



THE PHENOMENON OF ENTREPRENEURSHIP AND ITS VALUE FOR THE MANAGEMENT OF SMALL-SCALE DEVELOPING ENTERPRISES

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Abstract

The main objective of this research is to identify and substantiate the criteria of the efficiency of small-scale enterprises development. The idea of entrepreneurship was transforming for several centuries, and today it is generally recognized that this concept can be disclosed through the personality of the entrepreneur, who is the driving force for small-scale enterprises development on whole. In this regard, the utmost importance is given to the psychological aspect of the entrepreneur's personality, which, in turn, requires the expansion of the subject and methods of research. Taking into account the psychological factors of economic entities led to the emergence of rapidly growing independent branch of interdisciplinary knowledge – economic psychology. Considering the concept of business activity through the prism of not only economic theory and jurisprudence, but also economic psychology permits to treat the phenomenon of entrepreneurship as a driving force for small-scale enterprise development on the whole.

Keywords: entrepreneurship, the entrepreneur's personality, small-scale developing enterprise, entrepreneurial talent, development.

INTRODUCTION

Problems of developing small and medium-scale enterprises, the need for the clear categorial apparatus for analyzing the corresponding economic entities, determining quantitative and qualitative criteria of their distinction, and various aspects of improving the efficiency of their activities, attract attention of many researchers. It should be emphasized, that in the issues of small-scale enterprise development the main attention is given to such aspects as the state regulation, the analysis of foreign countries' relevant experience and possibilities of its application in Russia, i.e. the external environment of their functioning.

At the same time, the problem of internal sources of small-scale enterprise development and, more importantly, problems of self-development of small-scale business entities as organizational structures are not properly reflected in the scientific works. Meanwhile, identification of regularities of organizations' development allows understanding the internal reasons contributing to their development or impeding it, looking differently at the

possible perspectives and assessing the applicability of the new approaches improving the efficiency of small and medium-scale enterprises activities.

FINDING AND ANALYSIS

Subjective factor

If to assume that there are general patterns of economic entities development, it is possible to suppose that there are laws, in accordance with which any small-scale developing enterprise is capable to evolve into the medium-scale one and to transit to the category of medium-scale business. Understanding of the objective patterns will allow influencing on the process of the enterprise development, overcoming difficulties encountered on this path.

Variability of business activity types is determined by the activity of economic entities, therefore, the most essential factor, which is crucial for the potential emergence of "own business", is



the subjective factor¹ – the entrepreneur's personality. It is in the process of business activity when peculiarities of the entrepreneur's personality especially visible: the obsession with the business idea and the ability to risk. The degree of risk cannot be subject to quantitative measurement, because here the implementation of the entrepreneur's risky behavior is meant, which is expressed in the readiness for the practical loss of the existing status in return for the hypothetical possibility to successfully implement the business idea. It should be noted that peculiar features of the entrepreneur's personality appear gradually, with time, in connection with which the author believes that the evolutionary approach implies that in the process of the enterprise development all stages are represented: from creation to various transformations (including liquidation). The stage of establishing the enterprise is of decisive importance, and this stage, in turn, is fully determined directly by the entrepreneur's personality. The ways when the organization appears without the entrepreneur's personal participation in the process of its creation and development, for example, by investing the money, do not correspond to the evolutionary development concept and are not considered by the author

In connection with the intended purpose of the present work it is important to distinguish the problem of scientific substantiation of conclusions made as the result of the research. As the most important attribute of scientific knowledge is its objectivity, i.e. the warranty of applying scientific theories, regardless of which entity applies this knowledge, the presence of the human factor – the entrepreneur's personality which is of fundamental importance for the enterprise development, – prejudices the practicability and possibility of finding out the objective patterns. Moreover, at the present time in the scientific community there are different opinions regarding whether the economic theory is a science in the narrow meaning of the word. On the basis of the synthesis of various branches of scientific knowledge the observed natural and social phenomena are described, which results in discovering the causal relations that, in turn, makes it possible to validate scientific theories and to forecast [20]. And only when scientific

theories and hypotheses are validated they can be formulated in the form of laws of nature or society. Today, the level of accumulated knowledge in the field of economics (both in microeconomics and macroeconomics) does not permit to make reliable forecasts not only for the long term, but also for the short term. The world economic crisis is the best illustration of it.

It is believed that the theory of supply and demand is scientific. But the scientific achievements in this case are so modest that to distinguish between common sense and scientific knowledge is possible only according to subjective criteria. By the way, it is the laws of supply and demand that formed the base of classical economic theory.

