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ENTREPRENEURSHIP AND DEVELOPMENT: EMPIRICAL EVIDENCE AND POLICY RECOMMENDATIONS

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Abstract

The following dissertation discusses the need for an integrative analysis as far as the study of entrepreneurship is concerned. The goal of this paper is to underline the importance of a holistic approach in order to inquire entrepreneurship as well as the significance of the ecosystems within which such phenomenon takes place. Furthermore, this research suggests that the key for effective entrepreneurship policies aimed at improving the economic development lies in recognizing two critical aspects. First, the critical role of institutions not only in laying the foundations for effective entrepreneurial activities, but also as aggregative element within ecosystems. Secondly, the necessity to take into account all the specificities of the region or country at issue in order to come up with efficient entrepreneurial policies.

INTRODUCTION

“However, the variety of different policy channels also demonstrates that entrepreneurship is better not conceived as a separate policy field [...]. Instead, the ‘fostering of entrepreneurial dynamics’ should be a joint objective to better integrate different policy fields and direct them towards a common purpose”

Michael Peneder (The Meaning of Entrepreneurship: A Modular Concept, 2008, p. 96)

When it comes to envisaging a standard pattern of enterprise or a model of entrepreneur, it seems that many people would commonly agree to a Steve-Jobs-like ideal of successful and unique businessman leading a revolutionary firm in a cutting-edge sector of technology or digital services. However, the reality of entrepreneurship is way more complicated. Indeed, when it may superficially appear that entrepreneurship consists of a take-it-or-leave-it activity that may lead either to wealth and success or to failure, one is actually neglecting why people choose to become entrepreneurs, how this choice is contextualized within the society they leave in, and what repercussions setting up a business has on the economy. Moreover, political action taken towards entrepreneurship must evaluate further elements, especially what kinds of entrepreneurship are taking place and how they are related both to the local territory and to the global economy. For instance, entrepreneurship in the USA is by all means completely different from the one in Algeria due to economic, political and cultural factors. Therefore, the starting point is to recognize that there are multiple ways to approach entrepreneurship. On the one hand, numerous academic sources and research studies show the complexity of dealing with the concept of entrepreneurship because of both its multi-disciplinary implications and the apparent absence of a unified systematic definition (Acs, 2006; Ahmad & Seymour, 2008; Baumol, 1990; Rodrik, 2007). On the other, many international agencies and organizations, such as the World Bank, urge to take action in backing up different types of entrepreneurship in low-income countries, particularly rural entrepreneurship, according to those countries' needs for improving the economic development.

But is there one specific approach that stands out among all the others for its effectiveness in analysing entrepreneurship? It is likely that any single approach is necessary to grasp one aspect of this phenomenon, but at the same time it is not sufficient by itself in explaining the

whole. Rather, entrepreneurship should be analysed by *integrating* different perspectives, disciplines and approaches in order to understand its dynamics, causes, consequences and potential benefits to economic development. Indeed, the aim of this paper is to gradually guide the reader through an integrative analysis of entrepreneurship by taking different steps in each of the three chapters. In the first part, I will discuss the meaning of entrepreneurship by looking at the historical evolution of the concept as well as at the current perspectives on the role and the behaviours of entrepreneurs. In the second part, I will present the concept of entrepreneurship ecosystem as an integration of the different social, economic and institutional elements that make up the environment within which entrepreneurial activities take place. Finally, in the third chapter I will describe the work of the Global Entrepreneurship Monitor as an illustration of a holistic and integrative model of research about entrepreneurship, and I will also take into account the findings related to a specific country, i.e. Malaysia, in order to examine and contextualise the role of institutions towards entrepreneurial policies and economic development.

CHAPTER 1. THE CONCEPT OF ENTREPRENEURSHIP

1.1 History and definitions: the evolution of the term

Does a widely-accepted definition of “*entrepreneurship*” exist? Chances are that this phenomenon is as nuanced as the various typologies of human activities, within specific economies, that may fall under the label of productive ventures. However, the very notion of productivity is at the same time foundational for exploring entrepreneurship but insufficient for wholly explaining it. It appears quite clear, for instance, how a bricklayer or a farmer are deeply involved in productive works without being themselves entrepreneurs or businessmen. In such a case, one can notice that the former is probably subjected to a relationship of dependency on an employer who needs labour force to carry out the construction of a building; still, this autonomy is not enough, since the farmer is in all likelihood also self-employed, and not necessarily an entrepreneur. Moreover, even if the farmer may be the owner of their means of production as well as the manager of their activity, being it livestock breeding or crop harvest, it would be quite arbitrary to describe them as an “entrepreneur”. Yet, in ordinary usage, all the features cited so far can by all means depict a business activity. What differentiates a farmer or a working man from an entrepreneur is therefore something beyond the ideas of individualism and economic productivity, as Baumol (1990) pointed out that even unproductive activities, such as organised crime, are to be considered as forms of entrepreneurship. In the first chapter of this paper I will try to examine and investigate all the elements required to get as close as possible to a coherent understanding of entrepreneurship by going through some historical examples and the main sources of academic literature. With this analysis, I will not claim to find a specific denotation of the concept, nor a universal definition; rather, the aim is to individuate the elements required to grasp the basic tenets of entrepreneurship itself.

Chiefly, the idea of setting up an enterprise intuitively suggests that two more concepts need to be underlined: *risk propensity* and the *storing of wealth*. The first implies that any undertaking of entrepreneurial activities comes with the awareness that a failure thereof may

occur. However, there is still a lack of agreement on the nature of this attitude as individuals have different cognitive styles with respect to taking risks. Furthermore, there is a difference between “the act of risk taking and actively seeking risky assignments” (Kobia and Sikalieh, 2010, p.115). Anyway, a business activity is in itself characterised by taking into account the existence of pitfalls, hurdles, obstacles and impediments that may disrupt and cause damage to the ultimate goal of an enterprise, which is in fact the second concept mentioned. Quite understandably, the risk is expected to be worth the gain, and the entrepreneur’s aim is to seek an increase in the wealth he or she already possesses. The whole process of starting a business is based upon these two conceptions, and it manifests the very etymology of “enterprise”, which comes from the French verb *entreprendre*, meaning “to start doing, to undertake”. Although it helps grasp its essence, this attempt to frame the definition of entrepreneurship lacks consistency and completeness due to the absence of an historical perspective that takes into account the evolution and the development of the term throughout time. In addition, such dynamicity ensures that entrepreneurship cannot be seen as a univocal and homogeneous phenomenon. Rather, its complexity has undoubtedly increased as it became more frequently regarded as a key factor for the economic strength of contemporary societies.

Anyhow, earlier forms of enterprise, bearing in mind the above notions, can be traced back to ancient times in the Roman and Chinese empires. In the first case, the few chances endowed by emancipation from slavery allowed clever freedmen (*liberti*), once they had gained the respect of their former masters through years of faithful service, to make use of certain amounts of wealth or even inheritances to invest portions of such pecuniary assets in commerce or land estates (Vayne ,1961; Baumol, 1990), in order to access the upper classes made up by the richest families. As far as the second goes, the access to wealth, power and technological expertise was mainly possible by means of undertaking a career in the imperial government, which provided the fastest track for the social climbing at that time (Baumol, 1990). The notion of risk was here clearly embedded into the reaching of a particular social status rather than the pursuit of an economic activity, whereby the status itself was the premise and the leverage for enrichment and increase in personal wealth and, possibly, power. The same held true in the Early Middle Ages when the monopoly of the Catholic Church in Western Europe over education, healthcare and spirituality sanctioned its primacy as a far-reaching

institution. It has been recognised that monastic orders possessed the right amount of resources, technology and legal exemptions for that time to develop a certain degree of entrepreneurial spirit and economic revenue, as in the case of the Cistercian order:

“This obviously increased [...] innovation, and expenditure of effort, and evidence suggests the diligence of the order in pursuing the resulting opportunities. Their mills, their extensive lands and their large flocks [...] have brought scale economies and extraordinary financial returns” (Baumol, 1990, p.906).

