

Entrepreneurship as the Resource for Re-industrialization

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Abstract—The article deals with the entrepreneurs' activities as the key factor for re-industrialization. On the basis of two regional sociological studies, analysis of both existing and potential entrepreneurs' activities of small and medium-sized businesses in Sverdlovsk region is introduced. Difficulties experienced by modern small and medium-sized businesses, areas which entrepreneurs focus on, and issues of attitude to entrepreneurship in modern society are discussed. The trend towards positive attitude to entrepreneurship among younger generation is revealed. Important problems which entrepreneurs face today, both financial (high taxes, annual tax increase, high interest rates, complexities of getting microloans) and economic (current economic crisis, decline in living standards) are considered. The study proves that modern entrepreneurs and young people of Sverdlovsk region consider trade and service industries more promising for starting a business in comparison to production. The study allows predicting difficulties in regional industrial economic rebirth as part of re-industrialization process. Promotion of youth entrepreneurship can definitely contribute to the regional entrepreneurial activities' development. To help with this process young people must be better informed about challenges and opportunities of entrepreneurial activity and guided through the early stages of starting a business. Social policy measures for youth entrepreneurship development, introduced in the article, contribute to a successful process of re-industrialization

Keywords—*entrepreneurs, innovative economy, re-industrialization, small and medium-sized businesses, youth*

I. INTRODUCTION

Successful innovative development of the region in terms of re-industrialization is hardly possible without entrepreneurs' activity. Entrepreneurship, being by its nature an innovation-oriented business, is aimed at looking for new products and exploring new markets. Modern entrepreneurs are sensitive to current domestic and global trends in industry,

commerce and agriculture. At present entrepreneurship is the stratum which enables the region to be among the leaders of innovative industrial development in the Russian Federation and strengthens its position in the global market. Moreover, successful entrepreneurship development brings stability providing regional citizens with jobs and income.

In March 2018 there were 8045 small enterprises with a turnover of 190.7 billion rubles, employing 180.5 thousand people (full-time employees) in Sverdlovsk region [11].

Processes of re-industrialization imply that young people must be encouraged and be helped understand the importance of rising education level, improving their knowledge components when choosing a workplace, focusing on high-tech industrial production, develop their ability of generating new ideas in everyday life [3]. Re-industrialization paradigm does not focus on individual's affluence but suggests knowledge and new technologies' orientation; priority of industry over other areas of economic activity; youth initiative and activity, workers' skill-improvement as well as improving product quality, concerns for the environment [1]. The literature review proves that today there is an urgent need to encourage entrepreneurial activity and promote creativity of the population in Sverdlovsk region [16]. In other words, entrepreneurs of Ekaterinburg and the Big Urals must play a key role in the process of implementing re-industrialization plans, as they are responsible for both, their investments and their own employees.

II. LITERATURE REVIEW

Entrepreneurial development is the subject for discussion at both national and regional levels [12]. The Strategic Development Forecast for Russia till 2030 reads that "small and medium-sized businesses are essential elements of any developed economic system" [13]. The Development Strategy for Sverdlovsk Region till 2030 [8] says that "increasing the

effectiveness of the support system for small and medium-sized businesses in the sector of real economy, as well as establishing small and medium-sized enterprises” play a significant role on the Russian market and can be of importance for the global market in the future.

At present entrepreneurship is the subject of intensive research and is in the list of debate topics. Recent years have been marked by numerous foreign and Russian studies focused on entrepreneurship issues. Among foreign scholars working in this field are J. Revilla Diez, F. Sohns [22], M. Fritsch, M. Wyrwich [21]. Results of entrepreneurship research in Sverdlovsk region are presented by V.Zh. Dubrovsky [7], I.A. Ilinykh [9], A.Yu. Kokovikhin [10], E.S. Ogorodnikova, A.E. Plakhin, K.E. Romanov [14], D.A. Filimonov [18] and others. Issues related to youth entrepreneurship are analyzed by E.A. Vetrova [4], L. V. Voronina, A. A. Gylyeva, P. L. Glukhikh [5], P. P. Deryugin [6]. Literature review proves that a more detailed analysis of the youth entrepreneurship current activity in Sverdlovsk region is necessary.

III. RESEARCH METHODS

This article considers the statistical data presented in foreign and Russian studies, as well as provides results of two surveys conducted by the authors. The research of current entrepreneurial activity was carried out in 2017 by the Department of Applied Sociology in Ural State University of Economics on request of Sverdlovsk Foundation for Entrepreneurship Support. 256 entrepreneurs of small and medium-sized enterprises participated in the survey. 20.5% of them are engaged in production; 63.8% represent goods and services sector; 15.6% are engaged in agriculture. The second survey deals with youth entrepreneurship activities. In 2018 the Department of Applied Sociology conducted a sociological study "Entrepreneurial activity of youth in Sverdlovsk region". The research, conducted on request of Regional House of Youth focused on young adults' entrepreneurial potential. 555 young people living in the territory of the Sverdlovsk region, aged from 18 to 30 years old, were surveyed. A quota sample was used which was stratified for settlement type (small and medium-sized towns, large towns and cities, the largest city - Ekaterinburg). In addition, all the respondents were divided into two groups according to their age: group 1 respondents were aged from 18 to 24; young people from group 2 were aged from 25 to 30. The groups contained young entrepreneurs who own an existing business as well as those who plan to start a business. Detailed analysis aimed at comparing the results of both studies, allowed identifying the main trends in entrepreneurship development in Sverdlovsk region within the context of re-industrialization.

