prospects of its development and probabilities of achieving a success. There is also a net of cross-section expectations of an entrepreneur with respect to the society, state and market, as well as expectations of all subjects of activity towards each other and entrepreneur, in particular. Dynamic balance of internal and external expectations allows formation of an intention to become more active in a part of the population.

Formation of expectations is, in its basis, a process of reflexive generalization of factors of the social realm. The expectations themselves are rather abstract and require formalization when being tied to a specific situation, which takes place at the stages of establishment of intentions, search for and assessment of opportunities. The programme of further behaviour starts to develop and the conceptual model of achieving a result is formed here. A cognitive process of development of a project of novelty, which

not necessarily has been or would be new for other people, for an individual personality takes place here.

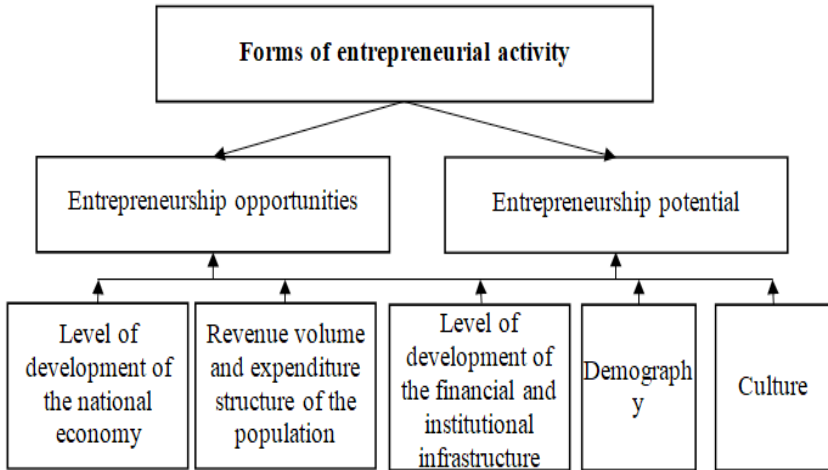
The way of carrying out the activity, rather than its subject, becomes the basic issue at the stages of development of the business structure and entering the markets of suppliers and consumers. It is necessary to select such a business model, which would allow fitting into the existing structure of economic, social and information links and become such an element of the general system, which would supplement and enhance this system. Besides, a mutual adaptation of the entrepreneur and the existing economic system could be required at the initial stage. A number of consumers and suppliers should change parameters of their activity, incorporating requirements and possibilities of the new entrepreneurial structure. If the new business possesses a radical innovation potential, it may lead to the processes of diffusion, which may result in a change of the whole structure of economic and social relations. This happens at the modern stage after emergence and distribution of information and communication digital technologies.



Legend: 1 – information-explanatory function of business entities; 2 – standard-setting function of business entities; 3 – communicative function of business entities; 4 – correcting function of business entities.

*Fig. 1. A generalized scheme of the conditions of interaction of business entities (developed by the authors)*

Interest in entrepreneurship arises in a specific cultural environment and is motivated or restricted by social needs and also by the level of development of a social and financial infrastructure. Interaction of one and the same set of interacting factors and subjects forms, on the one hand, the supply - a number of persons who potentially want to conduct entrepreneurial activity, and, on the other hand, the demand - a number and quality of opportunities for participation in entrepreneurship (see Figure 2).



*Fig. 2. A conceptual scheme of formation of the demand/supply on/for entrepreneurial activity (based on the GEM methods [15], amended and revised).*

Let’s consider the basic characteristics of the model elements, presented in Figure 2, in more detail.

### **The Level of Development of the National Economy**

The topology, which is accepted in the Global Competitiveness Reports [9] is used in the GEM methodology for a quality description of the current economic state of different countries. According to it, the countries are divided into the countries with the factor-driven economies; countries with the efficiency-driven economies; and countries with the innovation-driven economies. In particular, the factor-driven economies are Vietnam, India, Nigeria, Kazakhstan, Ukraine and Republic of the Congo. Efficiency-driven economies

are China, Russia and Latvia, while innovation-driven ones are Australia, United Arab Emirates, France, Germany, Greece, Sweden, Ireland, Great Britain and the United States.

