

THE STRATEGIC IMPLICATION OF ENTREPRENEURIAL CONTRIBUTION TO NATIONHOOD

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ABSTRACT

Entrepreneurial contributions to economic development vary between countries. It depends on the different entrepreneurial activity forms; different degrees of development, differences in characteristics of the macroeconomic environment. Entrepreneurial activity is a critical component to a prosperous society in that entrepreneurs create jobs, drive progress and contribute to economic growth. This paper provides contextual analysis of the strategic implication of entrepreneurial contribution to nationhood by exploring the relationship between national competitiveness, as stimulated by Entrepreneurial Employee Activity (EEA) and economic growth, as measured by gross domestic product (GDP) per capita growth rates. Analysis of business and organizational aspects of entrepreneurship, i.e. intrapreneurship impact on competitiveness improvement of individual organizations directly, and national competitiveness improvement indirectly are also provided. The paper concludes that beyond innovativeness, economic integration at all level, stronger national competitiveness and promotion of intrapreneurship are some of the strategic entrepreneurial contributions.

Key words: *Entrepreneurial contribution, strategic implication and economic development.*

INTRODUCTION

Regardless of the stage of economic development, the key components of a dynamic entrepreneurship sector and the basic drivers of economic growth through entrepreneurship are the existence of major established firms and the entrepreneurial process taking place in new and growing enterprises (Reynolds et al. 2005). These two entrepreneurial activities underscore the basis for entrepreneurial contribution to nations' economy. The economy of every modern society no doubt thrives on the accumulation of factors of production, i.e., knowledge, human and/or physical capital;

but this alone, as observed by (Ramoglou, 2013), cannot explain economic development. Thus to transform these inputs in profitable ways, the entrepreneurs are needed. While the very essence of entrepreneurship is to identify and exploit opportunities under conditions of growing uncertainty and increasing speed of change, entrepreneurial contribution to economic growth is a direct consequence of the involvement of individuals in different phases of entrepreneurial activity. Entrepreneurial characteristics, as well as characteristics of the impact of entrepreneurship sector,

determine whether the entrepreneurial activity is driven by opportunity or necessity (Braunerhjelm et al. 2010). This, by implication, suggests that entrepreneurial behaviour is a function of either the desire to take advantage of one's own initiative by creating a company and establishing a business, or induced by necessity arising from the absence of other opportunities for income generation (they believe in no other alternative than salary earning). Many scholars (Wennekers et al. 2010; Delgado et al. 2010; Saez 2010 and Chetty et al. 2011;) iterated that entrepreneurship is not limited to starting up new venture; it can also take place in established organizations where renewal and innovation are key goals. What this means then is that entrepreneurial activity can be found in all kinds of enterprises, regardless of their size, age or profit-orientation (Kraus et al, 2007).

In every country, entrepreneurial outcomes often affect how managers of the economy cope with new competitive landscape and its enormous speed of changes (Chetty et al. 2011). Competitive landscape and speed of change are integral to national competitiveness. Dealing with these changes in a manner commensurate to the growth of the enterprise is a major challenge faced by entrepreneurs. There are also limited concerns over issues addressing the influence of the independent entrepreneur on important economic outcomes. In this paper, we shall provide contextual analysis of the strategic implication of entrepreneurial contribution to nationhood by exploring the relationship between national competitiveness, as stimulated by Entrepreneurial Employee Activity (EEA) and economic growth, as measured by gross domestic product (GDP) per capita growth rates.

CONCEPT OF ENTREPRENEURSHIP, ENTREPRENEUR AND ENTREPRENEURIAL CONTRIBUTION

Like the terms "strategy" and "business model," the word "entrepreneurship" is elastic. In some instances, it refers to venture capital-backed startups and at other instances, it means concocting any small business. Entrepreneurship is the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses (Perry-Rivers, 2014).

Entrepreneurship can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity, often via the creation of a new organization (Reynolds, 2005; Kelley et al, 2012). Since there is no physical market for "opportunities", the entrepreneur explores for them. This means that the entrepreneur must develop the capabilities to obtain resources, as well as organize and exploit opportunities. Entrepreneurship is often discussed under the title of the entrepreneurial factor, the entrepreneurial function, entrepreneurial initiative, and entrepreneurial behaviour and is even referred to as the entrepreneurial "spirit" (Wennekers et al. 2010). The entrepreneurial factor is understood to be a new factor in production that is different from the classic ideas of earth, work and capital, which must be explained via remuneration through income for the entrepreneur along with the shortage of people with entrepreneurial capabilities. Its consideration as an entrepreneurial function refers to the discovery and exploitation of opportunities or to the creation of enterprises.