It is wrong to consider the problems faced by the scientific community today, as arguments in favour of the futility of the search for objective knowledge and successful forecasting. K. Popper, one of the most influential philosophers of science in the XX century, described his position as follows, "I may be wrong but you may be right; let's make the effort, and we will, probably, come closer to the truth" [14, p. 275].

It should be noted that the warranty of applying scientific theories means, first of all, the obligatory observance of provisions stipulated in the theory. The specificity of socio-economic cognition consists in exploring processes caused by manifesting unique features of subjects of the processes. It is this peculiarity of socio-humanitarian knowledge that has led to the division of all scientific disciplines into nomothetical and ideographic sciences according to Neo-Kantian philosophy in the second half of the XIX century. Nomographic sciences are natural sciences, designed to open laws of the reality, and ideographic sciences are those of social cognition, designed only to describe processes researched, since to discover the laws in these processes is impossible due to their uniqueness. M. Weber, having experienced the impact of Neo-Kantian philosophers W. Windelband and H. Rickert, who sharply opposed natural sciences and social studies as nomographic and ideographic sciences, discloses the unity and common features of these fields. The common features consist in the fact that it is necessary for any science to have "clear concepts" (i.e. the categorical apparatus), and also to follow laws and principles of logically consistent thinking. Weber emphasizes the specificity of social studies caused by its subject matter. According to Weber, it

¹ "The subjective factor is the free purposeful activity, based on functioning of the consciousness, and linking theoretical and practical aspects of social development" [13, p. 146].



is “culturally significant private reality”. Taking into account the fact that culture is a way of life of the social subject, Weber’s category, in essence, is the same subjective factor considered above. In social sciences, in Weber’s opinion, there are also regular causal relations, but with the emphasis on the individual, unique, culturally meaningful things. In these sciences qualitative aspects dominate over quantitative ones, and that results in establishing statistical laws (i.e. laws of probabilistic determination), due to which the individual events can be explained [19]. Thus, Weber removes the absolutization of the opposition between the two main branches of scientific knowledge: natural sciences and social sciences, substantiating their equal right to be scientific. Why is it important for the entrepreneurship to consider the possibility of referring the economic theories to scientific knowledge or pseudo-scientific one? It looks as if there are objective reasons that may explain those contradictions which arise in the process of finding out general economic laws of functioning of the society, both at the micro- and macro-levels, and consist in the interrelation between steadily recurring causal links within economic processes and the uniqueness of each particular process, due to the subjective factor.

The origins of these contradictions were laid by the founders of economics: Adam Smith, the founder of the classical economic theory, Alfred Marshall, the author of the microeconomic theory, and John Keynes, the author of macroeconomics. The foundation of these theories was the idea of rational person, who is guided only by his mind in his business activities. At the same time, the distinctive feature of “homo economicus” is his economic egoism, meaning the desire to maximize the own benefit. Such understanding of “homo economicus” dominated in economics for a long time². I.e. the base for formulating the objective

2 Of course, the economic phenomena that could not be described by the laws (especially, the law of supply and demand, the law of the marginal utility, etc.), were regarded as some exceptions to the general laws. For example, the Veblen effect, a phenomenon which contradicts to the law of demand, states that, *ceteris paribus*, the higher price of certain goods, the larger volume of demand. According to the concept of conspicuous consumption, consumers belonging to the rich people class buy many goods not for meeting their personal needs, but because of the desire to “stand out” among others, demonstrating their financial opulence. Or another example, the Giffen paradox:

laws of economics is the individual personality of a human who functions as an economic entity, which, due to the individuality, cannot be formalized, and the behavior of whom is not always subjected to forecasting.

And although I. Kant set the goal to strive for such a kind of forecasting, “It is possible to admit that, if we were able of such deep insight into the thoughts of man, as he manifest himself in internal and external activities, that we would learnt every, even the slightest, impulse towards them, as well as all external reasons affecting it, in the future the behavior of man could be predicted with the same accuracy as a lunar or solar eclipses” [8, p. 428], today it is possible to state that this task cannot be carried out. Scientific methods applied in economic theory, mainly the method of mathematical modeling, involving the construction of formal models that in simplified form characterize some economic phenomena or processes, as well as the method of scientific abstraction, allowing to exclude from the consideration some inessential relations between economic entities, clearly seem insufficient to explain the most complicated socio-economic phenomena which are the subject of the economic theory.