IV. FINDINGS

Evaluating the orientations of modern youth to new knowledge and technologies allows answering the question about young people's motivation to start a business. Among the main reasons for doing business is the unwillingness to

work for somebody but to be self-employed (40%) and high salary expectations (35%).

Re-industrialization is favored by acquiring knowledge and development of entrepreneurship (innovations). These factors play a significant role when choosing entrepreneurial activities. Young people's desire to acquire appropriate knowledge would indicate their willingness to have creative jobs. Unfortunately the research findings failed to account for the fact.

Considering recognition of industry's priority over other areas of economic activity within framework of re-industrialization paradigm, the potential entrepreneurs were offered to choose the type of business they would like to do. The majority of young people in the region want to be engaged in trade (23%), restaurant business (16%) and production (13%). Potential agricultural engagement account only for 3%. The study results demonstrate low interest in potential entrepreneurs to choose a business in healthcare, education, household services, transport and communications. The results obtained coincide with previous findings, which revealed that "retail trade is the most attractive field for future businessmen" [15].

To measure youth's initiative level, the respondents were asked to choose the preferable way of making money. The results demonstrate that half of the respondents would prefer to be self-employed (50.5%). 19.4% would choose private sector employment. Only 25% of respondents participating in the survey would work for public sector organizations. The study also revealed positive attitudes toward entrepreneurs among representatives of young generation: 69% of the youth demonstrated positive attitude towards modern entrepreneurs, 28.5% appeared to be neutral, only 2% of young people had negative attitude towards entrepreneurship. These data allow us to make a conclusion about regional youth innovative and entrepreneurial potentials.

What are personality traits that entrepreneurs must possess? When answering this question the respondents did not only choose an answer from a set of 17 answer choices, but were also asked to assess their own personality in terms of characteristics they valued as necessary for a successful entrepreneur. The response format used in the surveys was 1 to 5 scale. This allowed not only reveal the "ideal image" of an entrepreneur but also measure entrepreneurial readiness among youth. The results demonstrate that young people consider themselves poorly prepared for entrepreneurial activity: their personal characteristics were assessed lower than a successful entrepreneur's personality traits (3 points in comparison to 4.5 respectively). The results showed that youth's low self-esteem can be a barrier to starting a business.

The list of personal qualities, skills and abilities presented below, demonstrate which of them, in opinion of the respondents, are essential for an entrepreneur to become successful:

1. The ability to build and maintain relationships (4.71 points).
2. The ability to take responsibility (4.65 points).
3. The ability to communicate effectively (4.64 points).
4. The ability to calculate gains and losses (4.63 points).
5. People management skills (4.62 points).

This result correlates with the data found in previous research: Russian businessmen include entrepreneurs' personal qualities (45%) and the ability to build useful contacts (27%) in the list of key factors for entrepreneurial success [15].

Lower assessment of such important parameters as "honesty, decency, law-abiding" (4.11) and interaction with the authorities ("making contacts with officials") (4.06) look alarming. At the same time, the respondents see themselves as "honest, decent and law-abiding" (4.09). These personal characteristics are slightly behind "the ability to take responsibility" parameter which comes first (4.14).

How do potential entrepreneurs perceive the regional business environment? The potential entrepreneurs are optimistic: the majority of respondents (58%) consider that the region offers favorable conditions for doing business. 23.4% view these conditions as unfavorable. As for acting entrepreneurs, their perceptions of regional business environment vary: less than half of them (49.3%) determine business conditions in the region as favorable, approximately one third of these respondents (38.3%) consider the regional business environment to be unfavorable, 12.4% of respondents found the question difficult to answer. This assessment is reliable as these respondents have their own entrepreneurial experience.

How do these entrepreneurs interact with governance structures? What difficulties are they faced in this interaction? 63.7% of entrepreneurs stated that they have never had any problems in dealing with any government organizations. 15% of respondents indicated that have faced different kind of problems when dealing with municipal organizations (cities' and towns' governing bodies), almost 14% experienced difficulties in communication with various regulatory bodies (for example, Rospotrebnadzor (Service for Consumer Protection and Human Welfare) and organizations engaged in similar entrepreneurial activities (large businesses). Regional organizations (tax authorities, multifunctional centers for provision of public and municipal services, etc.) were referred to as "troublesome" by 5.5% of respondents.

The study of regional small and medium-sized businesses' activities and the results of the survey allowed revealing most acute problems the local entrepreneurs face. Judging by the answers, financial difficulties related to the tax system (high taxes, annual tax increases) and loans (high interest rates, difficulties to get microloans) appear in the list of problems most frequently, economic difficulties (crisis in the economy, falling living standards) come second. Financial support, however, as F. Sohns and J. Revilla Diez claim, is extremely important for the progress of activity for small and medium-sized businesses [21].