Other sources of wealth were the military career or the capitalization of nobility privileges, insomuch as the two can be regarded as deeply intertwined between each other. For instance, M. Casson and C. Casson (2014) pointed out how the English king Edward I, in exchange for a fixed money rent, allowed Anglo-Norman aristocrats to exercise the full power over new urban settlements in order to levy tolls upon traders willing to purchase and sell goods in those towns' markets, usually located in strategic positions (M. Casson and C. Casson, 2014).

Instead, genuine risk-taking attitudes related to economic ventures are seen more clearly in the trading activities of merchants, who emerged as a new social class not having the same privileges as the clergy and the nobility. While the role of the merchant and the one of the adventurer-explorer were originally indistinguishable (as in the case of Marco Polo), during the Later Middle Ages trading activities gave rise to the first forms of business organizations at a small scale, such as the *colleganze* of Venetian merchants in the 14th century, namely contracts with third parts that entailed a share of the commercial revenues in exchange for the help to sell products in a particular location (Herbert and Link, 2006). The expansion of inter and extra-European commercial ties grew along with the development of the modern banking system on one hand and the architectural and artistic skills on the other, which marked the gradual transition from feudalism to the Renaissance, and therefore “a clearer distinction emerged between the one who performed artistic and technical functions and the one who undertook the commercial aspect of a great task” (Herbert and Link, 2009, p.6). Trading activities in the following centuries remained central as ventures based on risk-taking and wealth storing, although they tended to benefit a company of individual merchants rather than private smaller

enterprises, as illustrated by the creation of the East India Company in England, one of the earliest joint stock companies the 17th century to compete with the Dutch in the spice trade (M. Casson and C. Casson, 2014). However, there are also accounts of entrepreneurial activities on a lesser degree in the commercial sector at the half of the 18th century, as the one of local and domestic business in South-Eastern Europe. The swelling demise of the Ottoman empire as well as its political and military decline induced the Western European powers to take advantage of the cheapest prizes for Balkans and Greek goods. Consequently, members of local societies, especially Greeks, provided assistance and precious information in exchange for local empowering and credits (Vlami and Mandouvalos, 2013); these activities triggered the acquisition of new entrepreneurial skills and commercial ties to such an extent that new local business ventures came into existence. The peculiarity of such entrepreneurial model was the elasticity of Greek individuals who lacked a full or partial access to the institutional sectors, which could have fostered their abilities to expand their business networks. In fact, the strength of Greek companies was founded upon informal relationships, connections and acquaintances within local Ottoman societies rather than upon formal agreements and contracts, and consequently this granted them to make the most of many more opportunities than possibly envisaged. As Vlami and Mandouvalos rightly illustrated:

“In the case of Greek enterprise personal involvement, flexibility, expansion and extended utilization of ethnic and family ties influenced entrepreneurial form. The system of business relations and contacts of the enterprises investigated developed horizontally and could be represented by overlapping and intersecting networks comprising associates, collaborators, friends and kin. It was based upon trust and solidarity that in most cases derived from ethnic and family ties, similar economic interests and collaboration” (Vlami and Mandouvalos, 2013, p. 103).

The case of Greek merchants certifies the existence of another key element as to describe what entrepreneurship is, namely the attitude to seize the profitable opportunities presented by external circumstances. However, this trait seems to be related to the wider context of the first industrial revolution taking place in the second half of the 18th: the scope of possibilities for business undertaking broadened substantially due to the sudden surge of technological

knowledge that boosted productivity and supply of goods as well as to the rush to buy out the required resources. Certainly, the industrial revolution turned out to be one of the milestones in human history as a result of the extensive repercussions on societal structures and economic configurations. In that period, classical economics evolved thanks to the works of Smith, Ricardo, Say and Mills who framed the concepts of market, production and trade in a methodical and scientific way, whereas the modern notion of capitalism started coming forward as the main issue in economic and social sciences in the following century. In essence, the modern ideas of market and capitalism advanced the conceptual shift from wealth storing to *profit*, intended as an *increase in the value* of the good or service produced or purchased: here wealth is not merely “stored” but acquired as a consequence of the creation of a new value accepted on and by the market. Profit appears to be inseparable from capital (i.e. valuable assets) and deeply rooted in the risk-taking side of entrepreneurship as a prevention from economic losses, thus showing that “profit would come to the enterpriser in proportion to his skill in dodging the effect of risk rather than in proportion to the size of the risk itself” (Littleton, 1928, p.282).

This radical change in the figure of the entrepreneur exemplify the birth of a modern concept of entrepreneurship, the basis of which was provided by the French economist Richard Cantillon in his *Essai sur la nature du commerce en général* (1755), describing an entrepreneur as any sort of self-employed person who “purchases goods at certain prices in the present to sell at uncertain prices in the future” (Ahmad and Seymour, 2008, p.6). By combining the ideas of profit and risk-taking, this definition presents the first modern approach to entrepreneurship as well as the starting point of a classical literature related to a more methodical study of the subject: indeed, Cantillon is considered to be the first to employ the word *entrepreneurship* in these terms (Pender, 2009; Cunningham and Lischeron, 1991; Ahmad and Seymour, 2008; Long, 1983), despite the fact that it was dated back as early as the 14th century and used to refer to a manufacturer or even to a government official performing administrative tasks (Herbert and Link, 2009). The academic literature following Cantillon provides three important “layers”, which I will in turn analyse, that help identify the essential features of entrepreneurship to be added to the previous ones. These layers, which take into account certain developments that occurred throughout the 19th and 20th centuries, can be identified

as: (a) planning, (b) innovativeness and (c) loose setting.

a. Planning

The complexities that emerged in the light of new products, goods and services during the 19th century with the expansion of commercial routes and markets - especially in Asia and Africa during the age of Imperialism - as well as with the technological breakout stemming from the second industrial revolution, laid the foundation not only for greater opportunities for doing business, but also for an enhanced and proliferating competitiveness. Hence, entrepreneurs were urged to come up with creative and original *plans* to perform their affairs to such an extent that nowadays business strategies are an integral part, perhaps unavoidable, of entrepreneurial projects. The first to notice that was the Austrian economist Carl Menger (1871), who departed from Cantillon's main focus on risk-taking by claiming that entrepreneurial behavior implied primarily a constant processing of information in order to co-ordinate business activities with market's demands (Pender, 2009). Wenger emphasize the role of the entrepreneur as the main supplier of goods and commodities in an economy, and hence the need for him to estimate and supervise the production process, rather than to fully participate in it; instead, "he makes not only the underlying economic calculations but also the actual decisions to assign goods of higher order to particular productive purposes" (Menger, 1871, p.160). Some 50 years later, the American scholar Frank Knight, amongst the founders of the Chicago School, returned to the organizational skills of the entrepreneurs by placing them in the wider context of the firm. He claimed that entrepreneurs specialized in both risk-taking assessments on the one hand and in controlling employees' tasks, so that they embodied a sort of "owner-manager" personality with high responsibilities (Pender, 2009; Long, 1983). In order to do so, Knight expressed the concept of *judgement exercise* as essential for running a firm or any kind of business in general, although it cannot be measured solely in a purely psychological, and therefore scientific, manner: quite the contrary, it should be assessed and exercise as a sort of "art of management" that helps deal with all the unexpected and unforeseen aspects of market competitiveness, as well as pressures, leadership and decision-making issues (Emmet, 2011).