There are many examples of accepting one or another model of human behavior as the basis for formulating general economic laws. For example, the human disposition to increasing his consumption with income growth, in spite of the fact that consumption does not grow proportionally to the income, was defined by J.M. Keynes as the basic psychological law, “in which we can be quite sure not only because of the *a priori* considerations, based on our knowledge of human nature, but also on the basis of detailed studies of past experience [10, p. 95].

When certain models of human behavior are taken a principle on the base of which general patterns are formulated, often, they are wrong because constructing the models is supported by rather simplistic understanding of human behavior. An example of such a hypothesis is the idea of the rationality of the individual, while the rational behaviour of economic entities can be considered as only one of possible models of behaviours.

in conditions of the economic crisis, when prices of essential commodities increase, the demand also increases.



People often rely on heuristic conclusions³, which may coincide with formal-logical ones, but under some circumstances they lead to false judgment. In the article “Judgment under uncertainty: heuristics and biases” (1974), the author showed that when people face the uncertainty, they use some heuristic principles which simplify the task of estimating the event probability. Although these principles, in whole, reasonable, in some cases they lead to serious systematic errors [4, p. 93]. And because the psychological variables are responsible for the irrational component of the person’s behavior in the economic field, the analysis of the subjective factor is needed for explaining deviations of the economic behavior from that one predicted in economic models.

Economic psychology

The necessity of taking into account psychological factors of economic entities resulted the appearance in the XX century of the independent branch of psychological knowledge – economic psychology, which studies psychological patterns of economic behaviour and interaction between people as subjects of economic relations. Economic psychology aims at applying the psychological approach to assessing the economic reality and developing relevant theories and practices which impact on the economic world [18, p. 38].

The development of industrial branch of economic psychology is connected with G. Munsterberg, and its marketing branch, received preferences in Western psychology, was founded by G. Tarde. It covers psychological issues of exchange, distribution and consumption. One of the brightest representatives of the marketing branch of economic psychology is American psychologist J. Caton.

Economic psychology explores those aspects of decision-making that reveal patterns of economic behavior. A great contribution to the development of this branch of knowledge is made by D. Kahneman and A. Twerski. Their theory denies the previous theory of making decisions based on Probability theory and the rationality of decision-making. Their results proved that the

³ Heuristic conclusion is a conclusion leading to the probable knowledge of features of one object on the base of knowledge that this object is similar to another one [11, p. 36].

human behavior in conditions of uncertainty is significantly different from model “Homo economicus” accepted in the economics.

Elegant economic models cannot explain, from the point of view of social psychology, why people gamble, live on credit or accumulate savings, first of all because the economic actions of individuals are largely determined by social and cultural characteristics of the environment in which they are performed, the perception of the economic and social reality that surrounds them. “Consequently, the economic, demographic, social and personal characteristics of individuals appears to be the same, and the study of the financial behavior of individuals requires integral approach” [4, p. 100].

Thus, while economic models are based on statistical psychological laws, the general validity of economic hypotheses and their applicability in any socio-economic conditions is rather complicated.

Due to the above, difficulties which arise in the process of studying such complex phenomena as entrepreneurship, including prerequisites of appearing business entities, as well as factors affecting their development, seem to be logically defensible. As the business activity is based on psychology of the economic entity, it inevitably leads to the above issues.

The research proves that there are certain socio-psychological aspects of the entrepreneur’s personality, which determine the potential development of small-scale enterprises. Since the development of business entities is determined by the communicative and cognitive spheres of the entrepreneur’s personality, we face the necessity to apply the subject and methods of researching that go beyond the economic theory. To consider issues of cognitive components and factors of the economic behaviour (perception and notion of economic parameters, the irrational and the rational in economic thinking, factors of making decisions), as well as patterns of mental reflection of economic relations, is the subject of the independent branch of psychological knowledge – economic psychology.

In this context it seems appropriate to consider the concept of business activity in the spectrum not only of economic theory, jurisprudence, but also economic psychology, since the application of the interdisciplinary approach will permit us to substantiate the phenomenon of



entrepreneurship as a driving force for small-scale enterprises development on the whole.

Phenomenon of entrepreneurship

Public views on entrepreneurship are of fundamental importance for defining this phenomenon. The polls, carried out in the framework of the research of the Resource center of small-scale business, prove that representatives of business have rather vague idea about the very nature of entrepreneurship [6]. Entrepreneurs are those people who work for yourself. This is the most common self-appraisal of this social layer. "Work on yourself" means, first of all, the freedom from any external supervision over the daily routine of the business entity.

