A VISION OF ENTREPRENEURSHIP
IN THE AUTONOMOUS COMMUNITY
OF EXTREMADURA (SPAIN)

WIZJA PRZEDSIĘBIORCZOŚCI W AUTONOMICZNEJ
WSPÓLNOCIE EXTREMADURA (HISZPANIA)
Abstract: It is undoubtable that entrepreneurship is an element that creates employment in economies. It is starting to be one of the economic motors of Extremadura, a region that, without ceasing to have the primary sector as the base of its subsistence, has an increasing number of organizations that provide services. This paper discusses the current situation of entrepreneurship in Extremadura and the reasons that caused it, and it highlights the potential role of entrepreneurship as a mechanism for obtaining competitive advantage. We give some definitions proposed by literature, in order to clearly establish the topic which, we are going to study. At the same time, we position Extremadura both in Spanish and European contexts, highlighting the position of regional entrepreneurs’ governments to support the entrepreneurial activity because, on the long term, the results can be positive for the region and for the country.

Keywords: Competitive advantage, entrepreneurship, social dimension, Spain, entrepreneurial culture

Introduction

The topic of entrepreneurship is being researched by a broad spectrum of researchers. It is an element that generates new businesses, and by doing so, new jobs, profitability, productivity and competitiveness are created for any economy. Consequently, the creation of value that any territory (country, region, or city) achieves with the increase of the number of entrepreneurs must also be assessed. It’s unquestionable that governments must promote entrepreneurship, by looking for mechanisms that encourage people to start their activities, and by undertaking actions that help entrepreneurs maintain their activities and that give support to them. Taking all this into account, it is important to make a contextualization of the entrepreneurship levels, in order to observe how the situation is in each moment and to evaluate future trends. In this paper we deal with the vision of entrepreneurship on literature and with the main topics of entrepreneurship research and its impact on the social dimension.
A Vision Of Entrepreneurship in the Autonomous Community of Extremadura (Spain)

The present paper focuses on the topic of entrepreneurship and, more specifically, in the analysis of the entrepreneurial situation in Extremadura (Spain). The importance of the topic for companies and economies is highlighted, due to the positive influence that this will have on the welfare of society. Therefore, the main objective of this paper is to observe the entrepreneurial situation in a region of Spain in order to further encourage entrepreneurial actions.

To achieve our objectives, we will review the existent literature, to establish an adequate context for our analysis, and then we will descriptively examine the data of the Global Entrepreneurship Monitor (GEM) report for Extremadura of 2016. The GEM research program was developed with the aim of providing harmonized data for the research of different entrepreneurship forms in different economies around the world at very different developmental levels. Nowadays, the GEM has evolved into a consortium in which a big number of countries participate, and it represents a unique global research project. The methodology of the study and the process of data harmonization is described in detail in the GEM Manual. The GEM framework is focused on the analysis of early-stage entrepreneurship, which is not entirely aligned with the objectives of economic policy makers, who focus on a macroeconomic aspect, the aspect that notices entrepreneurship only when it manifests itself as a successful company which contributes to the increase in gross domestic product. Entrepreneurship is based on the human ability to think, explore and search for better ways to enable the desired level of income, so the study of entrepreneurship within the GEM framework is primarily the study of the individuals and their ambitions, innovativeness and abilities, and the study of all factors that may influence the individual’s entrepreneurial activity.

All of this will allow us to focus in the present situation of entrepreneurship in Extremadura. We chose Extremadura as an example of entrepreneurship as means of achieving competitive advantage because of the history of the region. Extremadura has traditionally been, and still is, a region rich in first sector economic activity (agriculture and animal production).
raising for human consumption). Nevertheless, nowadays the region is modernizing itself, and as the data we show below prove, more people are deciding to start their own businesses in Extremadura in the last years, even more than the Spanish average.

The structure of the paper is as follows: after the introduction, a general panoramic of entrepreneurship in literature is offered in section 2, followed by a discussion about the main topics in research and the impact of social dimension in section 3. Section 4 describes the current situation of entrepreneurship in Extremadura, and lastly, section 5 presents some conclusions.