b. Innovativeness

Perhaps the most important feature that has been recognized to entrepreneurial ventures is the capacity to bring about innovations within the economies in which they take place. As early as 1860, J.H. Von Thünen agreed in his book *The Isolated State in Relation to Agriculture and Political Economy* that the hard work and the mental effort of the entrepreneur were concrete signs of his ingenuity and attitude towards new ideas to improve his business: according to him, what pushed the entrepreneur towards the accomplishment of his duty was the fear of failure rather than the opportunities to seize, and so he was spurred to invent and realize new methods and devices (Herbert and Link, 2009), being therefore, differently from what Knight would envisage, a separate subject with respect to the manager or supervisor. Almost a century later Joseph Schumpeter, one of the most famous contributors to the academic research over entrepreneurship, stated in his work *The Theory of Economic Development* (1934) that the value of the entrepreneur lies in his ability to create development by shaking economic equilibrium, which is deeply affected by the innovative force thereof that leads to the breakdown of repetitive economic circles. As a result, entrepreneurial skills are to be considered as a disruptive force consisting in the ability to produce change in the market by an effective exploitation of its inefficiencies. This occurs mainly through a series of original *combinations* such as “the introduction of new goods or productive methods, the conquest of a new source of supply of new materials, the expansion or the creation of a new market” (Kobia and Sikalieh, 2010; Ahmad and Seymour, 2008, p.7). Indeed, it’s the creative intelligence which distinguishes the entrepreneur - even if he doesn’t put forward any new product but simply rearranges known information, methods and expertise so long as the existing market mechanisms are affected (Herbert and Link, 2009). Moreover, Schumpeter anticipated a subtle psychological trait of entrepreneurial mindset related to the force of innovation, namely the willingness and the zeal to affect the market in a wider sense:

“In all cases, the meaning of economic action is the satisfaction of wants in the sense that there would be no economic action if there were no wants. [...] We may also think of satisfaction of wants as the normal motive” (Schumpeter, 1934, p.91).

c. *Loose setting*

It has been acknowledged that in order to be innovative, productive and well-functioning, firms and enterprises have to be placed within specific economic environment that meet business demands. Such an environment is here labelled as *loose setting* in the sense that it is the result of a series of policies and decisions that help business and entrepreneurial ventures improve, perform and flourish without excessive constraints. This doesn't necessarily mean that market regulations are detrimental, nor that totally unregulated markets are the best-functioning ones. Rather, markets, or economic environments in general, need to be "shaped" and framed so that enterprises have the chance to develop and thrive, and this can happen in several ways. Historically speaking, it is possible to think of market openness, both towards foreign investments and away from undue state influence, as a means to loosen the economic setting. For instance, in the post-feudal Japan during the Meiji Restoration the new centralised state shaped around the figure of the *Tennō* (emperor) opened up to trading with foreign nations and had necessarily to yield to the pressure of Western capital. Consequently, new policies were put into effect to strengthen the economy, and many of them entailed the empowering of private activities vis-à-vis the public ones: through the economic enlargement of their size, the aim of the Japanese government was to enhance the competitiveness of domestic trade on an international scale (Horie, 1937). As an illustration, the previous feudal *Kabunakama* guild system controlling commerce and industry was abolished in order to establish semi state-controlled companies, namely the *Tsūshō-Kaisha* (the trading companies) and *Kawase-Kaisha* (the exchange companies), under whose supervision citizens were gradually encouraged to institute their own trading firms (Horie, 1937). On the other hand, the soundness of entrepreneurial activities has not always been the result of openness to trade. In the case of the Kingdom of Italy in the last decades of the 19th century, the new-born state could already count on relevant manufacturing activities in the Northern part of the country due to the millennial tradition of artisanal know-how. Following the inflows into the European markets of cheaper products from Russia and the USA, the higher demands from Italian businessmen for trade barriers and custom duties prompted a protectionist reaction which, rather counterintuitively, permitted the rise of more entrepreneurial initiatives on a national level, as well as the development of national industries (Amatori, Bugamelli and Colli, 2011). It seems

clear how much it is in the hands of the state as a larger institutional setting to determine the conditions for a healthy development of business and enterprises. In the post-Soviet Russia of the 1990's it is possible to notice a contradictory scenario in these terms: while the early policies to liberalize the economy were focused on radical changes regarding property rights - and this indeed made an expansion of small and medium firms possible - the later ones were not followed by coherent regulations concerning the legality of competitiveness, and therefore the country underwent an increasingly heavy presence of illegal activities that could expand thanks to the institutional vacuum created by the transition from a socialist state to a liberal one (Kolodko, 2000). It is evident, from the examples presented, that the role of the state and its institutional stability can be an important factor to establish and maintain a loose setting for entrepreneurship, since it has to necessarily imply equilibrium between regulations and a certain venture leeway. Therefore, the setting should not be tight, because this would prevent entrepreneurs to act, nor it should be unleashed and dissolute. An interesting example in this perspective is provided by the notion of *knowledge* expressed by Freidrich Hayek in 1945. By inquiring the problematics related to the establishment of a rational economic order, he claimed that one of the peculiar shortcomings was the lack of a "centralized knowledge" which prevents individuals from accurately evaluating and assessing their own decision in an economic environment. Yet in modern market economies, according to Hayek, it is the price setting mechanism, upon which the state has the power to intervene, that enables economic coordination within a decentralized-knowledge system (Hayek, 1945). In this manner, a balanced coordination between state institutions and society at large can put an ideal setting for entrepreneurship into effect.

So far, I have analysed some of the basic historical and academic notions related to entrepreneurship, and I have attempted to reframe them in order to identify the core aspects thereof, amongst which I pinpointed three main conceptual "layers" concerning the most intrinsic assumption about the modern idea of entrepreneurship. Consequently, it is possible to summarize as follows:

- Entrepreneurship pertains to *risk-taking* attitudes in economic activities aimed at gaining a *profit* as the most basic goal, which is to be effectively pursued in an

environment that facilitates such an endeavour, i.e. a *loose setting*, and that prompts the entrepreneur to go through *planning* and *innovative* steps.

All the just-mentioned points are not intended to be bought in with a leap of faith. For instance, it is fair to point out that the innovative force of entrepreneurs declared by Schumpeter may not arise only from the satisfaction or will to innovate. The decision to undertake entrepreneurial activities might also be affected by virtue of economic necessities rather than personal fulfilment, especially when social conditions easily gets the entrepreneur to focus primarily on his sustenance and stability. Anyway, the focus of Schumpeter seems to elude specific analyses and aims at illustrate the general efficiency of the entrepreneurial process by underlining the character of discontinuity vis-à-vis market dynamics, without a particular effort to inquiry the wider societal implications that may affect influence entrepreneurship. Likewise, the gain of a profit may not be the sole and unique goal of an entrepreneur. He or she may be focused on a wider purpose that can go beyond the individual aspiration, even though we have to be careful not to downplay or ditch this element at all. The major impacts brought about by culture, geographical attributes and political ambition of societies are certainly capital in this discourse, and they will be treated later on in the paper. The first part of this chapter has for now served as only the first step to frame the concept of entrepreneurship as a whole, and this has been pursued by means of an overview that takes into account historical cases and examples from classical literature on the subject. Despite their relevance, they allow only for the laying of the conceptual groundwork that is necessary to define entrepreneurship in a modern way. In fact, the evolution of the concept of entrepreneur and enterprise has brought about an increased complexity due to the growing academic interest for this field in the last 30 years. Concurrently, a considerable amount of perspectives has developed insofar as the realm of entrepreneurship has been tackled and analysed from a multitude of diverse disciplines and approaches, ranging from economics and political sciences to psychology and philosophy. How this multi-faceted aspect has played a role in affecting current meaning and perspectives of entrepreneurship is the main topic of the second part of this chapter.