Such views on business activities represent only one of their aspects demonstrating the maturity level of consciousness for this group of economic entities. The idea of entrepreneurship is formed under the influence of national culture, local environment, the knowledge that the person receives in the process of his/her education. The public opinion, formed under the influence of such views, is determined by the significance of this or that human activity within the society.

Designation of the qualitative differences between entrepreneurship and other activities will disclose the essence of this phenomenon. Indeed, freedom of action is characteristic for many kinds of human activities, for example, for the so-called freelance. The market of freelance services has already quite developed in Europe and America and is developing rapidly in Russia and CIS countries, attracting new participants as performers, offering their services, and as individuals and organizations willing to cooperate remotely, since such relations are mutually beneficial for both parties. The concept of freelance has no analogue in the Russian language, despite the fact that it is widespread and popular. It means working in the market (exchange) of orders and services, individual labor activity. *De jure* freelancers are recognized as individual entrepreneurs, service providers, and freelance – as the business activities. However, are the activities offering freelance services the business ones *de facto*?

Freelance is the entrepreneurship in pure form, as the civil legislation regulates relations between persons engaged in the business activities or with their participation. The business activities mean the independent activities, at one's own risk,

aiming at steady receiving the profit from the use of property, sale of goods, carrying-out of works or providing service by persons registered as such in the way prescribed by law [17].

However, there are qualitative distinctive features, which do not permit to refer freelance to business activities. First of all, it is goal-setting of economic entities. Freelancers, unlike entrepreneurs, do not pursue as the main objective the development of their activities, both at the qualitative level (to develop new markets, to apply new technologies, etc.) and in quantitative terms (to create and increase the staff, to develop the organizational structure, to achieve certain financial indicators). Their actions, as a rule, aim at organizing self-employment, rather than expanding the activities in which they are engaged. Thus, there are many activities that meet legal definition of entrepreneurship, but, in fact, are not. Such types of activities are not subject to "scaling", i.e. their results are directly dependent on the effort, but rather on the number of hours spent on this activity by the subject, because his/her time is limited. The individual time resource of each subject is limited, so even with the highest professional qualification, for example, in the field of jurisprudence, business development is not possible, because resources of this specialist are restricted by his individual exercise performance. However, the idea of creating a legal company has the potential for development, as it is subject to "scaling". There is a fundamental difference between the person selling his/her labour, and the person selling the idea that permits to replicate the same labour.

Therefore, those economic entities, which are formally called entrepreneurs, from the point of view of the civil legislation and the tax one, do not have the potential for business development, because the type of their professional activities obliges them to personal labor, although they can be considered as persons who reached the undoubted financial and social success. The good example is notaries. It appears that this distinction is fundamental for understanding the essence of the entrepreneurship and revealing some aspects of small-scale enterprises development.

From this point of view, all those entities, that do not aim at developing their initiatives, creating the organizational structures, as well as developing and/or creating new market segments, are not entrepreneurs in the broad sense of the word. And this position makes it difficult to recognize "Baker of Adam Smith" as an



entrepreneur. And at the same time there is no doubt that this category of economic entities (individual entrepreneurs, micro-enterprises) are of great importance for the countries' economies, for "when the baker bakes bread, even though he thinks about his own benefit, and not the general welfare, as the result of his activities this general welfare increases [16]. It seems that this understanding entrepreneurship may be recognized controversial, but there are different points of view on the nature of entrepreneurship, which evolved throughout the history, and each of them reveals certain aspects of this complex concepts.

In the first half of the XVIII century French economist Richard Cantillon, in his "Essay on the Nature of Trade in General", thinking about wealth and its distribution, detailing the theory of the population and the theory of monetary circulation, particularly highlighted the leading role of entrepreneurs. According to Cantillon, an entrepreneur is a person acting in risk conditions. Thus it is important that even in the XVIII century, the function of providing capital differs from the business function [2, p. 12].

The necessity of dividing these functions is determined by the essence of entrepreneurship because the entrepreneur is, first of all, an active market agent, showing initiative in building and developing the economic entity.

The concept of entrepreneurship is a multidimensional phenomenon, expressed in different socio-economic relations and having many various attributes, each of which in itself is not sufficient to reflect the very essence of this concept.

