Chapter 7
General Conclusions

7.1 Main Conclusions

Entrepreneurship, defined as the process of exploring, evaluating and exploiting opportunities (Shane & Venkataraman, 2000), has turned out to be highly relevant for society (Blackburn & Ram, 2006; Carlsson et al., 2013). Hence, people involved in academia, policymaking and business have placed emphasis on the analysis of entrepreneurial activity across the world. According to Blackburn and Kovalainen (2009) and Landström, Harirchi, and Åström (2012), research in entrepreneurship has shown a rapid increase in different areas, which implies a dissemination of the field toward different frontiers. In this regard, although the explicit analysis of entrepreneurial activity was born with the Schumpeter's (1911) book, many disciplines have been motivated to explore such a phenomenon from their own perspectives (Carlsson et al., 2013). According to Alvarez, Young, and Woolley (2015), Bruton, Ahlstrom, and Li (2010), and Thornton, Ribeiro-Soriano, and Urbano (2011), most researchers in the entrepreneurship field have been interested in exploring economic, psychological, sociological and anthropological factors, among others. Nonetheless, the different approaches have led to disparate ideas ranging from antecedents and consequences of entrepreneurship, but not to a common view that embraces the entire complexity involved in entrepreneurial activity.

Some scholars have made an important attempt at comprehending those factors that affect both entrepreneurship and its consequences on economic performance (cf. Aparicio, Urbano, & Audretsch, 2016; Aparicio, Urbano, & Gómez, 2016; Audretsch & Keilbach, 2008; Bjørnskov & Foss, 2016; Terjesen, Hessles, & Li, 2016). It turns out that among those elements that influence entrepreneurial activity, these authors have identified that the institutional context is extremely relevant to explaining why entrepreneurship is formed within each country or region, and how it could contribute to enhancing the economic growth and development. According to Audretsch (2012), Carlsson et al. (2013), and Bruton et al. (2010), among others,

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there is still a lacuna in the literature that includes both the antecedents and consequences of entrepreneurship, placing emphasis on institutions as those relevant factors for, and economic performance as the main final outcome guided by entrepreneurship. Therefore, the main objective of this book has been to explore the institutional factors encouraging the entrepreneurial activity that achieves higher economic performance across developing and developed countries. In particular, this book has been focused on specific objectives such as the exploration of the content and evolution of both the isolated relationships between institutions and entrepreneurship, and how the latter is linked to economic progress, as well as to: the whole causal chain that goes from institutions to entrepreneurship and economic development; the study of social intentionality, as a particular informal institution, related to entrepreneurial activity; the analysis of the effect of different entrepreneurship types on economic growth; and the examination of those institutional factors that enable a positive relationship between entrepreneurship and economic performance. Overall, in addition to shedding light on institutional economics, the results of this research show that entrepreneurship serves as a conduit that transfers the influence of different institutional settings on economic development.

The hypotheses have been assessed using country level data. For instance, for the different institutional factors evaluated within this research, Doing Business, Worldwide Governance Indicators, World Values Survey, Indices of Social Development, the Hofstede Centre, the United Nations Development Programme, the National Experts Survey of Global Entrepreneurship Monitor (GEM) and the Center for System Peace have been used. For entrepreneurship, the study has primarily used GEM (Adult Population Survey); and for economic performance, databases such as World Development Indicators and Social Progress Imperative have been employed. Additionally, several research techniques have been applied throughout the book: systematic literature review, multiple regression, instrumental variables and a three-stage least-square analysis.

Chapter 2, through synthesizing disparate strands of literature over the period 1992–2016, identifies past and current research about the institutional context shaping entrepreneurial activity and its effect on economic growth. This integrative analysis spans a broad spectrum of disparate literature, enabling a distinction between two different research lines in the entrepreneurship field. The findings of this chapter enable a broader comprehension of these two separate lines of research, which allows for an analysis of the interaction among institutions, entrepreneurship and economic growth. The systematic literature synthesis and review reveals that institutions could be related to economic performance through entrepreneurship, which would open new research questions about what institutional factors are conducive to entrepreneurship, which in turn spurs economic growth. Some of these ideas for further research are developed in the remaining sections of the book.