1.2 Current meanings and perspectives

Thus far, the key elements upon which it is possible to inquiry and look for a coherent understanding of the concept of entrepreneurship have been taken into account. As already mentioned though, the last decades saw a sharp increase in the academic interest towards the figure of the entrepreneur and his role within economies. Accordingly, a larger number of different disciplines and approaches has had an impact in framing and studying entrepreneurship, as well as in modelling it. In this second part of the chapter I will focus at first on the psychological implications that are related to entrepreneurship, and secondly on the role nowadays played by the entrepreneur by discriminating between two different possible functions, namely the corporate and the social one. Finally, the emphasis will be laid on the so-called *modular concept* of entrepreneurship developed by the Austrian economist and professor Michael Peneder in 2009, which will serve as a convergence point for the whole picture presented.

a. The psychology of entrepreneurship

“But the fact that the entrepreneurs embody fairy tale qualities that everybody would wish for: freedom of mind, creativity, vision, ambition – is true. And more than anything else they have the courage of making their dreams become reality” (Grigore, 2012, p.25)

Psychology represents one of the most interesting and widely-researched fields of application and study in relation to entrepreneurship. The steady growth of the appeal entrepreneurship raises amongst psychologists is mainly due to the largest acceptance and recognition of entrepreneurial figures and subjects as fascinating individuals, which stems in turn from a collective ideal of businessman as an outstanding and *successful* person who is able to be assertive in what he does, and with a clear vision for his own future. The initial interests in entrepreneurial behaviours can be noticed in the already-mentioned concept of *judgmental exercise* by Frank Knight as the key requirement for an efficient planning of business activities. By relying on this concept, Casson (1982) brought forth the idea that it is scarcity of initial resources or conditions that sets up a specific attitude in the mind of the entrepreneur, as he

specializes in a particular psychological ability (judgement) in order to exercise his activity in a situation of shortage. It has been also noticed that, due to such quality, entrepreneurs are frequently esteemed as credible references for stakeholders willing to invest in particular ventures or market domains, and therefore it is important for the latter to get a better comprehension of the former's conduct and gauge (Grigore, 2012). Clearly, psychology tends to tackle multiple aspects of entrepreneurship, as entrepreneurial activities are widely diversified. Indeed, the process through which entrepreneurs undertake a business activity present a series of challenges since it evolves over different phases, from the mere intention of setting up a business, to its management, enlargement and stabilization, as well as exit and potential re-entry in the market (Gorgievski, 2016; Frese, 2009). Undoubtedly, the main focus of a psychological approach starts from what originates and gives shape to the entrepreneurial behaviour that remains in process through all the steps of a business venture. Admittedly, it is conceivable to generalize the primary impulse as any sort of motivation that might trigger an individual to start an entrepreneurial career, although it sounds quite compelled: why, after all, should someone feel like becoming an entrepreneur when there is a lack of motivation involved? The point I make here is that the psychological approach goes clearly beyond the mere acknowledgement of a driving force accommodating an entrepreneurial vocation. Actually, it is possible to notice two factors underlined by the literature that play a key role in motivational issues. On the one hand, there is a larger category of determinant *incentives*, which Wayne Long (1983) labelled as *creative opportunism*, specifically the push not only to discover but also to actualize and produce opportunities. In other words, this entrepreneurial drive is directed towards identifying and acting upon opportunities that create value (Ahmad and Seymour, 2008). This is obviously influenced by default factors such as limited resources, the interaction with the working and living environment or the degree of market competitiveness or specific governmental policies, as well as by specific cultural and social environments – for instance, by what society at large might consider as valuable or not. Evidently, psychologists do not claim to assess or take fully into account socio-political concerns in their analyses, but, rather, the focus is mainly gathered around how individual perceives, interacts and responds to opportunities. Indeed, the second factor which lies on the other hand is the category of personal dispositions, nature and characters. Different variables in these

terms may be likely to predict not only the success of entrepreneurial performances, but also who is more likely to eventually be an entrepreneur (Gorgievski, 2016). Here, the analyses provided by Grigore (2012) offers some suitable insights. First, propensity in starting a business and personality seem to be vigorously intertwined, as the former is based on “the individual’s needs, values, desires, goals and intentions, as well as on the compensation and rewards that influence these internal mechanisms” (Grigore, 2012, p.29). As a consequence, it is possible to detect specific personal features that are connected, with a somewhat appreciable intensity, to the inception and the prospering of an entrepreneurial venture:

- energy and passion;
- tenacity and self-confidence;
- need for autonomy and control;
- strong desire to succeed and to get exceptional results;
- creativity – individuals who generate ideas;
- proactivity - anticipatory action taken by individuals in order to impact themselves and/or their environments (Grant and Ashford, 2008);
- focus on future outcomes.

Finally, all these personality traits suggest a positive relationship between an entrepreneurial mindset and a higher degree of risk propensity (Grigori, 2012), which may also explain why some entrepreneurs who present these traits in a more manifest way are more successful than others in overcoming failure and in starting a business again. Furthermore, Kobia and Sikalieh (2010) reaffirm the relevance of personality and personal attributes in psychological studies of entrepreneurship by stressing the existence of two theories. First, the *traits theory* implies that entrepreneurs are aware of the degree of control they can have upon their actions when running a business, independently of the existing opportunities or conditions. Second, *behavioral theory* emphasizes the act of business creation as the most meaningful one to be studied in order to uncover the dynamics of entrepreneurial actions. However, it is important to point out that the relation between business propensity and certain psychological variables is not necessarily bi-univocal. While it appears likely that many entrepreneurs are outspokenly self-confident risk-takers energetic individuals, someone who possesses such characteristics

may not feel the urge to become a businessman at all. At the same time though, one should be careful not to attach to the entrepreneur, as a scientific evidence, any inborn skill or “sixth-sense” that enables him or her to be a breed apart or to have a one-of-a-kind personality. As a matter of fact, it is easier to think of entrepreneurs as special people due to the appeal and fascination that rich and successful men and women exert over the public opinion as a whole, at least in Western societies. Regarding entrepreneurs as “great people” does not require elaborate discernments, interpretations or theoretical efforts (Cunningham and Lischeron, 1991) and, as a result, one has to be careful not to mislead the main entrepreneurial psychology literature as simply descriptive. For instance, it has been attested that not only personality traits count, but also the whole body of personal values, beliefs and stances towards entrepreneurship and business in general (Cunningham and Lischeron, 1991). This may indeed suggest that a central element to be taken into account is the one of *responsibility*. As Cunningham and Lischeon put it:

“entrepreneurship as seen as a reiterative process of personal evaluating, planning, acting and reassessing which encourages people to take on responsibility for creation and innovation [...] It assumes that entrepreneurs have the responsibility for the venture, or share some of the risks and rewards of it” (Cunningham and Liscgeron, 1991, p. 57).

Instead, when it comes to opportunities, it is more difficult to evaluate how actually the entrepreneur is able to deal with them, since opportunities, as already mentioned, can not only be seized and exploited, but also created. The field of research related to opportunity has surely to be widened as the key processes and mechanisms of discovery, creation and exploiting may take place in an unfathomable number of ways (Venkatamaran, 1997). The very notion of opportunity is also entirely debatable because both the several manners it can occur and the element of novelty that, as such, requires an imaginative effort to be put into existence (Gorgievski and Stephan, 2016). Rather, it has been suggested that a new domain of research may be represented by understanding by which means some people are able to exploit opportunities while others are not (Venkatamaran, 1997). However, it is clear that “opportunity” is a somewhat relativistic notion as different individuals may desire different things, and they may consequently hold or envisage radically dissimilar parameters to assess

the feasibility to reach them as well as opt for divergent strategies for their attainment (Gartner and Baker, 2010). Furthermore, other under-researched topics which may need additional attentiveness concern how opportunities are related to the “interaction between the entrepreneur and their direct social context outside the firm, such as relationships with support networks, investors, and stakeholders, but also their families (Gorgievski and Stephan, 2016, p.450). To sum up, psychological literature has thus far accounted as a resourceful means to effectively inquire “important categories of entrepreneurship research as decisive actions (behaviors), perceptions, and implementation of opportunities” (Frese, 2009, p.439). The aggregate interplay that takes place between all these factors involved in the setting and management of a business is offered by table 1.1, which reports the main steps and factors an entrepreneur should deal with and which are taken into account by the main entrepreneurial psychology literature. In a nutshell, it has made possible to recognize that entrepreneurs interact with external conditions (resources, market, relations) through the lenses of their personal behaviour in a double way: as reflective individuals who ponder over their decisions thoroughly and as active performers who shape the environment and the circumstances through their efforts (Frese, 2009). Still, this is a realm that can offer a huge potential to the research on entrepreneurship and that will hopefully further expand its scope in the future.

TABLE 1.1: ENTREPRENEURIAL STEPS ACCOUNTED FOR IN PSYCHOLOGY LITERATURE

(1) Pre-launch phase. Dependent variables: Assemble resources to make launch possible

- . (a) Wishing a start/motives
- . (b) Intending a start, setting goals
- . (c) Perceiving an opportunity and evaluation
- . (d) Finding resources, e.g., opportunity, money from family, friends and banks, networks
- . (e) Dealing with setback, errors, barriers

(2) Launch phase: starting the organization, first sale, survival → (a) Opportunity exploitation; (b) Dealing with multiple diverse demands; (c) Dealing with errors, setback, barriers; (d) Setting goals; (e) Developing strategy.