The key attributes of entrepreneurship include:

- availability of commercially reasonable idea;
- the desire for commercial success and getting the profit;
- combining the function of capital, the hired manager and the employee;
- ability to operate in risk conditions;
- certain set of personal qualities (R. Hisrich, J. Schumpeter, P. Drucker).

All these attributes are necessary for the business activity. There are also other aspects of entrepreneurship, which can be regarded as additional to increase the chance for commercial success, for example, availability of own capital (A. Smith), freedom to choose areas of operating and methods (L.I. Abalkin, I.G. Akperov, Zh.V. Maslikova), generating a new idea, a service, a

product, developing the new market segment (P. Drucker, R. Hisrich), and others.

By the mid-XX century the Western world has understood the business activity as, first of all, the innovative one. In his work "Theory of Economic Development" J. Schumpeter presents the distinction between "economic growth" and "economic development" within economic science. Economic growth is increasing in production and consumption of the same goods and services (in particular, of stage-coaches) over time. Economic development is the emergence of something new, previously unknown (e.g. railways), or, in other words, the innovation. Here is Schumpeter's definition of innovation, "The entrepreneurs' task is to reform and to revolutionize the way of production by means of introducing inventions, and more generally – by means of applying new technological possibilities for producing new goods or old goods, but by the new method, due to the discovery of a new source of raw materials or new market of ready products – even the reorganization of the old branch of industry and the creation of the new one..." [15, p. 132].

In a society that is experiencing economic growth, goods and money are moving toward each other on a long-established routes. Schumpeter called this movement circular flow of economic life. Economic development breaks the circular flow, calling new industries into existence and eliminating the outdated ones. For example, the invention of the car led not only to establishing the automobile industry, but also to very significant changes in production of steel, rubber, and glass. At the same time, the car buried horse plants and harness factories: horse breeding and making harness for them turned into a semi-domestic craft instead of the industry.

However, economic development cannot be continuous simply because new ideas do not come to mind every day. Innovation, – and economic development too, – is of discontinuous nature. According to Schumpeter, the economic cycle is caused by the discontinuous nature of the innovation. People, who design and implement innovations, were called entrepreneurs by Schumpeter. Making innovative decisions, entrepreneurs create new, previously unknown combinations of production factors. That is why Schumpeter believed that entrepreneurship (or entrepreneurial ability) is a fourth production factor, unknown to the classics.



Peter Drucker, the founder of the modern management, also emphasized the leading role of innovations. In his opinion, innovations are the main tool of the entrepreneur, and the success of his undertakings depends on how wisely the entrepreneur applies innovations.

Recognition of innovations and novelty in the contemporary view is the integral feature of entrepreneurship. However, it should be noted that in the Russian society the entrepreneurial activity is somewhat broader: in conditions of the modern Russian economy it is innovative only in a few cases. Services, products and goods offered need not be completely new, the most important thing is that the entrepreneur has managed to find demand on the results of his activities.

Thus, the idea of entrepreneurship has been transforming for several centuries, and today there are many definitions, each of which considers the entrepreneur in a certain aspect. In these definitions there are different attributes, such as novelty, risk taking, organizational talent, creativity, striving for wealth, etc. Almost all definitions mention the entrepreneur's readiness to take chances. What distinguishes the entrepreneur from all other people? What qualities should the person have to be an entrepreneur? Classical economic theory has no answer to this question, because the entrepreneur is not the subject of its research. Psychology of entrepreneurship is the subject of studies in economic psychology, which is a rapidly developing interdisciplinary field.

There are two approaches, differently disclosing the psychological content of entrepreneurship: the functional-structural approach and the role one. The first concept considers entrepreneurship as an effective form of economic management of the commercial organization, i.e. in a sense, entrepreneurship is equal to management. If to treat entrepreneurship in these terms, then the phenomenon of entrepreneurship is adequately disclosed in the theory of management. The second concept regards entrepreneurship as a special type of labour activity.

The main interest of researchers, both in the past and in the present, aims at finding those factors that contribute to developing entrepreneurial initiatives and detecting psychological personal features, resulting in the entrepreneurial ability of the person, in order to encourage and develop entrepreneurship. In this research there is a number

of contradictions, which demonstrate that the subject of the study is ambiguous. And in this connection, in our opinion, the most interesting results of the research are achieved by Robert Hisrich, Professor of Entrepreneurship Department at the University of Tulsa, the USA. He has spent many years studying distinctive features of personalities of different entrepreneurs and came to the conclusion that the definition of the entrepreneur changed, as the world economy became complicated and developed. Having appeared for the first time in the Middle Ages, when it was applied to the persons of certain professions, the term "entrepreneur" eventually deepened, broadened and became applied not so much to the professions, but to the persons of a certain type [3].

