The Main Factors for Enhancing Venture Creation

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Abstract. Venture creation is an alternative career path against being employed. In terms of job stability, both career paths are entirely different. The most interesting aspect between them is that being employed can expect stable incomes along to affordable social status; however, becoming a venture entrepreneur is a risky career path but it can create huge fortune once it turns out to be a blockbuster business. A common myth in venture creation is that the more skillful individuals are, the more likely they can create ventures. By differentiating technology factor from the success probability and risk avoidance, our work tackles which one plays a more important role in encouraging venture creation. Our main results suggests that it is not technology itself but venture environment that can enhance venture creation.

Keywords: Venture, technology, risk, gain, and probability.

1   Introduction

We would like to tackle main factors for encouraging venture creation while highlighting three issues. First, we scrutinize how venture investor's payoff is different from the payoff of the employed. Second, it is analyzed which factor between the gain from successful venture itself and the chance to get such gain plays a more important role in venture creation. Third, it is tested whether government subsidy policy along to venture education is able to enhance venture creation effectively.

The paper is organized as follows. Section 2 establishes the payoffs of two different career choice paths: creating own venture or being employed. Section 3 introduces *NEC* (*National Expert Survey*) dataset from *Global Entrepreneurship Monitor* for empirical works and constructs empirical frameworks. Section 4

scrutinizes empirical results and section 5 summarizes main findings and explain important implications.

2   Model: Job Career

An individual, I, has two career options, which is either becoming an employed or founding a venture. In the model, any individuals who decide to be a self-employed can create own venture firms. Denote the path becoming an employed as ET and denote the path becoming a venture founder as VN. A startup develops new knowledge-based innovation through information science; for instance, any new consumer interface, innovative platform, multiple objects extraction system, networking management system, and customized ubiquitous technology can be considered [1], [2], [3], [4].

Let $B(v, u)$ be I's payoff investing a capital investment of v for earning the gain from venture that is given to u. By this reluctance to all-in for VN, I has an incentive to choose ET if VN is required to invest too high v. It is assumed that $B'_u(v, u) > 0$ and $B''_u(v, u) > 0$.

The expected gain from the VN path as (1) where $0 < p < 1$. If p approaches to zero, then I will choose ET rather than VN whereas I is willing to choose VN vice versa.

$$u_{VN} = pu_h + (1-p)u_l \qquad (1)$$

The gain from ET is discounted by μ. In that, I calculates the average of the expected gains from VN *i.e.* the sum of u_h and u_l, using μ, which is given to (2).

$$u_{ET} = (u_h + u_l)/\mu \qquad (2)$$

From, (1) and (2), one can know that the odd ratio of u_h to u_l, at least, needs to be greater than the degree of I's preference to create own venture to his discount factor. In other words, I becomes to have a strong incentive to create his own venture when the gain from successful venture is significantly higher than his willingness to create own new venture.

Also, the gain from ET is monotonic increasing to the discount factor as such $u_{ET} = (u_h + u_l)\mu$. Thus, if I's discount factor on VN increases, then the expected gain from ET becomes to be proportionally increasing. The degree of risk aversion deters I's career choice to run own venture firm. In a society with a higher risk aversion, individuals become to prefer being employed. A naturally intriguing question is whether this phenomenon is affected by individual-wide choice variables or societal-wise variables.

Note that $\partial\theta/\partial\mu = -\frac{(u_h + u_l)\mu^{-2}}{pu_h + (1-p)u_l} < 0$, and thus it is obvious that the higher the μ is, the less likely youngsters to choose to become entrepreneurs. In addition, the higher the chance to earn entrepreneurial success, then individuals are intended to create ventures.

3   The Empirical Work

We use *NEC* (National Expert Survey) dataset from *Global Entrepreneurship Monitor* for our study, which is collected in 2014. The basic model is given to (3). The dependent variable is y is measured by how much the public evaluates venture creation as a desirable career choice. cm is a proxy for the degree of successful venture' social status and respect. ci is a proxy for p as it measures the degree of achieving entrepreneurial success through personal effort.

$$y = \alpha + \beta_1 cm + \beta_2 ci + \varepsilon \qquad (3)$$

4   Empirical Results

Table 1 summarizes empirical works. First, it is evident that the public is more likely to choose to create ventures if y_h is high. Second, if the chance to achieve entrepreneurial success through personal effort becomes higher, the public is more likely to choose to create ventures.

Table 1. The Multivariate Regression on Equation (1)

Variables	Equation (3)
α	1.4070*** (.0877)
cm ci cu	.3258*** (.0237) .1569*** (.0213) -
ce	-
nh	-
ed	-
R^2 Obs.	.1732 1,818

1. *** represent significance at 1% level.

5   Conclusion Remarks

The most interesting insight of our work is that venture education, typically stresses out technology only, might be negatively associated with venture creation. In that,

venture education to infuse technological knowledge and skills is not an effective way for individuals to create venture. Actually, higher education is required to raise entrepreneurial courage and venture sprit.

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