(3) Success: growth and stagnation. Dependent variables: dealing with growth of sales, profits, employees, size, revival, and recovery

(4) Decline and organizational death. Dependent variables: getting out in time and gracefully

[Michael Frese, *Toward a Psychology of Entrepreneurship — An Action Theory Perspective*, Foundation and Trends in Entrepreneurship, Vol. 5, No. 6, 2009, 435-494, p.444]

b. Entrepreneur: advocate of value or corporate agent?

In this section I will briefly debate what is the current role of the entrepreneur as commonly perceived by society at large. On the one hand, the starting point is the fact that, as seen in the earlier sections of this chapter, entrepreneurship has always had a certain weight in an economic environment or, at any rate, it has been largely involved in it. On the other, what an entrepreneur does is here disjointed from whether it is perceived as good or bad. Instead, the main idea is, broadly speaking, to look for how the entrepreneur *acts* and what function he or she consequently embodies, or what he or she is assumed to embody. As such perceptions have been changing substantially in the last decades, I will focus on two divergent viewpoints to simplify as much as possible a rather dynamic and *en route* process. The theoretical groundwork is based on the work of Ahmad and Seymour (2008), who noticed two different understandings of entrepreneurial action, namely the *top-down* and the *bottom-up* approach. The authors' intention was to differentiate between quantitative and qualitative features rooted in the different performances and tasks pulled off by entrepreneurs in various business contexts, and as a consequence their analysis has represented a great contribution in examining in depth crucial entrepreneurial functions.

Firstly, the top-down approach concerns entrepreneurship as the process of human activities dealing with "identifying and acting upon opportunities that create value, be that economic, cultural or social" (Ahmad and Seymour, 2008, p. 10). Here, the keyword is represented by the term *value*, which does not only imply quantitative parameters, i.e. economic, but also (and especially) qualitative ones, as the worth brought about to culture, education and society, embracing also "stronger social relations, enhancement of job satisfaction or creation of better

jobs” (Ahmad and Seymour, 2008, p.10). Other qualitative criteria are related to motivational issues, such as mental agility, expectations and synergy, which account for excellence and fulfillment as indicators for economic success (Garfield, 1986). The entrepreneur is accordingly defined, in Schumpeterian terms, as a “promoter” of value and innovation, rather than a manager or an organization-builder (Long, 1983). Entrepreneurial activity is therefore less constrained by budget and administrative requirements and it is conversely focused on the improvement of both the internal environment of the firm and the external environment within which opportunities are pursued, seized or created. As duly pointed out, the entrepreneur may be compared to the ancient Roman two-faced god Janus, who at once looks back to resources and their creative rearrangement, and forward to markets to exploit unmet opportunities (Ahmad and Seymour, 2008). Accordingly, entrepreneurs can be perceived as outside-the-box thinkers who opt for creativity and hazard over a linear race for a fixed amount of profit and revenues as their primary objective. As a further illustration, the rise of small business and small and medium enterprises in the last twenty years seems to show a specific trend suggesting that an increasing number of firms are trying to specialize in specific sectors regardless of seeking a perceptible market expansion, being therefore more inclined towards finding a niche in the market itself (Garfield, 1986). Indeed, in the US, between 1969 and 1976, 81.5% of all new jobs were created by firms below 500 employees (and this trend has been maintained in the following years), whereas companies with less 20 employees account for the 50% of American GDP and more than 50% of exports (Grigore, 2012).

Vice versa, the bottom-up approach considers entrepreneurship differently. Although entrepreneurs’ focus is still directed towards innovation and novelty, whether through new processes or markets, they go after “corporate success, higher productivity and efficiency by being involved in the day-to-day running of the company” (Ahmad and Seymour, 2008, p.13). The notions of entrepreneur and manager are interwoven and almost merge with one another since entrepreneurship is seen as a separate process of supervision and coordination in order to set up an enterprise, which may be influenced by qualitative factors such as the entrepreneur’s mindset, economic and social background, and business intentions. Therefore, entrepreneurship can be analyzed by means of quantitative and measurable criteria, including the rates of business establishment, size, survival after a set period of time, revenue variation,

net expansion in the quantity of employees, and the proportion between the number of employees and the number of superintendents (Ahmad and Seymour, 2008). In this view, the entrepreneur is more likely to be acting as a white-collar professional who is deeply involved with the administrative and organizational structures of their firm, whose advancement and progress may lead to higher rewards according to specific strategies and corporate models (Brugelman, 1983). In contrast with the success of smaller enterprises, the bottom-up approach hints at the suitability of greater firms in conforming and adapting to the demands of the industrially advanced societies, such as profit maximization, specialization and synchronization (Grigore, 2012).

As far as the dichotomy between small and large enterprise is concerned, a different perspective is offered by Seth (2014), since he establishes a separation from a small business and an enterprise in general, regardless of its size. Seth argues that initial stages of setting up one of the two are similar, but then they may evolve quite in different ways:

- *“Small business (SB) usually deal with known and established products and services, entrepreneurial ventures (EVs) are for new innovative offerings.*
- *SBs aim for limited growth and continued profitability while EVs target rapid growth and high productivity returns.*
- *Small Businesses deal with known risks; Entrepreneurial Ventures take deep dive with lots of unknown risks.*
- *EVs generally impact economies & communities in a significant manner, which also results in a cascading effect on other sectors like job creation. Small businesses are more limited in this perspective and remain confined to their own domain and group.”*

(Seth, 2014, *Entrepreneur vs. small owner defined*)

What can be deducted from this distinction is that entrepreneurs embody both aspects examined by the top-down and the bottom-up approaches. Entrepreneurs have to be simultaneously innovators and managers, as they need to be able to operate in a complex and fluid context where unascertained risks and may lead to disastrous complication. Definitely, they should take advantage of their human and social competences in order to affect the success of the firm as well as the organization of resources to enforce its competitiveness

(Ahmad and Seymour, 2008). Besides, the same competences should be pointed towards the observation and identification of a creative match between material and intangible contingencies on one hand and market opportunities on the other, where “this may include novel and skilled capabilities as well as unique or unusual social networks and connections” (Ahmad and Seymour, 2008, p.9).

c. Looking for a synthesis: Pender’s modular concept

As yet, entrepreneurship has been approached by considering diversified perspectives and by noticing how its various definitions differ. The contributions to the research on this topic have been at the same time a resourceful way to expand the knowledge and the consciousness on the subject, and an instrument to deepen and widen the possibility to inquiry it further. In this section I will give an account of Michael Pender’s modular concept as a crucial theoretical model to interpret the phenomenon of entrepreneurship, since it seeks to integrate different dimensions and levels of analysis in order not to synthesize them into an inclusive definition, but to allow for a broader comprehension of the matter which takes into account as many aspects as possible. First of all, Pender takes stock of the situation concerning the literature on entrepreneurship by thoroughly retracing the main historical and explanatory steps provided by the main pieces of research on the subject. Consequently, he claims that, according to the main scholarly traditions, entrepreneurship “either enhances the allocative efficiency for given ends and means, or it drives dynamic performances of the system through progressive creation of new products, processes or markets” (Pender, 2009, p.77). Such perspectives lay the basis for the debate over the role and the actions of entrepreneurs, as outlined by the Schumpeterian idea of innovation through new combinations of existing patterns on the one hand and the process of entrepreneurial discovery of untapped resources and market links on the other (Pender, 2009), even though they can be perceived as rather complementary. Furthermore, Pender takes into consideration several other aspects, amongst which the already mentioned risk-taking attitudes and the notion of corporate entrepreneurship. Interestingly, he goes on with a reference to the topic of technology diffusion that adds up to