In a significant number of scholars' opinion, to teach entrepreneurship is impossible, as this kind of activity demands special abilities. The natural prerequisite for the abilities development is certain inclinations – some congenital anatomic and physiological features of the brain and the nervous system. Inclinations, according to the domestic psychologist R.L. Krichevsky, are typological properties of the nervous system, the natural properties of analyzers, and individual variants of functioning of the cerebrum [12]. However, some researchers note that the formation of the entrepreneur is substantially influenced by such factors as socio-economic conditions in which the organization functions, cultural traditions, gender differences, the impact of the educational environment on achieving success, etc. Nevertheless, at the present moment the consensus regarding the structure of personal qualities making the entrepreneurial activity successful has not been reached both among domestic and foreign scientists.

For example, Peter Drucker accentuated the practical and intuitive nature of entrepreneurship, believing that "science of business" cannot be created as every entrepreneur faces a unique set of economic and psychological factors. At the same time, R. Hisrich and M. Peters considered that the special courses for entrepreneurs could develop necessary skills and give necessary knowledge to students, capable of business.

Several studies have repeatedly noted that the level of education of some representatives of small- and medium-scale business often is much lower than of those of other professions. It can be explained by the fact that people who are socially



less protected, who has nothing to lose are more probable to develop the risk appetite. It is this category of people that is characterized by such well-developed qualities as ambition, determination, resolution, and ability for adapting to the uncertain terms. The lowest degree of social protection is typical of the low-educated group of population, which, in turn, results in developing those qualities that are necessary for the entrepreneur. Hence another problem of SDEs arises – the lack of relevant knowledge necessary for development and building effective management systems, which hinders their transition into the category of medium-scale enterprises.

In 80-s in America, because of the consciousness of the need for structural changes of the economy, namely: increasing the share of SMEs in the structure of business entities, resulted in increasing interest in the field of small-scale business development, which has led to the surge of research on entrepreneurship. Entrepreneurship has never given such an important role in educational and scientific processes. So, in the United States in 1975 training on entrepreneurship were held in 104 colleges and universities, and in 1985 such universities was already 253 [21].

The increase in the number of special courses on entrepreneurship resulted in growing academic interest in this field: departments on entrepreneurship and the research centres for entrepreneurship studies. Currently, this tendency can be observed in Russia. It is expressed in the wide distribution of MBA programmes, trainings, various studies, state and public organizations, whose main task is to assist in developing small-scale business.

An example of this is Autonomous noncommercial organization “National Institute for System Studies of Entrepreneurship”, established in 2001, the aim of which is to foster the market economy and effective business development by reviewing and making recommendations for developing favorable environment for entrepreneurship and the overall economic situation in general.

Russian Association of Small and Medium Enterprises (RASME) has been working since November, 1994. Its objectives are: promotion of small- and medium-scale businesses and creation of favorable conditions for entrepreneurship in Russia.

In 1995 with the assistance of the European Union and Administration of St. Petersburg St. Petersburg Foundation for SME Development was established. Its mission is to provide information, consulting and training services to companies in the sector of small- and medium-scale business.

In the regions of Russia state programmes on development of small- and medium-scale business are implemented.

Entrepreneurial ability is a special gift that is given to the person for various reasons. Whether it is possible to develop necessary personal qualities to shape this capacity, is quite controversial issue today. In several countries, including the USA, this subject has received increased attention. Many studies of factors influencing on the entrepreneurship development are carried out. “As there is no typical entrepreneur, there is no typical entrepreneurial career. Conventional consecutive description of the entrepreneur’s life does not answer the question about the factors that have affected his development. The more productive approach seems to be the life cycle one, which analyzes relations between past and future events in a person’s life and their influence on his decision to become an entrepreneur. The factors affecting the personality of the entrepreneur, according to this approach, are education, parents’ influence, impact of previous work, experience, personal events, attitude to his work, prospects, and marital status. The lack of distinct models of typical entrepreneurial career makes early training of potential entrepreneurs very difficult. Potential entrepreneurs are not students attending business schools, and even if there are such ones among them, they do not know what is destined for them by fate”, conclude R. Hisrich and M. Peters, Professors of Entrepreneurship Department at the University in the USA [3, p. 49].

At the same time, the studies carried out by B. Karloff, proved that graduates from prestigious business schools do not differ in ability to create prosperous organizations from those who have not undergone special training on Management Programme in these schools [9].