1. Vision of entrepreneurship in literature

The word entrepreneurship comes from French, and it can be translated as “taking the initiative in order to build bridges”\(^8\). Entrepreneurship can describe various phenomena\(^9\) which are listed below: A lot of authors focus on the process of creating start-ups\(^10\). From this point of view, entrepreneurs open new businesses, and entrepreneurship is the process of creating and establishing said new businesses.

1. Another aspect of entrepreneurship is the fight for growing\(^11\). Under this assumption, entrepreneurs make organizations grow and expand the businesses.

2. Entrepreneurship can also be a social or even environmental movement\(^12\). Entrepreneurs change existing patterns of production and consumption with individual initiatives.

3. At the same time, entrepreneurs are sometimes differentiated of traditional organizations because of their ability to innovate and create competitive advantage\(^13\). Entrepreneurship links innovation with success on the market\(^14\).

4. Lastly, entrepreneurship is characterised by the abilities and personal aptitudes of the leader, such as ambition, leadership, teamwork, personal commitment and compromise\(^15\).

For entrepreneurship to exist, there must be entrepreneurship opportunities first\(^16\). Opportunities for entrepreneurship are the situations in which new goods, ser-

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For services, raw materials or organizational methods can join the market and be sold at a higher price than their costs of production\textsuperscript{17}. The entrepreneurship opportunities and the opportunities to improve the efficiency of goods, services, raw materials or organizational methods are two different concepts because, while the former imply discovering new relationships between means and purposes, the latter only require the optimization of the relationship between means and purposes that already exist\textsuperscript{18}. Since the possibilities and consequences of exploiting new opportunities are unknown, entrepreneurial decisions can't be made with an optimization process calculated with a set of given options\textsuperscript{19}.

Entrepreneurial discovery happens when a person speculates that a set of resources is not being used in the best way possible (that is, that the resources are being sold at a lower price than the price that set of resources could have in another place, time or form)\textsuperscript{20}. Since it is an initial and crucial part of the entrepreneurial process\textsuperscript{21}, the discovery of opportunities is a basic concept in entrepreneurship research because it can end in the creation of new companies\textsuperscript{22}. The discovery of opportunities consists in the actions made by individuals with the objective of discovering wasted opportunities\textsuperscript{23}. Despite its subjective nature, entrepreneurial opportunities are not open to anyone; that's why researchers try to discover why some people discover them and others don't\textsuperscript{24}.

Nowadays literature proposes two different perspectives to understand opportunities’ discovery\textsuperscript{25}. The first one studies how the internal knowledge of entrepreneurs influence their recognition of opportunities, taking internal knowledge as their prior knowledge and experience\textsuperscript{26}, their creativity\textsuperscript{27} or their cognitive processes\textsuperscript{28}.

\textsuperscript{20} S. Shane, S. Venkataraman, The promise of entrepreneurship...
\textsuperscript{23} N.J. Foss, J. Lyngsie, S.A. Zahra, The role of external knowledge sources...
The second perspective focuses in analysing how entrepreneurs obtain information of external sources, mainly via social networks\(^29\).

Entrepreneurship is one of the most interesting aspect of human beings, because entrepreneurs can show a lot about themselves in their organizations, thereby making them the reflection of what they want to start\(^30\). The social aspects of the founder are important in entrepreneurship, because business creation is an inherently social activity, and organizations are social constructions in themselves\(^31\). To have a better understanding of the role of social aspects in entrepreneurship, we must explain what the social identity theory is first.

The concept of social identity was first used by Tajfel\(^32\), who stated that the social identity of a person is “the conscience of the individual that he is part of certain social groups, and the conscience of the emotional meaning of being part of that group”. The conceptualization of the individual in the social identity theory is reflexive, because it can be categorized and classified linked with other social characteristics\(^33\). Personal or symbolic interaction with others has a very important role in the development of the individual’s self-consciousness, because those social interactions allow him to make social categorizations and learn which groups he wants to be associated with\(^34\).

