

UNCONVENTIONAL FORMS OF HUMAN CAPITAL, DO THEY MAKE A DIFFERENCE FOR BUSINESS PERFORMANCE AND MOTIVATION ANALYZING THE EFFECTS OF ILLEGAL ENTREPRENEURSHIP EXPERIENCE

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Existing studies show a positive relationship between business development and conventional human capital as measured by formal education attainment, previous business experience and prior management experience. In this paper, we explore whether an unconventional form of human capital, namely illegal entrepreneurship experience (IEE) has an effect on either business performance or motivation of existing legal businesses in a transition context.

METHOD

Empirical analysis is based on a survey of business owners in Lithuania (n=399) conducted in 2000. Descriptive statistics and regression estimation models (ordinary least squares, ordered prohibit, logit models) are used to test the impact of human capital variables with control variables on three measures of business performance and two measures of business motivation. Human capital is measured in terms of conventional human capital measures such as work experience, educational attainment and age. Business performance is measured in terms of size, business turnover and business financial success. Business motivation is measured in terms of intention to continue in business and growth aspirations.

RESULTS AND IMPLICATIONS

Our regression results indicate that IEE is significantly associated with subjective measures of business motivation but not at all with performance measures such as business turnover. These results hence, do not support the notion that prior experience in black or grey market under a centrally planned economic system may provide valuable human capital for entrepreneurs in a more open market-oriented setting. It is more likely that the more motivated and enthusiastic entrepreneurs started as soon as possible or even earlier and

have maintained their motivation throughout. We conclude that IEE is not productive for entrepreneurship performance but can be seen as selection device for motivated entrepreneurs.

RECOMMENDATIONS

IEE or experience in the grey or 'unofficial' economy might be used as a screening device to select highly motivated entrepreneurs in emerging market economies.