It is believed that the main thing for the factor-driven economies is creation of the basic economic conditions - institutions, infrastructure, macroeconomic stability, healthcare and primary education. The following development impulses should be given to the efficiency-driven economies: higher education and professional training, efficiency of the commodity market, efficiency of the labour market, development of the financial market, technology level and the market size. The developed economies maintain the innovation orientation due to the use of venture financing, state support programmes, education for entrepreneurs, scientific and technical developments and financial and institutional infrastructure for entrepreneurship. Such conclusions were made only on the basis of the respective GDP per capita level and they do not take into account many other factors. In particular, it is a complementarity of the processes of innovation development of small and big enterprises.

Empirical studies of D. Audretsch and R. Thurik [5] detected availability of the U-shaped dependence between GDP per capita and GEA. The U-shaped dependence has a high GEA with a relatively low GDP per capita from the side of the central point of coordinates. It has to do with such countries as Argentina, Venezuela, Chile and Uganda. First, GEA starts to reduce with the further growth of GDP per capita (France, Italy and Japan) and then starts to grow again (US, Canada and Australia). D. Audretsch and R. Thurik believe that entrepreneurial activity promotes economic growth anyway. However, it happens due to reduction of the unemployment level in the first case and due to disaggregation of big firms in the second case.

The authors of this study believe that the provided statistical data could also be explained by availability of the dynamic complementarity of big and small forms of entrepreneurship in the economic growth processes. The complementarity itself is a result of quantitative and qualitative differences between the influence of innovative and institutional factors of economic development on big and small forms of entrepreneurship [7]. Complementarity of big and small forms of entrepreneurship emerges from the correlation of advantages of big firms in the resource provision, while small enterprises - in the organizational and behavioural flexibility and speed of reacting to opportunities [15]. This correlation manifests itself, among other things, in such specific features as the height of

the hierarchic structure, level of the entrepreneur's risk, degree of specialization and unification of activity, etc.

The first person, whether it is the president of a big corporation or the owner of a small enterprise, makes important decisions in any entrepreneurial structure. However, the generalized information about innovations is submitted to the president of a corporation through a long hierarchic chain. He looks at a situation 'from above'. The entrepreneur often collects information about the customers' requirements to the products by himself and personally discusses the proposed innovations with product engineers. The entrepreneur observes a situation from inside with all its nuances. As a result, the president of a big corporation and entrepreneur solve different tasks. The president of a big corporation faces the task of selection of a strategically better variant out of a limited number of variants, submitted by someone. The entrepreneur faces the so-called open task of the problem solution, in which he needs to understand the situation first, develop variants of its solution and then to express them in clear terms and formulate. Both tasks require personal intellectual and volitional efforts for reducing the level of uncertainty of the situation. At the same time, if the entrepreneur may allow himself criteria and assessments for personal self-development, the president of a big corporation can make only pragmatic assessments. The common feature is that they both consider risks and take personal responsibility for the result.

Resource and behavioural differences between the big and small forms of entrepreneurship allow, apart from everything else, smooth filling in the full spectrum of the innovation development components, which were specified by J. Schumpeter <sup>[16]</sup>: new technologies, commodities, markets, forms and methods of organization and also the study of new raw material sources. It should also be noted that well-established industries need more resources for emergence of new technologies and commodities while new markets and forms of organization need more flexibility.

The network model of integration of small and big enterprises into the innovation process is capable of increasing their efficiency, provided that a rational compromise is found between reduction of total expenditures on development and commercialization of innovations with the increase of transaction expenditures on the network formation. The composition and volumes of both transformation and transaction expenditures for every participant of the innovation process depend on their significance in this process.

There are two basic models of innovation process - pushing and pulling. In the first case, an innovation starts as the result of scientific and research work. Usually, this is how radical innovations emerge, which require additional applied studies for development of a prototype model and, perhaps, new production technology. This requires significant financial spending and organizational capital, which is not inherent in small forms of entrepreneurship, since they assume a rather narrow specialization.

Specialization, on the other hand, allows increasing efficiency of activity by means of focusing on its main competence and also increases transaction expenditures for the search of mutually supplementing competences of the innovation network partners. Especially, since it is more difficult for small enterprises to protect themselves from the opportunistic behaviour of partners and their use of somebody else's intellectual property. The opinion polls, carried out by the authors, testify to the fact that, when creating a network, entrepreneurs prefer a cautious approach, which is based on a gradual accumulation of positive results of joint activity. Confidence between the partners is a social capital, which reduces transaction expenditures but slows down the innovation growth.