The application of the social identity theory to entrepreneurship research is new\(^35\). Even though some studies exist that say that the identity is a strong predictor of the actions and decisions the entrepreneur might make\(^36\) there are few studies that have treated the social identity theory in the entrepreneurship context. As we said earlier, Franke et al. (2006)\(^37\) made one of the first studies about social identity theory and entrepreneurship, in which they used said theory to analyse the process of decision making.

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\(^{37}\) N. Franke, M. Gruber, D. Harhoff and J. Henkel, *What you are is what…*
making in venture capital companies. They found out that venture capital companies will give a more positive evaluation to investing teams with a similar profile to theirs. Fauchart and Gruber’s study (2011)\textsuperscript{38} focuses on analysing the social identities of entrepreneurs and how they affect the creation of new businesses. Based on the observation that social identity theory allows a rich evaluation of the self-consciousness of the individual, due to the social identity being important for the feelings, actions, values and beliefs of a person\textsuperscript{39}, these authors use this theory to study the social identity of founders and how it affects the behaviours and actions related with the company.

From an academic point of view, entrepreneurship “tries to understand how opportunities are discovered, created and exploited to create future products and services, by whom and with which consequences”\textsuperscript{40} Later, Cohen and Winn defined entrepreneurship as “the analysis of how opportunities of creating future products and services are discovered and exploited, and with which economic, psychologic, social and environmental consequences”\textsuperscript{41}.

2. Entrepreneurship approach: main topics and impact of the social dimension

Entrepreneurship research focuses in five main topics\textsuperscript{42}:

1. Who does entrepreneurship involve? This is a very important question given the big variety of stakeholders involved in an entrepreneurial ecosystem, not just the individual entrepreneur\textsuperscript{43}. Institutions and organizations, both new and established are important for the birth and growth of entrepreneurship.

2. What does entrepreneurial behaviour involve? This question is related to the activities of entrepreneurs, which may be productive, unproductive or dysfunctional\textsuperscript{44}. As Shane (2009) remarks\textsuperscript{45}, a large portion of entrepreneurial activities take the form of small self-employment that has limited productivity or economic benefits. Even though these activities could serve the needs of individuals who other-

\textsuperscript{38} E. Fauchart, M. Gruber, \textit{Darwinians, communitarians}...
\textsuperscript{40} S. Venkataraman, \textit{The distinctive domain of entrepreneurship research}, [in:] J.A. Katz, R.H. Brockhaus, (ed.), \textit{Advances in entrepreneurship, firm emergence and growth}, Greenwich, Connecticut, JAI Press, 1997, p. 120.
\textsuperscript{45} S. Shane, \textit{Why encouraging more people to become entrepreneurs is bad public policy}, “Small Business Economics” 2009, (33) 2, p. 141-149.
wise would be unable to gain employment, they raise legitimate doubts about the overall added value of entrepreneurship, which suggest the need of reflecting on the significance of entrepreneurial activities and what is needed to make them happen.3

3. What format does entrepreneurship take? Until now, research has focused on formal dimensions, notably independent start-ups or spin-offs, as well as various forms of corporate entrepreneurship, but entrepreneurship can also be informal. These informal activities happen in advanced as well as in underdeveloped and emerging economies, and they give legitimate employment as well as fulfilling some specific social and economic needs. But, sometimes, informal entrepreneurs also engage in illicit trade, sex trade and drug trafficking.

4. Where is the impact of entrepreneurship felt? This is a concern that goes beyond individual and organizational wealth creation to encompass macroeconomic effects, such as a growth in GDP. Entrepreneurship affects communities, societies and humanity, and the work of entrepreneurs to address social problems like food or water shortages, pollution and sustainability through innovative and affordable technologies not only covers, but also crosses these levels.

5. How is the impact of entrepreneurship measured? This question has traditionally concerned issues relating to the measurement of growth and financial performance, but may also need to encompass measures of social impact, such as community development, happiness or social cohesion.

Building on these topics, Zahra and Wright (2016) propose five pillars on which the social role of the entrepreneurship can rest and have its impact:

1. Connecting entrepreneurial activities to other efforts of society aimed at improving the quality of life, progressing and enriching human existence by being attentive to wealth distribution and the balance of different stakeholders.