Chapter 3 examines the influence of social progress orientation on entrepreneurship from an international perspective. Using a multiple linear regression model with cross-sectional information from the Global Entrepreneurship Monitor, the

Indices of Social Development, the World Values Survey, the Hofstede Centre, the United Nations Development Programme and World Development Indicators, it is found that social progress orientation dimensions such as voluntary spirit, survival vs. self-expression values and power distance are related to entrepreneurial activity. More specifically, the main findings demonstrate that a high voluntary spirit had a positive and statistically significant impact on innovative early-stage entrepreneurial activity (TEA). In addition, necessity-driven TEA is highly discouraged in those societies with high voluntary spirit and self-expression values, whereas larger power distance increased the entrepreneurial activity driven by necessity. Based on these results, this study advances the literature by introducing and analyzing the concept of social progress orientation through examining the factors that influence innovative entrepreneurial activity in light of an institutional approach.

Once (informal) institutions are proven to be linked to entrepreneurship, Chap. 4 estimates the effect of entrepreneurial activity on economic growth. An augmented Cobb-Douglas production function is used, which introduces variables such as entrepreneurship into the analysis of growth as anendogenous factor. By using panel data analysis on 43 countries in the period from 2002 to 2012, this chapter employs different measures of entrepreneurship as a capital input. The estimations suggest that these variables have a positive effect on economic growth, specifically overall TEA and opportunity TEA. Distinguishing between groups of countries and periods of time, it is found that overall TEA has a greater effect on economic growth in OECD countries and in the post-crisis period for all the countries in our sample.

Having studied separately the institutional antecedents and the economic consequences of entrepreneurship, in which entrepreneurial activity driven by opportunity is found to be highly relevant, Chap. 5 extends the current debate on whether entrepreneurship driven by opportunitydo improve economic performance. This chapter aims to empirically examine how social progress orientation through entrepreneurship affects the development process. Using a pooled data of 81 observations and 56 countries and the three-stage least-squares method (3SLS), evidence is provided that social progress orientation measured through civic activism, voluntary spirit and inclusion of minorities has a positive and significant influence on opportunity entrepreneurship, which in turn, affects economic growth.

Chapter 6 attempts to examine how a country's institutional context influences the way in which entrepreneurial activity affects social progress. Following the theoretical approach of institutional economics, hypotheses are tested using pooled data from 62 countries (2012 and 2014) and simultaneous-equation model estimation. The findings suggest that business regulations decrease entrepreneurial activity, while established democracies provide a government context that is conducive to entrepreneurship. In addition, we find that entrepreneurial activity has a positive impact on the Social Progress Index, which is an alternative measure of economic development.

7.2 Implications

As pointed out in Chap. 1, this book contributes to both the theoretical debate and public policy implications. From a theoretical point of view, this research may contribute to the advances of the current knowledge in an area in which there is a space to keep working (the institutional antecedents and economic consequences of entrepreneurship), as some aspects remain underexplored.

Some of the main theoretical implications might be related to the evidence provided on the causal chain that explains the economic development process. Accordingly, North and Thomas (1973) and Rodrik (2003) have suggested that institutions conditioning those factors, are indirectly related to economic performance. The logics behind this idea is that, first, performance is pushed up by particular engines that create commercial and social value (Acs, Boardman, & McNeely, 2013); and second, although institutions matter to explain the differences among societies (North, 1990, 2005), they do not cause growth (Glaeser, La Porta, Lopez-de-Silanes, & Shleifer, 2004) simply because they frame the individual behavior of those who make productive decisions. On these bases and by applying mainly institutional economics, this research offers a set of empirical findings (Chaps. 5 and 6) that enables the understanding of such development, in which entrepreneurial activity plays an important role. Although literature exists that deals with this idea (Bjørnskov & Foss, 2016; Méndez-Picazo, Galindo Martín, & Ribeiro-Soriano, 2012; Urbano, Aparicio, & Audretsch, 2018), there is still a lacuna suggesting that more empirical evidence across countries is needed. Thereby, this book might contribute to this discussion by proposing different models that quantify the simultaneity running from institutions, entrepreneurship and economic development. In this regard, based on this research, it is possible to suggest that institutions (and particularly the informal ones) affect entrepreneurship, which is a conduit for accomplishing higher economic growth and development.