On the other hand, specialization allows better understanding of requirements of the consumption niche. This usually launches modification and incremental innovations by means of the design modification of the prototype. The most important things here are operating efficiency and knowledge of specific marketing features for a narrow and local market niche. Namely, these are advantages of small forms of entrepreneurship.

Complementarity of big and small forms of entrepreneurship manifests itself in the search for the development trajectory. It is necessary to understand at the life cycle stages of entrepreneurship what the desired growth is and how to achieve it. The general scientific dialectic law shows that development is a transition from quantity to quality. However, the understanding of the transition from what 'quantity' and in what 'quality' is identified differently for every phenomenon, system and process. The growth of trust and mutual assistance between internal and external stakeholders of a small business (that is growth of its social capital) may well establish a new standard of the life quality for a specific business system, which would satisfy everybody (that is efficient by Pareto). Empirical studies<sup>[18]</sup> confirmed that the biggest negative effect from the small business growth, which the owners and staff wish to

avoid, is contained in the loss of friendly relations between people. Moreover, small enterprises have certain competitive advantages, in particular, the speed of decision-making, its flexibility and speed of execution. Such advantages are lost with the growth of business, while emergence of new ones is not guaranteed [4]. Consequently, development is connected here with the increase of the organizational capital and improvement of the quality of performed works. This corresponds with the network trajectories of growth: holdings, franchising and outsourcing.

## The Population Income Structure

Knowledge of the population income sources and volumes, and also the structure of expenditures, allows understanding of the main cause of entrepreneurial activity: satisfy the main necessities of life or the entrepreneur has a possibility to start a business, which corresponds with his interests and values. In particular, it could be ecology, inclusive education or social adaptation of people with special needs. Moreover, a low level of the population income creates conditions for:

- ❖ The growth of a number of subjects of micro entrepreneurship and entrepreneurs who are connected with self-employment, however, in this case, some entrepreneurial activity could move into the 'shadow';
- ❖ The reduction of the number of innovation enterprises due to the fact that the sources of financing reduce both from the side of the state and big business;
- ❖ The redistribution of entrepreneurs by types of activity towards the activity with fast turnover of funds - trade, household servicing, food production, etc.

One of the modern factors of influence on entrepreneurial activity are extensive information and communication networks. One of the main conditions of conducting successful entrepreneurial activity under the modern conditions is formation and constant improvement of the extensive multilevel information and communication network. A local entrepreneurial network is created on the basis of the global Internet network, which, in its turn, is the main infrastructure element of the digital economy. It was marked in the Digital Dividends report of the World Bank <sup>[19]</sup> that Information and Communication Technologies (ICT) serve, at the current stage, as the driver of both the world economy in general and national socio-economic systems of different levels. Besides, the development process, in full



correspondence with the dialectic laws, goes on through overcoming internal contradictions, which appear in the process of using ICT. The report refers monopolization risks, growth of inequality in the labour market and growth of control on behalf of formal institutions over the society to such contradictions. Improvement of the following is contemplated as a means of overcoming these contradictions: legislative base for increasing the level of competition; system of training employees for increasing their readiness for constant technological innovations; and institutional provision of interaction of the society, state and entrepreneurial environment.

Let's start with obvious historic analogies. The industrial revolution and further scientific and technical progress didn't annul agriculture. The emerged technologies allowed a significant increase of the ratios of extensive and intensive use of natural resources in food production. Simultaneously, they required new abilities and skills from employees, reduced their number and facilitated alteration of the way of life of the society, the state of the natural human environment and, to a certain extent, reduced the quality of food. Similarly, the digital economy would annul neither agriculture nor industry. As of now, it accounts for 4-5% of the world GDP and up to 2% of working places [19]. A distinctive feature of the current stage of development of the economy is that ICT influence, first of all, social communications and the rate of distribution and exchange and only then production forces. This may partially explain the fall of the rates of growth of the labour productivity (see Figure 3) and reduction of efficiency of the markets of labour, capitals and even information services.



**Fig. 3. Growth of specific hourly labour productivity (averaged by 87 countries) <sup>[19]</sup>**

A certain locking of the digital economy on itself with a constant improvement of solely technical characteristics without assessing a socio-economic component is one of the factors of not only reduction of the rates of growth of the general labour productivity but also a growth of inequality in the distribution of income.