2. Identifying ways to reduce the dysfunctional effects on stakeholders.

3. Redefining the scope of entrepreneurial activities as a scholarly topic.

4. Recognizing entrepreneurship’s social multiplier, which refer to the potential of the entrepreneurship activities to lead to the discovery of additional opportunities, leading to the birth of new firms in different sectors, with purely economic, social or hybrid goals.

46 S.A. Zahra, M. Wright, Understanding the social role…
50 E. Autio, S. Pathak, K. Wennberg, Consequences of…
51 S.A. Zahra, M. Wright, Understanding the social role…
54 S.A. Zahra, M. Wright, Understanding the social role…
5. Pursuing blended value at the organizational level, centred on balancing the creation of financial, social and environmental wealth, which is crucial to developing a sustainable quality of life.\(^{55}\)

Another matter worthy of discussion is entrepreneurial risk. As shown by Jovanovic (2019)\(^ {56}\), entrepreneurship not only fails to pay enough for the risks that in entails, it can even sometimes show an entrepreneurship discount if entrepreneurial and working skills are negatively correlated. Some explanations given to the existence of said discount are that entrepreneurs like risk\(^ {57}\), suffer from over optimism\(^ {58}\) or underreport their earnings\(^ {59}\). Sustainable entrepreneurs, which are those who start their business not only to serve their own interests but also collective interests by addressing social and environmental needs\(^ {60}\), face their own challenges related to a lack of financial, administrative and informational support related to regular entrepreneurs\(^ {61}\). Sustainable entrepreneurs exploit opportunities in markets characterized by imperfection and failures\(^ {62}\) related to public good, externalities, monopoly power, inappropriate governmental intervention and imperfect information\(^ {63}\). Risk is a central component in any theory of entrepreneurship, where three main concepts can be distinguished: risk attitude (one’s risk aversion or tolerance, the preference for one activity over another), risk perception (the subjective level of risk, often a biased perception of the real level of risk) and the real level of risk\(^ {64}\). The differences in an individual’s risk attitude influences not only their occupational choice, but also the entrepreneur’s decision to employ labour and capital, and thus, the scale of production\(^ {65}\). Entrepreneurs act in the face of uncertainty, and thus the uncertainty is meant to be transformed into an opportunity\(^ {66}\).

Now we will analyse how important entrepreneurship initiatives are for the re-


\(^{61}\) B. Hoogendoorn, P. van der Zwan and R. Thurik, Sustainable Entrepreneurship….

\(^{62}\) T.J. Dean and J.S. McMullen, Toward a theory of sustainable entrepreneurship: reducing environmental degradation through entrepreneurial action, “Journal of Business Venturing” 2007, (22) 1, p. 50-76; B. Cohen, M.I. Winn, Market imperfections, opportunity...

\(^{63}\) B. Hoogendoorn, P. van der Zwan and R. Thurik, Sustainable Entrepreneurship...

\(^{64}\) Ibidem.

\(^{65}\) Ibidem.

\(^{66}\) Ibidem.
gions in which they happen, focusing on Extremadura, which is the region object of our analysis. In order to do that, we have analysed the most recent report of Extremadura (2016) published by the GEM, a worldwide network of researchers which studies data about entrepreneurship and periodically publishes reports.

3. Current situation of entrepreneurship in Extremadura

In order to measure and compare the level of entrepreneurship, GEM uses the TEA (Total Entrepreneurship Activity) index. This index measures the percentage of people of the total surveyed that work in companies with less than three years of life, so it captures the entrepreneurial dynamic and characteristics of the different regions and countries.

In the analysis of the situation of entrepreneurship in the Autonomous Community of Extremadura we will firstly comment the result of the TEA index. Figure 1 shows the comparison of the average TEA index of all the GEM countries, of all European countries, of Spain and of Extremadura during the 2003-2016 period. We can observe that, in the beginning of the studied period, Extremadura was above the European average of people that worked in organizations with less than three years of life; more precisely, in the year with the biggest difference, Extremadura’s TEA index value was 2.5% higher than the European average (5.6% Europe and 8.1% Extremadura in 2007). As it happened with the rest of Spain, Extremadura had the lowest TEA index during the years of the crisis: only a 2.6% in 2010, compared with the 8.1% of 2007 and the 5.3% of 2016.