Entrepreneurial behaviour is seen as behaviour that manages to combine

innovation, risk-taking and proactiveness (Chetty et al. 2011; Navale, 2013). In other words, it combines the risk-taking entrepreneur that occupies a position of uncertainty (Schneider and Veugelers 2010) and the entrepreneur with initiative and imagination who creates new opportunities (Chaudhary, 2015). Entrepreneurial initiative covers the concepts of creation, risk-taking, renewal or innovation inside or outside an existing organization (Andersson, Braunerhjelm and Thulin 2012). Entrepreneurship is an essential element for economic progress as it manifests its fundamental importance in different ways: a) by identifying, assessing and exploiting business opportunities; b) by creating new firms and/or renewing existing ones by making them more dynamic; and c) by driving the economy forward – through innovation, competence, job creation- and by generally improving the wellbeing of society (Aghion et al. 2009; Saez 2010; Fritsch and Noseleit 2013).

The capabilities of entrepreneurs and managers are very fundamental in directing a nation's wealth, dynamism of its economy and competitiveness (Henrekson and Sanandaji, 2014). When referring to entrepreneurs, there is normally a differentiation between individual entrepreneurs or businessmen (independent) and corporate entrepreneurs or businessmen associated with the higher echelons of a firm's management. Different names have been used to describe the latter such as "corporate Entrepreneurship", "corporate venturing", "intrapreneurship", "internal corporate entrepreneurship" and "strategic renewal" ((Schwab 2014). Entrepreneurial management is seen as being different from traditional ways of managing organizations. Managers focus more on new ways of making their organizations more entrepreneurial in many aspects, from a general strategic

orientation to reward schemes (Delgado et al. 2010). Emphasis is laid on positive relationship between the intensity of corporate entrepreneurship and the intensity of the search for opportunities, strategic adaptation and value creation. Organizations dare to be simultaneously entrepreneurial and strategic (Ramoglou 2013).

The entrepreneur's central activity is that of business creation, initiated or studied at an individual and/or group level –analyzing psychological aspects and social variables of education, background or the family- or at an environmental level, using variables that enable business development, or by analyzing aspects of the economic, social and cultural environments. Entrepreneurs, as individuals, are analyzed by the variables that explain their appearance, such as personal characteristics, the psychological profile (the need for achievement, the capacity to control, tolerance of ambiguity and a tendency to take risks), or non-psychological variables (education, experience, networks, the family, etc.) (Wennekers et al. 2010). The individual entrepreneur detects or creates business opportunities that he or she then exploits through small and medium-sized firms, normally participating in funding the capital for that firm, carries out the role of arbitrator or simply "sells the idea" of the business project. The downside to the market of "ideas" or "opportunities" lies in the difficulty involved in protecting ownership rights of ideas that are not associated with patents or copyrights of the different expectations held by entrepreneurs and investors on the economic value of ideas and business opportunities, and of the entrepreneur's need to withhold information that may affect the value of the project (Djankov et al. 2010; Wilinski 2012).

The concept of entrepreneurial contribution focuses on the heterogeneity of beliefs about the value of resources (Petrariu et al. 2013). Different agents have differing ideas on the

relative value of resources or when resources are turned from inputs into outputs. The entrepreneurial contribution underpins the degree to which the discovery, assessment and exploitation of opportunities have caused the availability of new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist (Braunerhjelm et al. 2010; Chetty et al. 2011). There are three basic ideas that explain the appearance of entrepreneurial contribution. The first focuses on the individual, in other words, entrepreneurial action is conceived as a human attribute, such as the willingness to face uncertainty accepting risks, the need for achievement, which differentiate entrepreneurs from the rest of society (Chetty et al. 2011). The second fundamental idea emphasizes economic, environmental factors that motivate and enable entrepreneurial activity, such as the dimension of markets, the dynamic of technological changes (Saez 2010; Petrariu et al., 2013), the structure of the market –normative and demographic (Wennekers et al. 2010; Braunerhjelm et al., 2010) or merely the industrial dynamic. The third factor is linked to the functioning of institutions, culture and societal values (WEF 2015).

