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ENTREPRENEURSHIP IN DEVELOPED AND DEVELOPING NATIONS: CONTRASTING THE ENTREPRENEURS AND THEIR CONTRIBUTIONS

Abstract:

Many studies have compared entrepreneurship in multiple countries. Most suggest that entrepreneurship, or entrepreneurial intent (EI) is higher in developing countries than in developed countries. The Global Entrepreneurship Monitor classifies nations' economies as being factor-driven, efficiency-driven or innovation-driven and illustrates that entrepreneurship is indeed more widespread in lesser developed economies.

While the linkage between economic development and entrepreneurship seems to be clear, the explanation seems less so. Many of the models used to explain entrepreneurial behavior at the individual level have been used to explain differing levels of entrepreneurship at the national level as well. Ajzen's (1991) Theory of Planned Behavior features prominently among these models (Iakoleva et al, 2011). "National culture" and its related Hofstede Cultural Dimensions has also been used (Hofstede et al 2004; Schlaegel et al 2013). "Push" (dissatisfaction with available opportunities) and "pull" (desire for better income or higher status) has also been offered as an explanation (Hofstede et al 2004; Wennekers et al 2007). Another explanation, closely related to push and pull is supply and demand (Wennekers et al 2002). "Demand" is workplace opportunities, while "supply" is individual capabilities and preferences.

Regardless of the explanation, lesser developed nations often present fewer employment opportunities for university graduates. Whether as a matter of choice or last-resort, university students in lesser developed nations indicate higher EI and view entrepreneurship as the preferred job alternative post-graduation.

The macro-economic phenomenon of limited employment opportunities for university graduates is society-wide and doesn't distinguish between those who are naturally more inclined toward entrepreneurship and those who are not. This would suggest that many entrepreneurs in developing countries do not willingly make this career choice. This might also suggest that the outcomes of the entrepreneurial ventures in developing countries are less positive than in developed countries and are less beneficial to the country's economy.

A recent meta-analysis (van Praag et al 2007) of 57 studies measures the contribution of entrepreneurship and points to three positive contributions: (1) employment generation, (2) innovation, and (3) productivity and growth. However, all of the underlying studies were conducted in developed nations, so no conclusions about the contribution of entrepreneurship specific to developing economies may be reached. This research examines the economic and social benefits of entrepreneurship across many countries, both developed and developing, and provides insights into the widely varying results, based on a country's level of economic development.

Keywords:

Entrepreneurship, Career choice, Cross-country comparison

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