Regarding the simultaneity issues, additional implications might be derived from this research. According to Acs, Audretsch, Braunerhjelm, and Carlsson (2012) and Audretsch and Keilbach (2008), among others, studies dealing with the relationship between entrepreneurship and economic growth must overcome the existing endogeneity between these two variables. Hence, this research is an attempt to solve such problems by instrumenting entrepreneurship with specific institutional factors. Additionally, the different set of models and empirical strategies presented might constitute a robustness check for the idea that entrepreneurial activity mediates the relationship between the institutional context and economic development. In this regard, despite the fact that Chap. 4 does not include institutional factors, it establishes the idea that entrepreneurship should capture, in advance, some environmental characteristics in order to explain growth and development. Thus, Chaps. 5 and 6 operationalize different institutional settings that precede entrepreneurial activity, and subsequently affect the economic performance. The common empirical strategy presented in these chapters might offer to entrepreneurship scholars a fresh view on the importance of keeping conducting analysis at the country level, which requires considering the endogeneity issues presented there. We suggest, therefore, that institutions (particularly the informal ones) should be considered in such analysis, which in addition, help to overcome the endogeneity between entrepreneurship and economic development.

In terms of operationalization, the present book tries to go one step further by introducing the concept of social progress orientation as a particular informal institution. In Chap. 3, the idea is explained that entrepreneurship is not only conditioned by the social characteristics, but also that it captures them quantitatively in order to represent the social intentionality toward progress. Consistent with North (2005), intentions aimed at improving the standard of living differentiate those developed societies from those in the developing stage. According to Uhlaner and Thurik (2007) and Stephan and Uhlaner (2010), additional evidence is needed to see whether cultural values and social features define the types of entrepreneurship across countries. Thereby, this research provides evidence in terms of those characteristics that go beyond the economic terms in order to explain the entrepreneurial formation. Accordingly, social progress orientation might constitute an important element to classify those societies encouraging productive entrepreneurship.

Another important implication of this book is related to those effects not only on economic performance, but also on social indicators such as poverty and social progress. According to Bruton, Ketchen, and Ireland (2013), Bruton, Ahlstrom, and Si (2015), and McMullen (2011), entrepreneurship and related factors (e.g. microlending) might be mechanisms for overcoming poverty and generating inclusive process. However, as Bruton et al. (2013) and Blackburn and Ram (2006) claim, there are few studies tackling this issue quantitatively, and therefore, further evidence may shed light on the effect that entrepreneurship has on the social progress mostly seen in developing countries. In this regard, Chap. 5 might be important for offering new evidence concerning the effects of entrepreneurship on growth, taking into account inclusive outcomes. Although in this case a simultaneous-equation model was also applied, this research put together the notion of social progress orientation as the intentionality characteristic of societies leading to entrepreneurship, and its subsequent influence on economic growth. As an additional step, this research estimated another equation to assess whether economic growth, influenced by entrepreneurial activity (directly) and social progress orientation (indirectly), reduces the poverty level across countries. In this regard, the evidence offered by this book indicates that entrepreneurship does generate economic growth and social inclusion.

