Chapter 7

Entrepreneurial IHEs: A Framework to Stimulate I&E in Vulnerable Economies

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ABSTRACT

Drawing on extant theories of entrepreneurship at the individual, organizational, environmental level, as well as, processes, the chapter presents a framework to stimulate Innovation & Entrepreneurship (I&E) through Institutions of Higher Education (IHEs). The framework positions universities within an institutional environment that provides the cues for configuration of their resource base. Institutions of Higher Education must consider the multiple dimensions of entrepreneurship when organizing their resource base since configurations that support an entrepreneurial focus may inhibit another. Innovation and entrepreneurship outcomes will lead to regional development, and these two will create a new set of institutional conditions in the region. The framework in this chapter serves as blueprint, for researchers and practitioners, to examine the multiple factors, and the synergies among these, to spur regional development through universities and I&E.

INTRODUCTION

The Economic Forum’s Annual Global Competitiveness Report (WEF, 2014-2015) continues to reveal that Puerto Rico is amongst the top ranked jurisdictions (32 out of 144). The World Economic Forum (WEF) analyzes the factors that influence national competitiveness. Competitiveness is defined by WEF as the set of institutions, policies, and factors that determine the level of productivity of a country. Puerto Rico’s ranking continues to increase when compared to previous years. Nonetheless, there are still unre-
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solved issues. Shouldn’t these conditions translate into the economic wellbeing of the region? How can these findings explain that over 40 percent of the population is under poverty levels and a 12 percent unemployment rate? How such a ‘competitive nation’ could get such detrimental fiscal conditions that resulted in the appointment of an Oversight Board? (signed into law by President Obama in June). These conditions, in addition to others such as: (1) decreasing private employment; (2) increases in the number of bankruptcies, (3) establishments close at a higher rate than they open, (4) a low rate of individuals involved in activities to start businesses, and (5) poor innovation indicators (as indicated by intellectual property/patents), do not provide an optimistic scenario and position Puerto Rico in a vulnerable state.

The interest on innovation and entrepreneurship (I&E) lies in its capacity to generate wealth and regional development. However, factors for I&E are contingent to contextual characteristics, such as those presented in vulnerable economies and Latin-American countries. Education is a key factor in stimulating the changes required to foster I&E. Although Institutions of Higher Education (IHEs) contributed indirectly in economic development by providing educated and qualified personnel to industries, conditions at the regional and university level have shifted IHEs primary missions, making these take a more active role in economic development, what authors call a “third mission (i.e. Lee, 2016). Creating entrepreneurial capacity through I&E education, and the commercialization of knowledge generated by IHEs is one of the new proposed roles.

This chapter proposes a framework to stimulate innovation and entrepreneurship in vulnerable economies that puts universities at the core of regional development. The chapter discusses an array of theories at the individual, organizational, environmental and process level to set the theoretical background for model development. Also, the chapter presents an overview of Puerto Rico’s conditions and the role of innovation and entrepreneurship in vulnerable environments. Finally, a model to stimulate innovation and entrepreneurship (I&E) through universities is proposed and future research directions are provided based on the theoretical background.

BACKGROUND

Interest in entrepreneurship has grown over the past decades mainly for its capacity to create employment, wealth, and consequently regional development. The recognized value of entrepreneurship prompted new streams of research that shed light into this phenomenon. Researchers from several disciplines (psychology, anthropology, management, among others) have tried to capture the phenomenon through their respective field’s perspective. Moreover, several theoretical approaches have been put forth to explain what makes individuals or organizations get involved in entrepreneurial activities, how entrepreneurial endeavors are pursued, and how environments influence entrepreneurship. At the individual level, demographic, psychological and behavioral characteristics, as well as skills and technical know-how, are often cited as influential factors in entrepreneurship. At the organizational level, studies emphasize the characteristics and resource base that organizations possess in order become entrepreneurial. Other paradigms observe the context, environments in which new organizational units are formed or existing organizations are rejuvenated, in order to explore how situational variables affect entrepreneurial activities, both at the individual and organizational level. All these paradigms emphasize the importance of exploring entrepreneurial activity by taking into consideration environmental cues. This section describes several theories that shed light into entrepreneurship. Although entrepreneurship was traditionally defined as new venture creation (Gartner, 1985) this chapter employs the broader sense of entrepreneurship as