Schumpeter's idea of innovation and equilibrium upsetting by expanding it further: the entrepreneurs play a key role not only in taking advantage of R&D policies and current technological know-how in performing a specific business, but they also foster the demand for technological innovation which in turn requires more societal efforts to its supply, especially through education, funding and research (Peneder, 2009; Schultz, 1975). Finally, Peneder draws two important conclusions from his analysis: first, that entrepreneurship cannot be disjointed from analyzing the interplay between individual initiative and the wider organizational context, where both depend on a considerable number of factors. And second, that the context defines also the opportunity-exploitation capabilities of the entrepreneur. Accordingly, "entrepreneurship is no longer characterized purely in individualistic terms, but embedded within the structural context of the firm's organization" (Peneder, 2009, p.88). In order to pull all these notions together, Peneder claims that a new integrative structure is required, a so-called *modular concept* that helps illustrate "where various approaches complement or overlap and what implicit assumptions they involve with respect to the other dimensions" (Peneder, 2009, p. 79). Accordingly, a modular diagram is made up of three different parts, which Peneder calls "building blocks", or identifiable intellectual layers that are connected to each other. Table 1.2 shows a schematic outline of the various blocks and their equivalent conceptual meaning comprising different notions and theories. The first block concerns the various behavioral approaches to entrepreneurship, which Peneder summarizes under the statement *entrepreneurship is the pursuit and exploitation of profit opportunities*. The second block is related to the functional differentiation of entrepreneurial activities as separated between equilibrating and disequilibrating market forces. Conversely, the third block takes into account the different entrepreneurial roles, which are compressed into the two categories of independent and corporate entrepreneur. Finally, the model provides a series of indicators that enable to empirically grasp some aspects of entrepreneurship as well. These indicators grant a measurable quantification of certain feature of entrepreneurial process that make possible a better understanding of the mechanisms of enterprises and ventures as a whole.

TABLE 1.2: MICHAEL PENEDER'S MODULAR CONCEPT

1st building block: General behavioral definition

Entrepreneurship is the pursuit and exploitation of profit opportunities.

Selected characterisations of entrepreneurial behaviour:

- (1) Taking judgemental decisions (Knight, Casson, Hébert and Link)
- (2) Creating new means, ends, or means-ends relationships (Venkataraman, Shane)
- (3) Cognitive leadership (Witt)

2nd building block: Functional differentiation

- | | |
|------------------|---|
| Equilibrating | (1) Market co-ordination (Hayek, Kirzner) |
| | (2) Technology adoption/diffusion (Schultz) |
| Disequilibrating | (3) Innovation (Schumpeter) |

3rd building block: Occupational categories

- | | |
|---------------------------|---|
| Independent entrepreneurs | Owner managers running a businesses (Cantillon, Knight,..., Lazear) |
| Corporate entrepreneurs | Managers pursuing opportunities on the market but within the organisational context of the firm (Burgelman) |

Empirical units of observation, e.g.

- (1) Latent entrepreneurship
 - (2) Self-employment
 - (3) Small and medium-sized enterprises
 - (4) Firm entry
 - (5) Firm survival
 - (6) Firm growth
-

[Michael Peneder, *The Meaning of Entrepreneurship: A Modular Concept*, 2009, Journal of Industry, Competition and Trade, 2009, Vol.9(2), pp.77-99, p.89]

The main idea is that all the three blocks include different perspectives that are at the same time foundational but not dogmatic, and therefore entrepreneurship is seen, by Peneder's analysis, in a holistic way. For instance, as pointed out by Peneder himself, although there is a certain kind of hierarchy among the three differentiations of entrepreneurship – as every firm operates in a market to which they have to adjust, many firms are involved in technological progress and only few of them bring about effective innovation – “the forms of entrepreneurship are essential and complementary forces of economic development”

(Peneder, 2009, p. 90). This model allows also for a more comprehensive understanding of entrepreneurship, since it is possible to tackle its various aspects in compliance with the several disciplines, including psychology and economics, that have been employed to study such a many-sided phenomenon. In addition, the model includes both qualitative and empirical aspects of entrepreneurship, as illustrated by the foundational behavioral section on the one hand, and the empirical units of observation on the other.

The modular concept remarkably reaffirms how complex entrepreneurial activities are. It serves as a significant instrument to get a hold of the phenomenon of entrepreneurship altogether as well as to shed light over the fact that different dynamics and notions interact and affect each other in shaping the understanding of entrepreneurial activity. However, the modular concept focuses primarily on the “internal” theoretical apparatus of entrepreneurship rather than on how this phenomenon relates to “external” factors, such as its connection with institutions, society or its effects on the economy. In other words, inquiring the results entrepreneurship accomplish in affecting the economy, and vice versa, requires another level of analysis: What is the relation between entrepreneurship and the broader context within which it occurs? How exactly does the phenomenon of entrepreneurship interact and modify the economy? How is it related to economic growth and development? And even if that was the case, what mechanisms do take place and what factors are at stake? The answers to these question, provided that they exist in a coherent and exhaustive way, will be searched for and investigated in the next chapter.

CHAPTER 2. ENTREPRENEURSHIP ECOSYSTEMS AND INSTITUTIONS

When it comes to dealing with the role played by the entrepreneurs, it is undoubtedly not about “business as usual”, as Ahmad and Seymour put it. Indeed, what has been showed in the first chapter has concerned entrepreneurial orientation as “a psychological entity, active action planning, active social strategy for networking, effectuation and experimentation, active feedback seeking and an active approach to mistakes and an active approach to learning” (Frese, 2009, p.480). Sub-categories and the several areas of study, such as psychology and history, further the ever-growing interest in entrepreneurial research, despite the parallel enlargement of its complexity. Moreover, the latter increases as entrepreneurial activities interact with an external environment made up by different social circumstances, institutions, markets and economic dynamics.

Such “external” environment turns out to be quite important in order to uphold a coherent conceptualization of entrepreneurship. Indeed, what I will argue is that there is not only an interaction in simplistic terms, but that such environment is foundational for entrepreneurial activities to develop. In this chapter I will approach the topic of the wider “ecosystem” which affects and interacts with entrepreneurship by explaining its meaning and implications. Afterwards, the focus of analysis will shift to the links between growth and entrepreneurship as well as the mechanics of interaction between the two, by taking into account the ecosystem perspective. Finally, I will provide for a brief analysis focused on the incentives fostering entrepreneurship as well as the related policies by claiming that institutions are the main aggregators keeping ecosystems together as well as the primary actors providing for key inputs which enable and arrange entrepreneurial activities.

2.1 The entrepreneurship *ecosystem*

In chapter 1, I have provided for a definition of a *loose setting* as a collection of diversified factors which contribute to the establishment of an ideal environment where entrepreneurship can effectively flourish. However, this concept needs to be further expanded due to the wider

implications that actors, institutions and communities have on entrepreneurial actions. While the *loose setting* suggests a draft of the essential factors - mainly economic ones - which enable business to be profitable, the very constitutive foundations of entrepreneurship must be composed by a broader set of elements. Such background may be labelled as *entrepreneurship ecosystem* insofar as the correlation of different and separate elements gives life to an independent phenomenon. As stated by the Oxford Dictionary of the English Language, an ecosystem is definable as both “a biological community of interacting organisms and their physical environment”, strictly in the scientific usage, and “a complex network or interconnected system”. Clearly, the conceptual level of complexity related to entrepreneurship is sufficiently taken into account in these terms. Indeed, one of the best definition of entrepreneurial ecosystem is provided by Mason and Brown (2014), who recognize it to be:

“a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (e.g. the business birth rate, numbers of high growth firms [...]) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment” (Mason & Brown, 2014, p. 5).

