

11 barriers to entrepreneurship



First barrier to entrepreneurs: Corrupt and unsupportive business environment. Russian dissident-businessman Boris Berezovsky was one of the Russian oligarchs who acquired massive wealth by taking control of state assets after the fall of communism.

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Economic innovation and job formation is stalled throughout the world. Entrepreneurs can change all that, say four professors. To do so, entrepreneurs must overcome eleven barriers facing them.



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Hierarchy of barriers

Four Industrial management professors in Iran developed a model to show steps to overcoming barriers to innovation and job growth. The first hurdle is overcoming a “corrupt and unsupportive business environment,” according to their article “[Understanding the Interactions among the Barriers to Entrepreneurship Using Interpretive Structural Modeling](#),” published in the International Journal of Business and Management. See the list for the other ten.

[See video of entrepreneur Chip Starnes being held captive by his employees in China](#)

Then go to “Employee related difficulties” in the list to learn more about the situation and how Starnes extracted himself.

First: Corrupt and unsupportive business environment

Lack of supportive and market-augmenting governmental regulations serve as a barrier to entrepreneurship. Russia leads all other large nations in having an unsupportive business environment because they lack rule of law, have poorly defined contract and property laws, enforce regulations inconsistently, allow rampant corruption and bribing, allow regulatory authorities and inspectors to act in a predatory nature which therefore requires friendly ties with government officials and bureaucrats to smooth the way for businesses to operate. China has similar issues. See the accompanying list where pictured is Russian dissident-businessman, Boris Berezovsky, now exiled in London, England.

Berezovsky was one of the Russian oligarchs who acquired massive wealth by taking control of state assets after the fall of communism. He also has links to the poisoned Russian spy Alexander Litvinenko.

Tied for second: Employee related difficulties

Building an employee asset base for the enterprise is one of the more daunting and sometimes overlooked tasks. Entrepreneurs must find and select the best-qualified employees who are motivated and willing to grow with the venture. Then they must ensure the employees do not leave. The professors say this task becomes a barrier when employees' expectations increase, governmental regulations related to labor employment are hardened, and employee costs grow. Employee cost is more than pay. It includes healthcare, workers' compensation, social security tax, and health and safety regulations.

Just ask Charles "Chip" Starnes, who was [recently held hostage](#) by his own employees in a plant in China. It has been widely reported that Starnes was held hostage by current employees who did not receive severance pay that 30 workers received because they were being laid off. Starnes was moving a plastic-injection-molding division to Mumbai, India, where production costs are lower. After being barricaded in the plant for almost a week, Starnes reached an agreement after nearly a week to pay two months' wages, totaling almost \$300,000, to the remaining 97 employees.

Tied for second: Severe market entry regulations

Governmental rules, taxation, environmental regulations, lending requirements and licensing are all barriers to entrepreneurship. Most countries, the United States included, proscribe or license market entry and the creation of new firms to protect incumbents in certain industries and professions. Entry procedures, or "red tape," vary such that entrepreneurs need one day to register an enterprise in one country and up to 20 weeks in another. Other barriers to entrepreneurship are predatory tax behavior of authorities, lack of property rights and tax disadvantages.

Tied for second: Shortage of funds and resources

Finding the money to start up an enterprise is a leading barrier to entrepreneurship. Without funds, any person cannot begin to organize, train, develop and sell product.

Fifth: Lack of Entrepreneurship Opportunities

Venture creation requires existing marketplace opportunities with possibilities known to the entrepreneur and favorable odds for success for entrepreneurial "spirit" to succeed.

Sixth: Lack of Entrepreneurial Capacity

Opportunities go untried until someone comes along with an eye for possibility and a can-do attitude. Some cultures may discourage entrepreneurial capacity resulting in a low rate of new firm entrance. It is like having an oil well field without knowledgeable people to mine the wells. Entrepreneurial capacity is the existence of people with entrepreneurship qualities, willingness and motivation to initiate new ventures.

Seventh: Lack of Adequate Entrepreneurship Training

Training and education can be a robust incubator for new ventures. This includes training in technical skills, managerial skills, entrepreneurial skills and entrepreneurship.

Tied for eighth: Lack of Appropriate Technical and Practical Skills

People tend to use the skills they have acquired to pursue entrepreneurial initiative. Lacking the appropriate skills and knowledge inhibits economic development.

Tied for eighth: Lack of Market Experience

The essence of leadership is first learning and doing before leading. Therefore, the capability to start a business is propelled by previous education and work experience. Rushing into a new market because it looks attractive and rewarding without having some experience and background in it can be fatal. Experience in a related business before start-up is positively correlated to the probability of success.

Tenth: Fear of Failure

Entrepreneurs have to decide whether to take action so they don't miss the boat, while knowing that hasty action may cause them to sink the boat.

Eleventh: Aversion to Risk

A psychological barrier closely related to the fear of failure is aversion to risk. Entrepreneurs must take initiative, create structure with a social-economic mechanism and accept risk of failure. Entrepreneurs have to be risk takers while those who are risk averse will seek the security of an existing establishment.