LITERATURE AND EMPIRICAL REVIEW

According to research literatures, a country's institutional framework influences entrepreneurial performance; that is, their dynamism, change and contribution to economic development. At strategic level of aggregations, entrepreneurial contributions resulting from the processes of entrepreneurship can always be attributed to the formal and informal institutions (Henrekson 2005; Bosma et al 2005, Wang 2006; Acs and Amorós 2008). Entrepreneurial activities foster economic activities at all levels and are especially integral to any country's macroeconomic competitiveness, industrial development, knowledge creation, attitudes

and individual incentives (Acs and Amorós 2008; Acs and Szerb 2009). Opportunity based and necessity based entrepreneurs and their respective contribution has not been isolated in research, rather, their aggregate contribution to growth of GDP has given credence to entrepreneurial activity (Spencer and Gómez 2006; Bosma et al., 2012; Acs and Szerb 2009; Bosma and Levie 2010; Rostam-Afschar, 2013). Empirical studies have also shown that small entrepreneurial firms and startups bring in new technology and innovations (Schneider and Veugelers 2010), in influencing innovation and productivity of incumbents (Aghion et al. 2009; Saez 2010) and in stimulating overall productivity and employment growth (Andersson, Braunerhjelm and Thulin 2012; Fritsch and Noseleit 2013). The extent of competitiveness does not only depend on entrepreneurial characteristics but hinges, to a large extent, on the environment for entrepreneurship. A crucial constituent of the environment for entrepreneurial performance is again, the institutional setup which influences both the supply and direction of entrepreneurial activity.

STRATEGIC IMPLICATION OF ENTREPRENEURIAL CONTRIBUTION

Development of “Entrepreneurial Employee Activity” (EEA) or “Intrapreneurs”

The assessing entrepreneurial contribution in highly competitive economies could be complex, however, there are evidence that working-age population that start businesses in more competitive economies, is apparently lower than percentages of same working-age populations that are entrepreneurial employees (Fritsch and Noseleit 2013). As economic development encourages the growth and development of multi-employee corporation employers, more opportunities arise for individuals employed by them to be entrepreneurial employees. Entrepreneurial drive becomes rather more formalized, with higher rates of “entrepreneurial employee activity” (EEA).

This is simply termed “Intrapreneurship.” EEA is a measure of the proportion of the working-age population that has led the development of new activities for an employer, such as developing or launching new goods and services, setting up a new business unit, or establishing a new subsidiary within a given specific period. Employers extract value from employees to encourage EEA, thereby contributing to even higher GDP per capita (Rebernik et al. 2015). If a larger percentage of the workforce in a country becomes employees of these corporations, the legal and regulatory system of the respective country is likely to respond to their needs at the expense of the self-employed. Thus, in countries with high social mobility, the proportion of entrepreneurial activity that is expressed as entrepreneurial employee activity increases with competitiveness (Schwab (2014; WEF 2015).

STRENGTHENING NATIONAL COMPETITIVENESS

The influence of entrepreneurial dynamics on countries’ competitive development (and consequently on their economic growth) presents a complex relationship (Spencer and Gómez 2006). In the context of increasing globalization, countries are effectively competing more directly among themselves. Competitiveness is related to the capacity of generating wealth, with productive efficiency i.e. produce goods and services that satisfy the necessities of international markets, guarantees the economic conditions of sustained development and simultaneously offers employment and quality of life to its population (Acs and Szerb 2009; Bosma and Levie 2010; Rostam-Afschar, 2013; Rebernik et al. 2015). A country’s competitiveness has an important relationship with several indicators at the microeconomics and business firm level. These indicators form the microeconomic foundations of the

economy, rooted in the company operating practices and strategies as well as in the quality of the inputs, infrastructure, institutions, and array of regulatory and other policies that constitute the business environment in which nations’ firms compete (Schwab (2014). These micro-level indicators include entrepreneurship activities or entrepreneurial activity; and are strengthened or encouraged by the level of a country’s competitiveness and economic development (WEF 2015).