Decrease of the market efficiency is explained by the fact that the digital economy creates favourable conditions for emergence of natural monopolies <sup>[17]</sup>. A communication network should have a minimum number of subscribers in order to acquire a certain value among its participants. Further, the Metcalfe's law acts

where  $NV$  – Network Value;

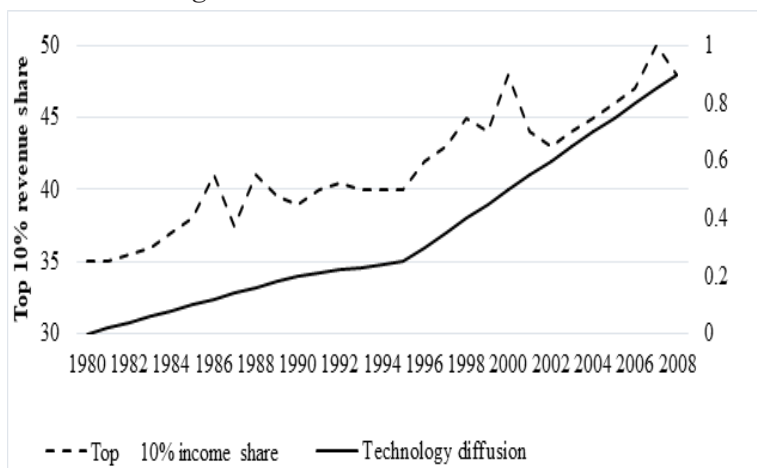
$Q$  – Quantity of connected subscribers.

Expansion of the number of subscribers allows formation of market standards, which facilitate the growth of quality of servicing and reduction of the service price. At the same time, big network operators have possibilities of asymmetrically influence the market of the provided services. Moreover, many digital technology services are not properly reflected in the legislation. In particular, Google is the operator of the biggest search system. Many of its specialized services are free, but about 35% of the world income from the digital advertising falls on Google. The Uber company developed a software platform for communication of the car owners with those who need transportation services. On the one hand, Uber doesn't have a taxicab fleet and doesn't take responsibility, in general, for the quality of transportation services, however, on the other hand, the transportation prices on the Uber platform are lower than the prices of traditional taxis. Consequently, development of the legislative base for regulating activities of big network companies is a complex task in both theoretical and practical senses.

Figure 4 shows how the revenue share of ten percent of rich population in the US GDP increased with the simultaneous increase of the total number of personal computers. Availability of computers increased from 30% in 1980 to 92% in 2008 while the revenue share of 10% of households increased from 35% to 50%.

Traditionally, innovation development and growth of inequality in the labour market are connected with the Kuznets curve [13]. The Noble Prize winner S. Kuznets suggested a hypothesis that inequality in the revenue distribution, which decreases at later stages, increases at early stages of the Kondratiev-Schumpeter innovation cycle. The authors of this article connect the growth

of inequality during the past decades also with the beginning of the processes of diffusion of ICT on the financial markets. Such products as software trade, cash-futures arbitrage, currency and interest swaps, various types of options, digital currencies and others emerged and gained momentum for development due to ICT. Complex strategies of arbitrage, hedging and speculations led to the situation when the derivative financial capital is several times bigger than the real capital. The higher rate of return and capital turnover in the course of execution of financial operations became, to a certain extent, obstacles on the way of development of the tangible economy and the reason of revenue concentration. Famous scientists and leaders of some OECD (Organization for Economic Cooperation and Development) countries called for introduction of special taxes on some financial operations with derivatives during the 2008 crisis, but the matter didn't get any farther. The problem is complex and counteraction is strong.



*Fig. 4. Diffusion of personal computers and growth of income of top 10% of rich population in the United States for the 1980-2008 period <sup>[14]</sup>*

## The Level of Development of the Financial and Institutional Structure

Venture business is a specific component of the financial infrastructure of entrepreneurship. The main function of the venture business is reduction of the risk level for investors when financing entrepreneurial activity and taking a part of risks of entrepreneurial structures. The central link in this business are venture funds or their analogues.

Venture fund specialists select the most prospective entrepreneurial projects, comparing the failure risks, potential

profits and payback periods. The practice shows that, usually, 3-4 projects out of 100 are selected and only 30% of them turn out to be really highly profitable. Nevertheless, the average yield of venture funds is 2-3 times more than a standard yield size. Major investors, banks and pension funds use this opportunity. They always allocate 1% of their investment portfolios for the high risk but good prospect projects. This allows them making additional profit increasing the risk of the whole portfolio insignificantly <sup>[1]</sup>.

