Conditions Supporting Entrepreneurship and Sustainable Growth

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ABSTRACT

There are a variety of different conditions that support entrepreneurship and affect sustainable development. The aim of this paper is to focus on the issue of territorial advantage, based on the dimensions analysed by the World Economic Forum (WEF). This helps to assess the sustainable competitiveness of different geographic regions in the world based on the variables of the Global Entrepreneurship Monitor (GEM). The geographic regions the authors focus on in the analysis are 1) Asia and Oceania, 2) Europe and 3) Latin America and the Caribbean. From the analysis they analyse which variables best explain the socio-economic development of these geographic regions and whether there are any major differences. The results based on partial least squares structural equation modelling (PLS-SEM) show the variables within each group of countries, which best explain the regional development. This helps to understand the association between competitiveness and entrepreneurship variables with sustainable growth in order to help explain best interventionist priorities to use in order to foster entrepreneurship.

KEYWORDS

Competitiveness, Entrepreneurship, GEM, Innovation, Regional Development, Sustainable Growth

1. INTRODUCTION

Entrepreneurial initiatives and exports have a positive impact on national competitiveness and regional development, increasing both productivity, wealth, and jobs creation (Dana et al. 2014; Farinha et al., 2014; Huggins and Williams 2011; Ratten, 2014; Smith and Bagchi-Sen 2012; Valliere and Peterson 2009). The increased regional competitiveness based on country regions has meant that it is also urgent to evaluate the behavior of countries in the field of entrepreneurial culture and entrepreneurship rate. This is due to the globalization of markets and the resulting mass of competition associated with greater technological complexity, making innovation a key aspect for enterprises and their countries (Farinha et al. 2014; Ocampo & Clark, 2017). This is seen in the productivity of a country determining its ability to sustain its level of income and is one of the central determinants affecting return on investment, which is one of the key factors explaining an economy’s growth potential (Balkyte and Tvaronavičienė 2010; Farinha et al. 2015). This has lead to the economic role of territorial capital being to enhance the efficiency and productivity of local activities (Camagni, 2008). Due to the increased emphasis on regional competitiveness it is important to understand the conditions supporting entrepreneurship.

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Despite the several studies published in the last decades on the determinants of the economies competitiveness (Bergsteiner & Avery, 2012; Lall, 2001; Porter et al., 2000; Klaus Schwab, 2015; Squalli et al., 2008); and on the attitude and entrepreneurial activity (Bosma & Schutjens, 2011; García-Tabuenca et al., 2010; Hayton & Cacciotti, 2013; Huggins & Williams, 2011; Valliere & Peterson, 2009), a gap is identified in the literature about studies that combine both these perspectives, and that focus their impact on the nation’s sustainable growth.

This study focuses on the national framework conditions and entrepreneurial culture, which are important factors in providing territorial competitive advantage, resulting in higher innovativeness and entrepreneurship levels. According to Hayton & Cacciotti (2013) entrepreneurial culture is that distinguishes entrepreneurs from non-entrepreneurs. These are cultural values and beliefs, motivations, attitudes and entrepreneurial behaviours.

This helps to recognise the creation of new ideas and opportunities, which are common characteristics for innovation activity and entrepreneurship. In addition, innovation facilitates companies and economies to overcome resource restrictions needed for growth (Oksanen and Rilla, 2009). This emphasis on territorial competitiveness in the global economy has been addressed by recent research has been a priority for entrepreneurship. Čučković et al. (2013) in his study of regional competitiveness focused on the case of Croatia in terms of its ability to be competitive in Europe. Other authors like Krugman (1996) have focused on the competitive comparison between regions from an economic point of view, which may mislead the adoption of economic policies. This has meant that there has been debate about how to measure the competitiveness of countries and territories as it is very important in order to understand their growth trajectories. Therefore, in terms of territorial competitiveness, we should consider looking at performance indicators through Porter’s regional diamond lenses and focus on the drivers and trends of economic growth and competitiveness (Ketels, 2006; Lundquist and Power 2002; Porter 2003; Porter and Stern 2001). This study aims to clarify which macro and microeconomic variables from WEF / GCI and GEM variables contribute most to the explanation of the sustainable growth of nations and entrepreneurial activity. In terms of explaining the entrepreneurship differences based on regional competitiveness, we structure the paper into seven sections: introduction; literature review; research model and methodology; empirical results and discussion; discussion; limitations and future research suggestions; and conclusions.

2. RESEARCH FRAMEWORK AND HYPOTHESES

2.1. Literature Review

2.1.1. From Firm to Territory Competitiveness

The socio-economic development of countries is based on its competitive advantage in the global market. Porter (1990) in his book “Competitive Advantage of Nations,” presented a competitiveness framework aiming to clarify the drivers for the socio-economic prosperity at a given territory. However, the approaches to dealing with the economy in space are rather complex and multi-faceted (Fratesi, 2010). This has meant that a research question still exists in terms of helping to answer the question “how territorial potential can be exploited more effectively especially when enhancing practice-based innovation activities?” Uotila et al. (2012) argues that competitiveness can be achieved through territorial quality and public service efficiency, through spatial specialisation, and creating local synergies among actors. Fagerberg et al. (2007) argues that the analysis of dimensions technology competitiveness, capacity competitiveness, price competitiveness, and demand competitiveness is essential to understanding the territorial prosperity trajectories. Philip Cooke (Cooke, 2008; 2012a, 2012b; 2013) goes further and clarifies the importance of Regional Innovation Systems and Clean Technology in the development of regions.

Nevertheless, in terms of competitiveness the various studies focus on the three levels of regional competitiveness: macro, meso and micro (Balkyte and Tvronavičienė 2010; Čamagni and Capello
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