Implications regarding not only an orientation but also a social progress outcome are also generated. Chapter 6 draws upon the idea that economic development (i.e. creation of opportunities, foundations of well-being, and basic human needs) is influenced by entrepreneurship (Leff, 1979). Consequently, this chapter assesses a new proxy of economic performance (i.e. Social Progress Index), which is a function of entrepreneurial activity that is affected at the same time by institutions. The evidence found that the number of owners not only affects social progress as a whole, but also each one of the factors that comprise the index. It might imply that entrepreneurial activity is one of the factors that may cause development by creating (market) opportunities, new jobs that increase income and well-being and the inclusion of all society into the economic system. In this case, it turns out that it is important to identify those characteristics that encourage entrepreneurship. Here, Chap. 6 is in line with the discussion and findings in the extant literature (Djankov, La Porta, Lopez-De-Salines, & Shleifer, 2002; Leff, 1979; van Stel, Storey, & Thurik, 2007). In this sense, excessive regulations may be harmful for the creation of new businesses, and established democracies may create a stable environment pro-market in order to develop entrepreneurial projects.

Overall, the previous implications might suggest to entrepreneurship scholars that new data is appearing in the scene, and therefore, new empirical findings at all stages of the causal chain may be raised. The data and the operationalization of the variables presented in this research might also imply that scholars have the opportunity to validate our results, particularly on whether they hold across time. One of the advantages of the macro-level data use here is that there is a continuous agenda to gather information about institutions, entrepreneurship and economic development. By achieving this, it is possible to keep exploring and validating the determinants of economic performance.

With regard to the main theoretical implications, this book places emphasis on the role played by informal institutions within the relationship between entrepreneurship and economic performance. On the one hand, though some authors have found similar results in terms of entrepreneurial activity and economic growth (Acs et al., 2012; Audretsch & Keilbach, 2008), through this book we suggest that formal and informal institutions constitute a framework that plays an active role in defining why the effect of new businesses creation might differ across developed and developing countries. And on the other, although North (1990, 2005) has explained such differences mainly due to the institutional context, entrepreneurship had been implicit in his analysis (as well as in other mainstream theories in Economics). In this sense, by drawing the scheme presented by North and Thomas (1973) and Rodrik (2003), this research is an attempt to demonstrate that entrepreneurship could be a factor that follows such theoretical models. Thus, through this book, we suggest that institutional economics is a framework to understand economic development (North, 1990, 2005) through entrepreneurship.

From a public policy point of view, this research might serve to shed light on possible answers regarding what determines economic development. As mentioned before, entrepreneurship is a key factor in explaining the complexity involved in the development process. Thus, by knowing those institutional factors that affect different types of entrepreneurial activity, it could be possible to discuss some public strategies that encourage people to become entrepreneurs, and at the same time enhance the level of economic development. The present research identifies some possible variables that create a sensitive response to entrepreneurial activity, which ultimately affects growth and development.

Chapter 3, for instance, allows the observation that it is not only the cultural values, but also the intention to be better developed socially and economically that creates an environment where certain types of entrepreneurship may be encouraged. In this sense, Arshed, Carter, and Mason (2014), McMullen (2011), and Shane

(2009), among others, suggest that public policies should create mechanisms that increase the level of entrepreneurial activity capable of surviving and growing across time. It implies that governments should identify what entrepreneurship they are creating within their countries in order to define the most accurate rules of the game that shape the entrepreneurial interactions. Although Chap. 3 uses cross-sectional data, it might be useful to suggest that it is importance to establish long-term policies that ultimately define informal institutions (Williamson, 2000) such as the culture and social progress orientation. For example, creating social cohesion through collaborations and community efforts should be considered by policy makers in order to foster entrepreneurial persistence. In line with this idea, Chap. 5 serves to claim that short- and long-term public strategies allow for the achievement of innovative entrepreneurship, capable of creating social value and development.