A venture fund, which is specialized on high-risk operations, accumulates these funds plus funds of private investors and invests them on the irrevocable and interest-free basis into selected entrepreneurial projects. Thus, the venture fund becomes a co-founder of an entrepreneurial structure - a venture enterprise, and takes part in making financial, marketing and, sometimes, technological decisions. In the event of a proper project selection and good business organization, the market value of an entrepreneurial structure should grow fast and the investments would be repaid after a certain period of time through selling a share of the investment fund. If this is not the case, investments are written off as losses.

The venture business as an intermediary between investors, entrepreneurs and, at the same time, organizational component of entrepreneurial activity, took shape in 1960s-1980s and has acquired different shapes since then. In particular, business angels represent an informal venture capital of wealthy private persons, who use their free financial resources based on their personal experiences and in their own interests. Quite often, informal investors are retired top managers of big companies or entrepreneurs who sold their businesses and invest money in the spheres they know well.

Based on requirements of the fast yield growth, the venture funds more often work in high-technology areas. Entrepreneurship in the retail trade, for example, is also risky and the profit of trading structures varies significantly. Nevertheless, commercial risks are more predictable and studied by the bank analysts in more detail, unlike innovation and technology risks in new spheres.

It should be noted that the conditions of successful functioning of a venture business are: availability of a developed securities market; stable investment climate; and availability of a big number of elaborated entrepreneurial projects. Moreover, the venture capital is not acceptable if the entrepreneurial structure was intended to be a completely independent and autonomous business.

Institutional interference of the state with economic processes

may increase or decrease the disbalance. Selection of adequate methods of state regulation should consider the so-called 'Haavelmo alternatives'. The alternatives are based on the correlation of the taxation and investment multipliers. Growth of the taxation load leads to decrease of the aggregate demand due to reduction of personal consumption and private investments in the economy, which means that the taxation multiplier  $K_{H1}$  is less than one. However, if the state returns the collected taxes back to the economy in the form of investments and state order, the aggregate demand will increase with the  $K_{H2}$  multiplier above one. At the same time, if the negative influence on demand  $K_{H1}$  is higher than the positive one of  $K_{H2}$ , the taxes should be reduced and the entrepreneur should hope for the private initiative in investing. Otherwise, it is better to increase taxes and use state investments.

A number of additional factors should be taken into account when selecting Haavelmo alternatives:

- 1) it is necessary to take into account multipliers of other components of the aggregate demand  $Y_{AD}$  (AD - aggregate demand):

$$Y_{AD} = C + (I_p + I_g) + G + X_n, \quad (2)$$

where  $C$  – final personal consumption;

$I_p$  – private investments;

$I_g$  – state investments;

$G$  – state expenditures (state purchases, state orders, salaries of state officials, etc.);

$X_n$  – net export.

In some countries (including South Korea and Saudi Arabia) the main growth multiplier is connected with export while in China - with state investments and in the United States - with personal consumption and private investments;

- 2) domination of the branches with fast turnover of funds (trading-and-intermediary and financial activity and also entertainment industry) in the country economy assumes selection of the alternative with the growth of private investments and, consequently, reduction of taxes (in particular, these are Singapore, Hong Kong and United States). The state financing dominates in the long-term investment payback. These are BRICS countries - Brazil, Russia, India, China and South Africa;

- 3) the higher the level of social homogeneity of the country population and the level of trust to the state, the more preferable the state expenditures are (in particular, Scandinavian countries and Cuba).

It should also be taken into account that Haavelmo alternatives are meant for identifying operative measures in the short-term period. In order to achieve a sustainable long-term development, it is necessary to support the balance of the natural and physical capitals and their complementarity institutionally, including by means of the optimal correlation of big and small forms of entrepreneurship.

Unfortunately, the selection of alternatives is difficult for Ukraine due to a disbalance in the state budget itself. The intention to balance it based on IMF recommendations results in further reduction of the aggregate demand, at least, in the short-term period. Consequently, it's time to exit recession on accumulation of social and organizational forms of the capital.