Thus, influencing on the artificial origin of entrepreneurial initiatives in the society seems difficult. Both Russian and foreign scientists aggressively research this area, as to create favourable conditions for developing entrepreneurship initiative, is one of the most important objectives of the state policy.



In the current situation the state is increasing its interest in entrepreneurship development. In spite of numerous attacks at the measures aimed at stimulating entrepreneurship, there is some progress: special (preferential) modes of taxation are established, premises are provided on preferential terms, roads, communications and the rest of infrastructure are constructed with varied success, programmes on preferential crediting of small-scale business are developed, individual measures to reduce the bureaucratic burden on business representatives and removing administrative barriers are taken. Perhaps, these measures are not sufficient, however, the fact that the need of support of small-scale business is proclaimed as one of the priority tasks of the state, indicates that the positive vector of development in relation to this issue is intended.

Every member of society must understand the importance of public support for entrepreneurship. Creating the friendly atmosphere and respect of citizens is one of decisive measures in relation to the development of entrepreneurial initiative. And, in this regard the mass media play one of the most important parts. Creating a positive image of the entrepreneur is a significant and constructive factor in developing the entrepreneurial spirit. In addition to making the attractive entrepreneur's image, it is necessary to explain more popular, what is the contribution of entrepreneurship in economic development.

Unfortunately, cross-cultural studies (e.g. comparative studies of any phenomenon, held in different cultures, in particular, in different countries) showed that the Russian representatives of small- and medium-scale businesses are more alienated from society and not psychologically protected from social disapproval compared with businesspersons of other countries [5].

This position is supported by a number of researches carried out in Graduate School of Management of St. Petersburg University and Experimental and School Laboratory of Entrepreneurship Studies of National Research University "Higher School of Economics" (Moscow), and published in the national report

"Global entrepreneurship monitoring. Russia 2011". According to the survey, the lack of the pronounced orientation to entrepreneurship in the national culture has a negative impact on developing entrepreneurship in Russia. Experts assess most critically the public opinion on personal success achieved by own forces, and personal and collective responsibility for the own business, supported by the national culture.

Among the factors impeding development of entrepreneurship, the experts also mentioned the national peculiarities of the Russian culture. Entrepreneurship, in the opinion of some experts, is not "the recognized and respected way" of achieving a social status in the Russian society.

For improving the entrepreneurial atmosphere, experts were asked to identify the factors fostering business activity. According to experts, improvement of the socio-political atmosphere and development of the entrepreneurial culture are the most significant for the business.

The results of the research, carried out in February – May, 2010, by Fund "Resource Centre of Small-scale Business", for assessing the status of small- and medium-scale enterprises in Russia, are of particular interest. In the course of the research the survey of 94 small- and medium-scale enterprises in various regions of Russia: Central, Northwestern, Siberian and Southern Federal Districts [6], was conducted. For the purposes of the project the enterprise was considered as a small-scale one if it was private, with the number of employees less than 100 persons, with persistent and/or significant increase in revenue and personnel during the years preceding the crisis of 2008-2009.

The questionnaire concerned the relevance and the availability of the state support for business structures, the status and the business prospects for the coming years, the interest of the enterprises leaders in business education. In the survey the participants were enterprises functioning more than 10 years – 55%, 5-10 years – 27% and less than 5 years – 18%.



Picture 1. "Whether your enterprise needs for supporting from governmental and non-governmental organizations for the coming years?" [6, p. 18]

As follows from the chart, relatively young enterprises, functioning for less than 5 years (94%), and mature enterprises – older than 10 years (96%) – need supporting more than enterprises at the stage of sustainable development (5-10 years, 71%). According to the researchers, this is because the first group of enterprises has not worked up the market, and the latter group of enterprises has already exhausted their opportunities for development at the expense of own resources. However, in our opinion, the cause is different. Young companies have such a degree of uncertainty that they feel necessary any kind of assistance. Lack of experience makes entrepreneurs feel extremely insecure. Therefore, there is, first of all, a psychological need for any form of supporting "the first steps". Then, in the course of the growth they become more experienced and confident in their skills. So the results of the survey showed that enterprises at the stage of sustainable development need least external support. As for mature enterprises, their extreme interest in any form of supporting can be explained by the crisis caused by the lack of entrepreneurial initiatives, because at this stage in the life cycle of the enterprise, as a rule, the entrepreneur – the business owner – delegates the powers to manage the enterprise to the hired manager, resulting in the need for "entrepreneurial skill", without which the quality of the business development is not possible.