Potential entrepreneurs also emphasize the significance of financial support. Starting a business, in the youth's opinion, requires the following: start-up capital (1st place), personality traits (2nd place), and a business idea (3rd place). Future entrepreneurs also listed least significant factors to consider when setting up an enterprise: luck (1st place), qualified team (2nd place), and getting necessary documents (3rd place).

Responding to the question about plans to start their own business in the future, 22.3% of young people confirmed their intention to become entrepreneurs; 28.9% of respondents plan

to start a business only under favorable circumstances, almost 20% of the youth showed no interest in entrepreneurial activity.

V. PRACTICAL SIGNIFICANCE OF RESEARCH RESULTS

Views and opinions of acting and potential entrepreneurs of Sverdlovsk region coincide in many respects and appear to be identical. The findings prove the region's high entrepreneurial potential which is vital for the process of re-industrialization. However, to realize their potential young people must be better informed about challenges and opportunities of entrepreneurial activity and guided through the early stages of starting a business. The study results can be used in developing and implementing social policy measures to promote youth entrepreneurship at both regional and federal levels.

Such measures include:

1. Encouraging students of educational institutions at different levels (schools, technical schools, vocational colleges and universities) to participate in business training events.

2. Providing financial assistance in the form of grants to higher educational students, aimed at planning and formulating small and medium-sized enterprises' business strategies.

3. Providing free legal assistance to young people planning to implement their business ideas. Most common legal issues entrepreneurs face, can turn into a barrier for an inexperienced young person, who plans to start a business.

4. Establishing a mentor/mentee relationship between successful entrepreneurs and school and university students. Effective mentoring relationship, when a successful, experienced entrepreneur shares his or her advice and ideas, can help potential entrepreneurs and make their business goals easier to achieve.

This last measure is difficult to implement, as it demands investing entrepreneurs' time and energy. However, mentor/mentee relationship can become beneficial to both sides: it may be of interest for entrepreneurs as an opportunity for employment expanding and potential business partnership in future.

VI. DISCUSSION

The study's results prove Sverdlovsk region youth's enterprise potential, entrepreneurial intentions and readiness to start a business. These findings support other authors' views on youth entrepreneurship presented in literature. The surveys' results are consistent with the results of research conducted by PWC (PricewaterhouseCoopers). Their comparative analysis of millennials in different countries showed that 59% of young Russians (in comparison to world's average 43%) think of starting a business and evaluate their own business opportunities [15]. Our findings, confirming low satisfaction of Ural entrepreneurs with the regional business environment, are identical with the results obtained by S.G. Ushkin, whose study revealed local entrepreneurs' dissatisfaction with current business environment and gave it C grade (3.28 points) [17].

The survey of small and medium-sized businesses' owners in the United States, conducted by A. Rupasingha and K. Wang proved the importance of flexible repayment terms and affordable loans. Small businesses need both government financial assistance and large businesses' support. The authors also revealed positive impact of the loans' availability on the growth and development of entrepreneurial activities, which remained stable regardless of the country's region or different socioeconomic backgrounds [20].

B.B. Bogoutdinov and A.L. Barannikov argue that economic situation improvement is achievable through capital market development, attracting private investment in the Russian economy, and improving financial literacy among the population [2].

L.Yu. Bogachkova and her co-authors claim that creating favorable economic conditions for small business' development does not require only government support, but also needs development of public-private partnership, which is an effective instrument for stimulating economic growth and is of great importance for the process of re-industrialization [19]. The Russian Federation inherited its "team relations" economy from the Soviet Union. It is characterized by support and development of mass production enterprises. As a result, small and medium-sized businesses had to "stand in the shadow", and were often associated with criminal activities. At present, the Russian economy is "captured" by a limited number of monopolies operating in different economic sectors.

VII. CONCLUSION

To sum up we conclude, that Sverdlovsk region's youth demonstrate positive attitude towards entrepreneurial activity. Young people give self-employment high priority over employment in other sectors (including government jobs). They are aware of personality traits, essential for entrepreneurial success and realize that an entrepreneur can face challenges and problems, some of which are difficult to solve. Regional youth choose trade and restaurant businesses as most attractive for starting a business, show lower interest in production, and demonstrate a real lack of interest in healthcare, education and household services.

Social policy measures to promote youth entrepreneurship in the region and at federal level include providing potential entrepreneurs with legal and financial assistance, and establishing a mentor/mentee relationship between entrepreneurs and young people.

Considering regional business environment most respondents represented favorable assessments. However, major problems, preventing entrepreneurial development in Sverdlovsk region were revealed. Solving these problems will stimulate small and medium-sized businesses promotion, which in its turn will contribute to implementing re-industrialization strategies in the region.

The study results provide foundation for further research of youth entrepreneurship potential in Sverdlovsk region and other regions of the Russian Federation.

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