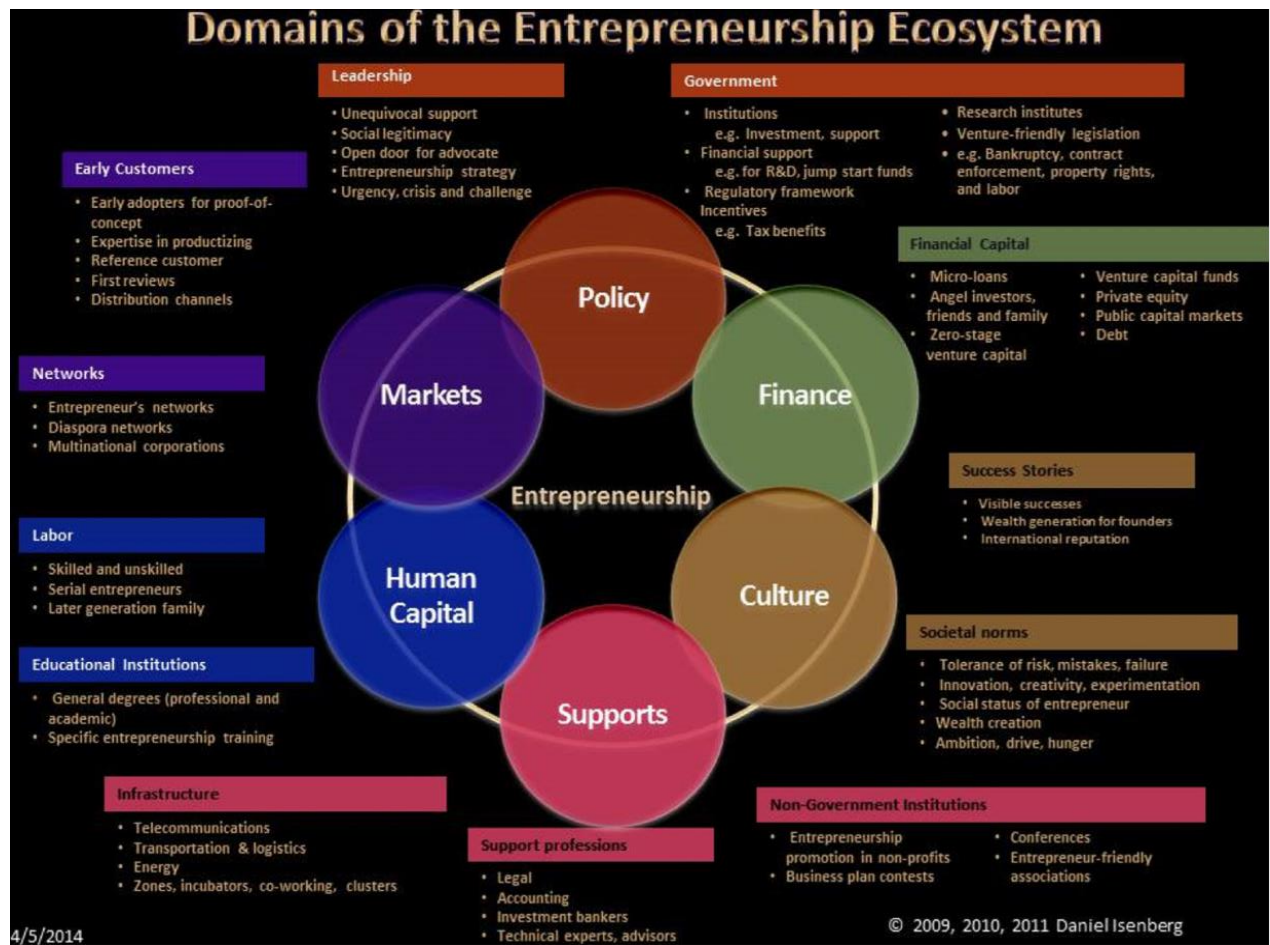
According to this definition, three distinctive aspects can be noticed. First, the importance given to the geographic dimension as the local aggregation of institutions and authorities. This indicates that territorial parameters are crucial for research and analyses on entrepreneurship, as well as that the role played by bodies which are *stricto sensu* “external” to entrepreneurship is more important than one might expect. Second, the peculiarity of the policies to be undertaken in order to take heed of the diversity ascribable to the aforementioned factors. For instance, centralized efforts aimed at increasing the amount of new businesses in a politically unstable region do not instantly presuppose the creation of a setting where firms grow and achieve significant results and development level. Rather, bottom-up actions involving various layers of government and non-governmental may be more suitable to precise territorial features, from geographical nuances to its very social fabric (Mason & Brown, 2014). Third, the fact that both economic and social aspects (including education, politics and culture) are equally valid units of analyses. But does one prevail on the other? Quite obviously, there is no

ultimate or satisfactory answer. Instead, it is possible to analyze by what extent they allow for a fuller comprehension of an entrepreneurial ecosystem. Economic disciplines have certainly brought about a remarkable contribute in terms of theories, methods and empirical approaches, varying from the quantitative procedures of econometrics and representative data samples to qualitative explanations (Parker, 2005). Anyway, empirical rigor is undeniably the most valuable contribution economics can grant to entrepreneurship research. For instance, Parker (2005) illustrates two main theoretical models which have been fostered by data analysis. Firstly, the theory of occupational choice under uncertainty (presented by Kihlstrom and Laffont, 1979) which has to do with someone's decision of becoming an entrepreneur under conditions of high risk. In essence, the tradeoff between risks and profit returns of a potential entrepreneur appears to be strictly connected with the presence of larger chains of business which cause the former to forego the chance to set up a new firm: this is due to the rise of average salaries making paid employment in the second case more profitable. Secondly, the models of credit rationing by institutions such as banks towards potential entrepreneurs show that capital limitations do not inexorably prevent entrepreneurial projects from coming to life so long as a coherent plan of expected returns over a certain period of time is designed before the financing is issued (Carree and Thurik, 2010). As far as non-economic disciplines are concerned, they seem to have regained a notable status within entrepreneurship research thank to the impact socio-cultural studies have on business and on how it is perceived in different communities, as for the different meanings of "value" (Ahmad & Seymour, 2008; Gorgievski & Stephan, 2016). Fundamentally, non-economic fields and subjects have a considerable influence in broadening the spectrum of analysis of entrepreneurship research outside canonical parameters, especially in considering the various aspects making up the ecosystem. In particular, Steyaert and Katz (2004) argue that entrepreneurship is to be understood mainly as a societal phenomenon which overcome the sole economic perspective, and they claim that this is the case for two reasons. Firstly, entrepreneurship takes place in multiple sites and spaces constituting the very texture of the ecosystem. Indeed, such spaces are essentially social and political and therefore they should be approached by taking into account the correspondent dynamics of social interaction and political culture of a community. Secondly, "entrepreneurship is a matter of everyday activities rather than actions of elitist

groups of entrepreneurs” (Steyaert & Katz, 2004, p. 180), and it has to be studied, accordingly, in light of social and political activities and spaces. By this analysis, it is also once more evident how the geographic dimension matter as a foundational aspect of ecosystems. Because of its versatility, it can be considered as an inclusive dimension which acts as a junction between the social and economic dimensions as states, regions and localities are both social spaces and frameworks within which business models explain and assess growth, resource management and entrepreneurial performances.

Despite the ductility endowed by the concept of ecosystem in broadening entrepreneurship research and understanding, the very term *ecosystem* may not be totally appropriate when associated to *entrepreneurship*. As Isenberg (2016) pointed out, the equilibrium reached by an ecosystem is circular and self-feeding, and this implies that no external or internal sources are able to control or modify it. In the first case, ecosystem’s equilibrium would simply be broken from the outside and something would be instead created in its place, while in the second any internal action would eventually level itself out leaving no room for progress. When applied to entrepreneurship, some problematics arise. An entrepreneurial ecosystem is not intentionally created or built, whereas it is true that external actions and actors may influence, create or disrupt business. As a consequence, entrepreneurship does not occur within any ecosystem if it can be “controlled”. Moreover, being entrepreneurship about innovation and change, entrepreneurial ecosystems must be dynamic and, therefore, not in equilibrium. However, Isenberg does not rule out the conceptual possibility of an entrepreneurial environment. Instead, what he proposes is a new comprehensive model that encompasses all the domains affected by and affecting entrepreneurship, as shown by the explicative diagram (figure 2.1). The key intention here is to re-value the concept of ecosystem in two ways. On the one hand, as a support to policy makers in order to show the ways in which “the six domains—finance, culture, human capital, markets, policy, and supports—are posited to interact [...] that make entrepreneurship more likely, prevalent, and self-sustaining” (Isenberg, 2017, p. 571). On the other, as a means to convey the sound bond between entrepreneurship and economic growth. Anyway, this link needs to be furtherly inquired, and this is the focus of the next section.