![Figure 1. Comparative of the average TEA indexes of the GEM countries, Europe, Spain and Extremadura during the period 2003-2016](image)

Rysunek 1. Porównanie średnich wskaźników TEA krajów GEM, Europy, Hiszpanii i Extremadury w latach 2003-2016

As figure 2 shows, Extremadura is one of the Autonomous Communities with a TEA index higher than the Spanish average, and it is even one of the few in where the number of people who work on companies with less than three years of existence has increased in 2016 in comparison with the previous year. More precisely, 5.3% of the people surveyed work in this type of companies (a 0.1% more than the Spanish average), which is a 12.8% of increase over the year before.

Getting into more detail (see figure 3), the Tierra de Barros area had the highest TEA index of Extremadura in 2015, while the south area had it in 2016 (7.8 and 8% respectively). The rural zone had a higher TEA index in 2015, although it was bettered by the urban zone in 2016 (5.8 and 5.5% respectively). And as far as the provinces are concerned, Badajoz had a higher value of the index in 2015 while Caceres’ was better in 2016 (5.1 and 6.2% respectively).
To give a more complete analysis, figure 4 shows the indexes of support of the entrepreneurial culture in the region. As we commented before, culture is a determinant factor to undertake entrepreneurial actions. There's more Extremadurean people giving medium and high support to entrepreneurial culture than the Spanish average, and there are less people than the average giving low to no support.
Data shows that Extremadura is a well-positioned region, both in Spanish and European contexts, in entrepreneurship statistics. We should consider that Extremadura is lagging other Spanish Autonomous Communities in all things entrepreneurship, but still it is showing encouraging results for the future. The lagging though, causes the data to be artificially better than they are. Even though Extremadura is showing encouraging signs of more competitiveness and a better entrepreneurship stance, it shouldn’t be forgotten that the region is still recovering from its historical delay.

5. Conclusions, limitations and future lines of research

It is worth noting that the TEA index in Extremadura is higher than the Spanish average and, in some years, even higher than the European average. Entrepreneurship culture data are also better than the Spanish average: there are more people giving medium and high support, and less people giving few or no support. Even though starting and maintaining a new business is a difficult task, the data shows that in Extremadura growing amounts of people want to start a new business and to be recognised as an entrepreneur, as well as establishing contact with other people who have the same problems as them. Extremadura has progressed a lot in the process of modernising its economy, but there is a lot still to do. Rural regions in Europe, such as Extremadura, have undergone significant changes in the last decades. The role of traditional rural industries, as farming and forestry, as well as manufacturing of food and wood products, is declining. Although agriculture still accounts for a significant proportion of employment in remote rural areas, rural economies are moving away from traditional rural sectors towards more knowledge intensive sectors and the service economy. If the rural regions can adapt to the knowledge economy through job creation in a broad mix of sectors, then they can avoid the decline by building a new rural economy. The rural economies now have a greater need for globally oriented, entrepreneurial firms than before.

As people who were born and who currently live in the region analysed in this paper, the prosperity of Extremadura is critical not only for us as researchers, but also as citizens. Changing our economic model from being a first sector-based economy to a third sector economy is critical not only for our future, but also for the future of the next generations. The main limitation of our paper is that the data, although accurate and complete, does not reflect the situation in which Extremadura is properly. Even though the average data are, in some years, better than the

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67 I. Uvarova and A. Vitola, *Innovation Challenges and Opportunities in European Rural SMEs, Public Policy and Administration* 2019, (18) 1, p. 152-166.
average of Spain and even Europe, that is partly because Extremadura started being studied in a far worse position than most of the other Autonomous Communities.

As for the future lines of research, this paper opens the possibility of doing both national and international comparative analyses between regions or countries using the same methodology. As the GEM publishes its reports every year, they, along with an extensive literature review, they can be used to compare the early entrepreneurship potential of different countries and/or regions of the same country.

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