### **Demographic and Cultural Backgrounds**

The strongest influence on entrepreneurial activity is exerted by such demographic characteristics as gender, age, education level, place of residence and available experience of professional activity. The statistical profile of a typical entrepreneur is rather dynamic. Thus, there were more men than women among well-established entrepreneurs in Russia in 2017, however, men and women were presented equally among the beginner entrepreneurs. The share of young people from 18 to 24 has increased among beginner traders compared to the previous years. At the same time, the most representative group are entrepreneurs at the age of 35-40 years. The share of rural entrepreneurs is constantly growing, but the share of urban entrepreneurs, taken in the lump, has consistently grown during the past decade. It should also be noted that there is an insignificant, although stable, growth of entrepreneurs with higher education <sup>[10]</sup>.

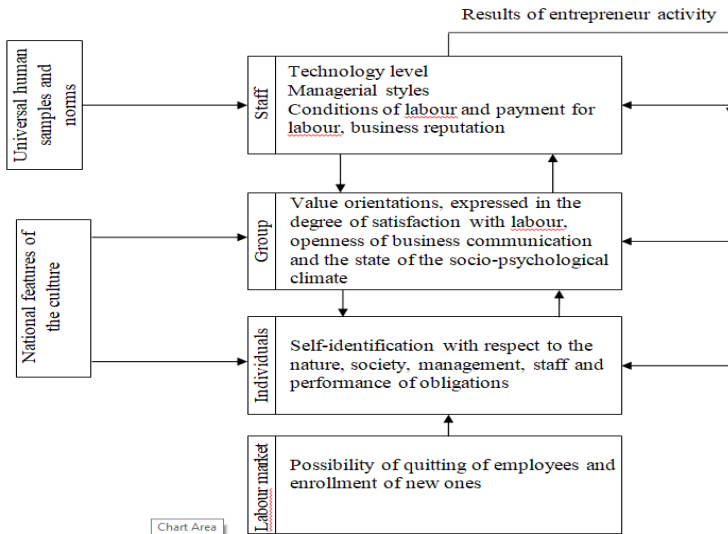
Starting from the 1980s, when, at first, Japan and then some other Asian countries started to take leading positions in the world economy, scientists and experts started to acknowledge that the culture and way of life play significant role in sustainable development of business entities and social entities in general.

Broadly speaking, the culture shall be understood to mean a combination of tangible and cultural values, vision of life, behavioural patterns, norms, ways and models of human activity,

which reflect a certain level of historic development of society and human being, embodied in the object medium and transferred to the next generations ([www.глоссарий.ru](http://www.глоссарий.ru)). The spiritual, tangible and behavioural components could be underlined in the general definition.

The spiritual intangible culture is formed by values, ceremonies, rituals, symbols, customs, traditions and language. They are the results of activity of human intelligence and feelings, they exist in our consciousness and are maintained by oral and written communication and collective actions. The tangible culture consists of artefacts, that is, physically perceivable objects, created by human labour, which perform the function of regulation of joint activity, identify the attitude to life and represent a certain symbolic value for a group of people or society. This could be a book, temple, instrument of labour or some decoration of the human residence. The behavioural culture is a system of norms and samples of ethic relations between people and performance of certain obligations in the community and society. In particular, it is necessary to observe ethical rules - a combination of behavioural samples, which have to do with external manifestation of relation to people.

The organizational culture, which is, according to a slightly altered definition of G. Kleyner<sup>[12]</sup>, is a system of spiritual values, visions, paradigms, symbols, samples and traditions, established in the enterprise, which are fully or partially shared by the staff and artefacts created by the enterprise, is formed at the level of the entrepreneurial structure. Alterations refer to the fact that the general values could be perceived by individual employees or groups differently. In other words, the general organizational culture has subcultures. A subculture emerges as a result of relative independence of specific features of professional activity or absence of a full-fledged communication relationship. The organizational culture assimilates the norms and values of individual employees, experience of their joint activity and participates in creation of collective artefacts and the observed samples of behavior (see Figure 5).



*Fig. 5. Generalized mechanism of formation of the entrepreneurial culture (developed by the authors)*

Mutual relations with business partners and other entities of external environment also could and should be considered as interrelations of cultures. Cultural differences influence the degree of coincidence of expectations and forecasts of partner behavior. The entrepreneur reputation depends not only on the product quality but also on availability of the feeling of social responsibility and faithful fulfillment of obligations.