According to the study, in spite of various types of governmental support (financial, information, administrative and other), more than half of respondents said that the government should "neither help, nor interfere" in the business development. At the same time, over 70% of respondents stated about their needs for information support, including support in the field of training and mastering qualification skills.

A number of researchers, along with other criteria evaluating the success of entrepreneurial activity, mention the duration of the organization's operating on the market. The enterprise is supposed to be a successful organization, if it is commercial and functions at least 5 years [17].

It should be noted that duration cannot serve as the ground for conclusions whether the entrepreneur's business activities are successful or not. The phenomenon of entrepreneurship cannot be solved within the quantitative criteria, because entrepreneurship is a special kind of talent, it is some personal feature inherent in the individual. And from this point of view, considering entrepreneurship as a property of the personality, we cannot evaluate it through the category "success" (or "failure"), the entrepreneurial talent either is, or is not. If to accept the term, within which the organization functions, headed by the entrepreneur, as a criterion of success, one has to deny the right to the success of many organizations, headed by talented entrepreneurs, such as Donald Trump, Steve Jobs, and many others.

These entrepreneurs have gone through ups and downs, at various times they headed different organizations, carried out various activities, held various positions, liquidated and established enterprises. No one doubts that they were and are successful entrepreneurs, primarily because they were able to realize their talent, regardless of quantitative evaluation of their activities at a certain moment.

However, in order to speak about the success of business, one must be sure that this activity is headed by the entrepreneur. And since, despite the fact that the research of the phenomenon of entrepreneurship is paid great attention in the scientific community, and therefore



the research is extensive, including studies carried out by psychologists, at present there are no universal methods of identifying the entrepreneurial talent. Talent is a set of specific abilities that develop with skills and experience, and gaining the skills and experience implies time.

Modern scholars have identified certain types of talent that people have in more or less degrees. In the early 1980-ies Howard Gardner wrote the book “Frame of Mind”. In this book he distinguishes nine types of talent, among which there is the entrepreneurial talent [7]. It is generally recognized that talent is the result of gaining experience in a particular field.

In this connection, it seems logical to consider the duration of the business activity as the demonstration that the person has the entrepreneurial talent, because time as a universal criterion is the best proof of correctness or incorrectness of judgments. Thus, the duration of this activity is likely to indicate the presence of the talent because, if there is no such one, the business will not develop, and the pseudoentrepreneur will have to stop the activity.

Taking into account the aforesaid, the author suggests regarding as entrepreneurs persons engaged in commercial activities for at least three years, and as a small-scale developing enterprise (SDE) – the organization, the management of which is carried out by the entrepreneur with practical business experience for at least three years. In the author’s opinion, this term is sufficient to indicate a person’s needs for implementing the entrepreneurial talent, and, consequently, that the enterprise has potential for developing because it is headed by the entrepreneur. Of course, indirect proof of the fact that the new-born company is headed by the entrepreneur is not a sufficient condition for the successful development of the enterprise. However, there is no doubt that the person with the ability for entrepreneurship is a necessary condition for the enterprise development.

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Thus, the three-year term of business activity can be regarded as a proof that demonstrates the intention of the small-scale business representative to continue carrying out the business activity, or otherwise, this activity will be liquidated due to external (insufficiency of resources available for continuing economic operations) or internal (loss of motivation to continue, change of objectives of the person) reasons.

Thus, it is presumed that only the person with the entrepreneurial talent, is able to give impetus to the development of the organization.

CONCLUSION

The results of the research prove that, along with the measures of governmental support for entrepreneurship development in Russia, it is necessary to fundamentally change the attitude of society towards the image of the entrepreneur, and business activities caused the deserved respect. Since the problems of entrepreneurship development are largely determined by internal factors – the features of the entrepreneur’s personality, the cornerstone of entrepreneurship development is not external components, such as governmental support, the current state of the economy, legal regulation, and the society’s favorable attitude towards the role of the entrepreneur, that stimulate the entrepreneurship development.

Thus, we accept as an axiom that the set of certain personal qualities permits the person to be busy in entrepreneurial activity. The entrepreneurial talent is a kind of natural ability which either develops or do not due to external (political, economic, etc.) or internal (psychological) factors. In any case, we conclude that the mere fact of successful entrepreneurial activity suggests that at the beginning of this activity a person-entrepreneur who has this talent should stand.

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