ENHANCING COMMERCE AND REGIONAL ECONOMIC INTEGRATION

The entrepreneur induces change in existing economic structures through innovations. When new businesses export goods and services to nearby regions (i.e. expanding business to regional and global markets), these enterprises contribute directly to a region’s productivity and earnings. This increase in revenue strengthens an economy and promotes the overall welfare of a population. Economies that trade with one another are almost always better off. Politics aside, engaging in regional and international trade promotes investment in regional transportation and infrastructure, which also strengthens economies. This has never been truer than it is today, as we live in an increasingly interconnected global economy (Ramoglou et al., 2016).

INTEGRATED MANAGERIAL ADAPTATION

Entrepreneurial contribution has very salient implication to the management of enterprises both as an entrepreneur or corporate entrepreneur based on an aggregation of economic activities (Petrariu et al. 2013). Entrepreneurial strategies are becoming more and more important for both new as well as established enterprises. The increasing environmental dynamics and intensifying global competition, have forced enterprises, regardless of their age or size, to

build more entrepreneurial strategies in order to compete and survive (Aghion et al. 2009; Saez 2010; Andersson, Braunerhjelm and Thulin 2012; Fritsch and Noseleit 2013). These entrepreneurial strategies are said to be related to better company performance. They identify opportunities and develop them towards competitive advantages (Wennekers et al. 2010; Niessner 2013). Entrepreneurship and strategic management focus on the process of adapting to change and exploiting opportunities. The call by many scholars for their integration was hinged on need to use resources in order to exploit opportunities (mostly under uncertain conditions) by entrepreneurs and need to include a strategic perspective in their planning and actions by strategists (Shane and Nicolaou, 2013; Baer, 2015). In times of growing uncertainty and increasing speed of change, both new threats and new opportunities emerge (Shane and Nicolaou, 2013; Niessner 2013). The identification and exploitation of these opportunities are the essence of entrepreneurship – whereas the essence of strategic management is in how these opportunities can be transformed into sustainable competitive advantages ((Schneider and Veugelers 2010; Henrekson and Sanandaji, 2014; Carlen, 2016). Entrepreneurial actions and strategic actions can contribute to value creation independently, but they can contribute even more when they are integrated. Indeed, entrepreneurial opportunity-seeking is at the same time also strategic behaviour with the aim of value creation (Wilinski 2012; Schwab 2014; WEF, 2014). A central interest of researchers in strategic management is to explain differences of enterprises in their value creation – an interest which is increasingly shared by researchers in the field of entrepreneurship as well (WEF 2014; WEF 2015; Bozward and Rogers-Draycott, 2017).

CONCLUSION

Governments of countries are increasingly recognizing the positive impact that the creation of new businesses can have on employment levels, as well as the competitive advantages that small firms can bring to the marketplace. Today, the prevailing belief is that economic growth relies largely on the activities of small and medium-sized enterprises, as well as on new business ventures and entrepreneurs. In this sense, entrepreneurship is increasingly seen as a key mechanism for the promotion of economic development. Entrepreneurial contributions are very strategic to the increase of economic stability and overall development through creation of new business opportunities, with offer of a variety of products to consumers, by increasing gross domestic product, alleviating poverty and ensuring long term prosperity for the whole society.

Entrepreneurs increase their competitiveness and contribute to the national competitiveness improvement through innovation and by copying practices of the most successful business systems. For transition economies, the importance of entrepreneurship is even greater because it increases the level of competitiveness in the market and limits the market power of public enterprises, which encourages the development of market economy.

Specifically, the entrepreneurial contribution to economic growth in developing countries is much lower compared to developed countries. These differences are mainly caused by a different macroeconomic environment characteristics as well as a different structure of entrepreneurial activity. Entrepreneurship based on knowledge and innovation contributes to improvement of economic growth and development. This is entrepreneurship based on opportunity. Dominance of

enterprises based on necessity is more in developing countries, and their contribution to economic growth is almost insignificant. Entrepreneurial contribution has strategic implications on a country's competitiveness and growth and a significant source of social mobility. Although the influence of entrepreneurial dynamics on countries' competitive development and consequently on their economic growth presents a complex relationship, their impact on economic performance by introducing innovation, bringing about market changes, enhancing rivalry, and creating competition is feasibly evident. This paper suggests that further research should be conducted on identifying the types of entrepreneurial activities that have the greatest contribution to economic growth and to propose measures for encouraging their development.

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