Power distance, another factor used to characterize social progress orientation, is conclusive in its negative effect on innovative and opportunity entrepreneurship. Inequality created among groups may generate coordination problems, which brings some obstacles for the market development and opportunity seeking. Chapter 5 may illustrate that control of corruption serves a mechanism to controlling power distance. This idea is in line with Anokhin and Schulze (2009) and Liñán and Fernandez-Serrano (2014), who argue that control of corruption is highly relevant for the entrepreneurial process based on the discovery, evaluation and exploitation of opportunities. Similarly, Jetter, Agudelo, and Ramírez Hassan (2015) suggest that social advances (e.g. education, health, inclusion, etc.) and industrial transformation, among others, create less corrupt societies. Thereby, redistribution mechanisms, social inclusion, well-defined regulatory actors, the active participation of the whole society in the design of public budget, and the subsequent assessment of the use of such public funds are highly relevant (see Chap. 6).

7.3 Limitations and Future Research Lines

Although some implications have been derived from the present research, there is still much to do. Thus, the book has several theoretical and empirical limitations that in somehow might create opportunities to keep moving forward in future research lines. Theoretically, the limitations are related to the concept of the entrepreneurship, which lacks a universal definition (Shane & Venkataraman, 2000; Audretsch, Kuratko, & Link, 2015). Nonetheless, this research has tried to follow Reynolds et al.'s (2005, p. 208) definition, which states that entrepreneurship is "the net result of individual decisions to pursue entrepreneurial initiatives". In this sense, various measures of entrepreneurship have been employed in order to explore whether a variety of different businesses effectively fits in such definition. Although the data availability is a limitation by itself, the use of different rates and types of entrepreneurial activity might cause confusions in the interpretation of entrepreneurship as a mechanism that connects institutions and economic development. Nonetheless, different scholars have shown that the use of GEM data is expanding within entrepreneurship research, indicating its accuracy for measuring entrepreneurial activity across countries, as well as the opportunity to conduct analyses with long time series and similar measures of entrepreneurship (Bosma, 2013).

Another theoretical limitation found in this research is related to the concept of performance. On the one hand, the results of this book are initially presented in isolation, which leads to the understanding of each link. Although this structure might create confusion due to the separate analysis of the results, we believe that it was necessary to conduct such strategy before examining the objectives established within Chaps. 5 and 6, which try to explore the proximate and fundamental determinants of development. In most of these chapters, conscious that growth is a necessary but not sufficient condition for economic development, this research has mainly used variables of economic growth rather than development, which properly represent performance. Acemoglu, Gallego, and Robinson (2014) has provided evidence to answer the general question in economic growth: why are some countries richer than others? Accordingly, the main discussion around this query converges on the analysis of national growth or income as a proxy for performance (Acemoglu & Robinson, 2012; Rodrik, 2003). In entrepreneurship research, Wennekers, van Stel, Thurik, and Reynolds (2005) have discussed the correlation between entrepreneurial activity and economic development, suggesting that there exists a "U-shaped" form between these two variables. Here, the relationship analyzed ran from economic development to entrepreneurship. Carree, van Stel, Thurik, and Wennekers (2002, 2007), however, were pioneering in providing evidence about the opposite direction. In their works, the proxy for economic development was GDP per capita. Based on this evidence, Chaps. 4, 5, and 6 were focused on this validated but limited proxy of performance. Nonetheless, Chaps. 7 and 8 aimed to move forward by analyzing inclusive growth and social progress. According to McMullen (2011) and Bruton et al. (2013), alternative measures of economic development need to be assessed in models where entrepreneurship plays an important role. In this regard, authors such as Antonelli and Gehringer (2017) and Fritsch and Wyrwich (2017), among others, open the possibility to keep exploring the influence of entrepreneurial activity on development, by reducing income inequality and poverty, and by allowing social progress.