National specific features have an impact on formation of the organizational culture. Punctuality of Germans, pedantry of Englishmen, aggressiveness of Americans, temper of Italians and specific politeness of Japanese are well known. Of course, here we deal with the so-called cultural stereotypes, which do not always correlate with reality. As of now, the processes of standardization of the way of life, communication methods and tangible and spiritual needs gain momentum independent of the accepted development patterns. It is explained by integration of economies of different countries, a developed network of international organizations, availability and speed of the communication systems and transportation means. Nevertheless, specific national differences still exist and would exist for a long time.

## **Approaches to Planning Entrepreneurial Activity**

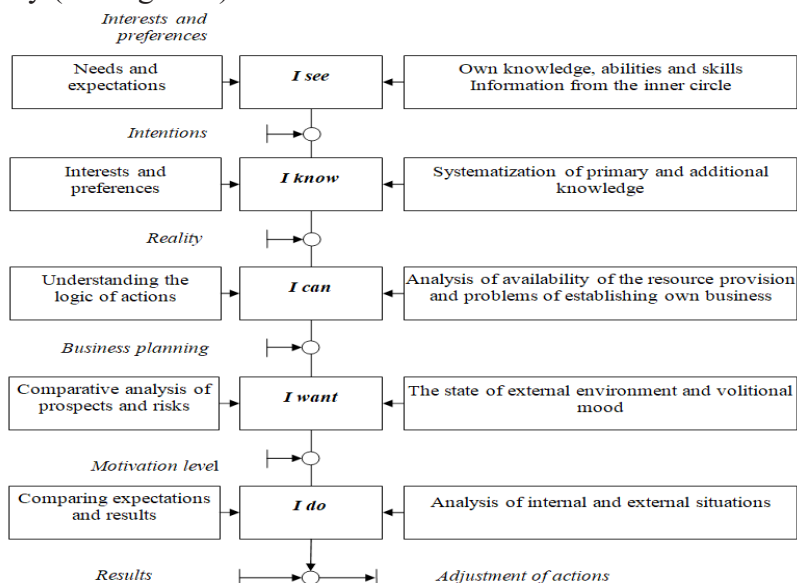
The considered conditions of emergence of entrepreneurial activity give birth to interests, expectations and priorities of the would-be entrepreneurs. They lay the potential of changing the number of people who plan and start own businesses or, vice versa, who cut down their businesses. At the same time,



these conditions influence the approaches for identification of opportunities for opening businesses and a quantity and quality of these opportunities.

The processes of opening and creation are identified as two alternative approaches to the search for business opportunities. The opening is understood as the search for existing needs and methods of their satisfaction, while the creation is understood as formation of new needs and establishment of conditions for their penetration into the market<sup>[2]</sup>. The main factors, which influence identification of business opportunities and their further realization<sup>[3]</sup>: readiness of the entrepreneur to perceive an opportunity - personal qualities, knowledge and experience; social focus and social links; ability to get, process and use relevant information; the type of the opportunity, its prospects, required resources, the risk degree and institutional restrictions. Namely, social expediency should prevail under the modern conditions when assessing the identified business opportunities<sup>[11]</sup>.

The business opportunity concept has a rather complex structure. It includes a number of elements: intentions, ideas, assessment of prospects, methods of realization of the idea, assessment of availability of means of realization and a plan of achieving the results. The elements are united by two processes: target-oriented cognitive processing of information and socio-psychological motivation to activity. In such a form, business opportunities represent a conceptual model of the future entrepreneurial activity (see Figure 6).



**Fig. 6. Formation of the conceptual model of the future entrepreneurial activity (developed by the authors)**

Based on the experience of developed countries of increasing entrepreneurial activity and transition to the innovation-oriented economy, we can specify the following regulatory actions:

- ❖ State support programmes – legislative, taxation, financial and participation in state orders;
- ❖ Target-oriented education for entrepreneurs by types and spheres of activity;
- ❖ Stimulation of scientific and technical developments, including in cooperation with the research and development institutes and universities;
- ❖ Development of the market and social infrastructure of entrepreneurship;
- ❖ Preferential financing of entrepreneurial activity;
- ❖ Protection against crime and corruption.

As a whole, the above actions would facilitate development of new businesses and affect the entrepreneurial climate, effectively influencing the economic growth and level of employment in the economy.

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