Similar to the previous limitation, this book has found that the operationalization of institutions, and particular the distinction between formal and informal ones, might have problematic results. Although this research was built upon North's (1990, 2005) ideas, in some cases it was not possible to conduct an analysis distinguishing between formal and informal factors. For example, Chaps. 3 and 5 were only focused on informal institutions, since it was related to the concept of social progress orientation on the socio-cultural characteristics of countries. In this regard, by combining this approach and Williamson's (2000) ideas, subsequent research could introduce the notion of social progress orientation joint with formal regulatory factors, which undoubtedly differ across developed and developing countries. Other examples of this limitation are found in Chap. 6, which instead of treating variables as either formal or informal institutions, it went directly toward understanding the institutional context. This research is conscious that some subtle differences should be taken into consideration, especially because developed and developing countries pose cultural characteristics that generate divergent behaviors within each country, as well as among each group of countries. Possible solutions might follow the idea of conducting research by taking into account a multilevel approach (Estrin, Korosteleva, & Mickiewicz, 2013; Urbano & Alvarez, 2014), as well as other theoretical contributions (DiMaggio & Powell, 1991; Scott, 1995).

Along with the theoretical limitations, this research is not devoid of problems derived from the data. According to Estrin, Korosteleva, and Mickiewicz (2013) and Stenholm, Acs, and Wuebker (2013), among others, different databases (e.g. GEM, Doing Business, WGI, etc.) are limited by the availability of each country to provide comparable data. All these databases at a country level do not report information for all countries in the same period of time. It causes the analysis to take support from an unbalanced panel data structure (see Chap. 3), which conditions the results to the manner in which the final sample is restructured. Nonetheless, alternative models were performed by excluding those countries with few information. By doing this, it was avoided the assumption that the constant term could absorb the effect of entrepreneurship on economic growth in those countries having one or two observations. Surprisingly, the results were pretty much similar. In addition, although Audretsch, Kuratko, and Link (2015) suggest that future research should consider the dynamics in entrepreneurship, given the young stage of the research field, as well as the lack of data, this gap is still open and difficult to cover. Nonetheless, new avenues could consider the difference between short- and long-term analysis (van Praag & van Stel, 2013), which could be supported by longitudinal data such as the panel study of entrepreneurial dynamics (PSED) (Reynolds & Curtin, 2008).

Based on this book, it could be possible to further discuss research in line with the structure information that GEM and PSED offer. Although the present book has conducted empirical analysis by aggregating the data at a country level, individual level exercises may also lead to new directions in terms of the microfoundations of the macro analysis of entrepreneurship and economic performance. In this sense, there is a stream that suggests that entrepreneurial activity could influence the well-being (Shir, 2015; Uy, Foo, & Song, 2013). However, this research relies mostly on a psychological perspective, leaving some space to understand such relationship from an economic point of view, where institutions may condition the way these two variables interact with each other. In this sense, Warnecke (2013) suggests that such analyses enable the understanding, for instance, of the role of institutions in relation to female entrepreneurs and their well-being. Similarly, Acs et al. (2013) discuss the possibility of the social impact on other type of entrepreneurs. In particular, these authors refer to social entrepreneurship as the labor choice that not only creates economic value, but also social value. Thus, future research from an individual perspective could shed light on the relationship between entrepreneurship and economic development.

Although the previous research line considers institutions, the argumentation still follows the causal chain logic. Another avenue in entrepreneurship research that could be derived from this book is the idea that institutions are not exogenous factors. As Alvarez et al. (2015) suggest, the study of those institutional factors affecting entrepreneurial activity needs to understand the interplay existing between these variables. It could be relevant for both theoretical discussion and policy debate to analyze how institutions affect entrepreneurship, which in turn affects the institutional change. In this regard, Bruton, Ahlstrom, and Puky (2009) and Bruton et al. (2013) discuss the fact that developing countries are embedded in an environment of the informal economy. It might be relevant to analyze whether institutional factors affect the formation of entrepreneurship; and at the same time, to see whether the quality of these new ventures demands better institutions, and if therefore, an institutional change might be achieved. By enhancing the regulatory environment, it could be possible to influence the decision to carry out a formalized entrepreneurial activity. In this sense, better institutions could be accomplished through entrepreneurship, which is stimulated by stable institutions, and ultimately, generates a higher level of economic performance.

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