FIGURE 2.1: DOMAINS OF THE ENTREPRENEURSHIP ECOSYSTEM



[Domains of the entrepreneurship ecosystem, Isenberg D., *Applying the Ecosystem Metaphor to Entrepreneurship: Uses and Abuses*, The Antitrust Bulletin 2016, Vol. 61(4) 564-573, page 572]

2.2 Inquiring the relationship: economic growth – entrepreneurship

Admittedly, the connection between economic growth or wealth and high levels of entrepreneurship sounds quite intuitive as entrepreneurial actions can create “social value such as personal relationships, poverty reduction, enhancement of job satisfaction or the creation of better jobs” (Gorgievski & Stephan, 2016). Different geographic clusters with different levels of development in terms of entrepreneurship are more likely to experience divergent economic performances, even within the same state such as in the cases of Eastern Germany or Southern Italy. Accordingly, much of the past and current academic literature suggests that entrepreneurship is positively correlated with economic growth and development (Acs, 2006; Baumol, 1990; Carree & Thurik, 2010; Boetteke & Coyne, 2003) and

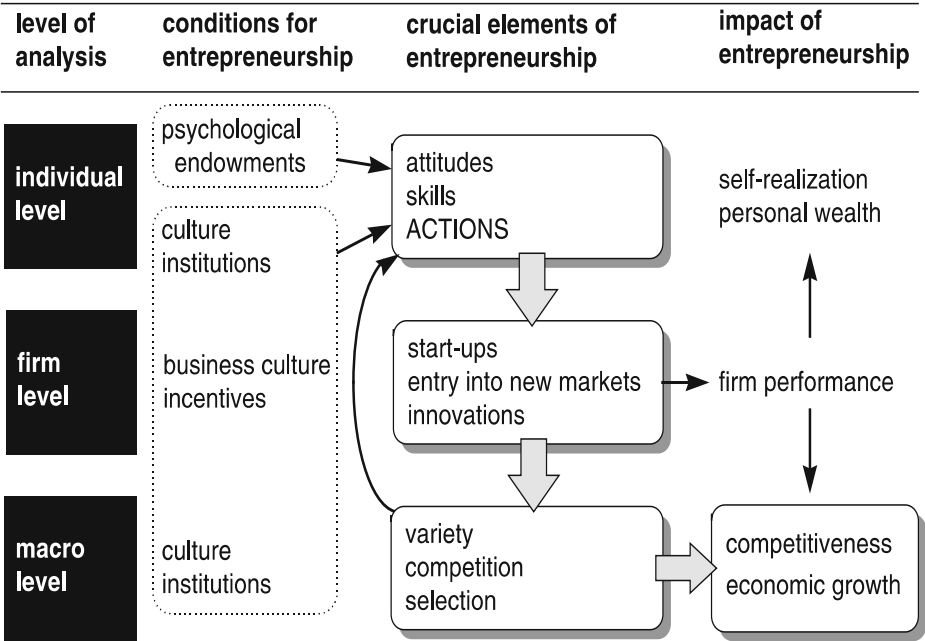
in particular that entrepreneurship itself is one of the main sources thereof. The main reason is usually to be found in the Schumpeterian category of innovativeness which characterizes entrepreneurs. Indeed, the very economic function of entrepreneurs might be summarized by the act of injecting new goods and services into the market once that opportunities for profit have been identified, consequently allowing for more competitiveness and development (Gorgievski & Stephan, 2016). As stated by Carree and Thurik, “newness achieved through the creation of startups and through innovations, as well as through competition, is the most relevant factor linking entrepreneurship to economic growth” (Carree & Thurik, 2010, p. 567).

Nonetheless, this correlation is not necessarily causal. In other words, the fact that entrepreneurship is related to economic growth does not imply that the former is the cause of the latter. Rather, it has been already noticed how important the setting of actors and processes making up the entrepreneurial ecosystem is, and it probably exerts a considerable influence on the potentiality for entrepreneurs to provide for growth. After all, if entrepreneurship was merely about self-employment without taking into account the wider network of policies, institutions, human capital and society, it would not lead to any economic development (Acs, 2006). What appears to be more likely is that entrepreneurship contributes in creating growth when the ecosystem is favourable and facilitating entrepreneurial actions. Simply put, when the ecosystem is beneficial and conducive to the creation of a *loose setting* in which entrepreneurship can flourish, economic growth will stem from it. For instance, entrepreneurial firms can count on more benefits in environments where technological progress is more advanced and where it allows for reduced costs (Acs, 2006). A notable analysis concerning ecosystems’ conduciveness of entrepreneurial performances leading to growth has been presented by Mason and Brown (2014), who have focused on two expediciencies that “efficient” ecosystems should possess. Initially, *place-specific assets* related to the local scope need to be available. The range of such assets can extend from individuals’ and cultural approach to failure to financing devices, as well as assistance in terms of business administration and management that can be provided by recruitment agencies, lawyers or consultants. Secondly, the importance of an *industrial tradition* stimulating Research and Development on both the regional, national and international level is stressed. Notably, such

tradition has undergone a perceptible shift due to the technological revolution. On the one hand the sharing of information and know-how occurs faster, while on the other firms operating within the very technological sector emerged as the best incubators of growth because of the ever-growing amount of opportunities they seized (Mason & Brown, 2014). Furthermore, the analysis goes on by taking into account the primary role of spin-offs companies as well as how their existence can be stimulated and put into effect. Spin-off business happens as a parallel process within entrepreneurial activities with the detachment of branches from an original firm or corporation. Depending on the gauge of the momentum gained by spin-off activities, further stimulation of economic growth occurs. What is underlined by Mason and Brown as the basis for the spin-off process is the set of networks between original firms and the derivative business, the relationship between employers and employees as well as the access to resources, knowledge and support. In synthesis, “the spin-off process is facilitated by particular environmental attributes, notably the presence of talented people, knowledge, networks, the presence of role models and the availability of advice, mentoring and resources to support entrepreneurial activity” (Mason & Brown, 2014, p. 27). Evidently, when entrepreneurial ecosystems are effective means that provide for business establishment and thriving, there is extensive room for growth. However, is it possible to identify an aggregating element, or more than one, that allows for such conduciveness? If this is the case, such element should be acting as a connector between the different levels and actors constituting an entrepreneurial ecosystem, as well as between different social and economic mechanisms. Moreover, it should endure dynamic processes of change and transformation in order to adapt itself without losing the aggregative capacity. For example, besides radical technological changes, entrepreneurship has been deeply influenced by globalization and cross-culturalism – which has contributed to the diversification of tastes and more flexible specialization-variation in labor supply, outsourcing and productive decentralization (Carree & Thurik, 2010). Arguably, this connecting role is played by political, economic and social institutions insofar as they effectively correlate the entrepreneurial micro-level to the macro-level of corporations, regions, states and international settings to which the idea of growth and development is pertaining (Carree & Thurik, 2010). Figure 2.2 summarizes how institutions as conditions to entrepreneurship support the intertwining relations of individual factors, among which there

are the psychological aspects mentioned in chapter 1, with the wider levels of culture and economy, and how such pattern grants entrepreneurship as a whole to have an impact on economic growth. In a nutshell, the relationship entrepreneurship – growth turns out to be as follows: entrepreneurial activities contribute to growth and development if its ecosystem (which includes individual, social, cultural, political and economic factors), whose fabric and texture is made up by institutions (acting as aggregators), provides for a loose setting where entrepreneurs can properly undertake their activities.

FIGURE 2.2



[Carree, M.A., Thurik, A.R., 2010. The Impact of Entrepreneurship on Economic Growth, in Acs, Z.J., Audretsch, D.B. (eds.), "Handbook of Entrepreneurship Research", Springer Science+Media, New York, page 587.]

Nonetheless, the importance of institutions in these terms has been only recently reconsidered, since the attention of neoclassical economists in the 20th century for equilibrium models and their consideration for some crucial factors as exogenous, such as technological progress, did not allow for a deeper observation and study of the role of entrepreneurs and institutions in the economy (Baumol, 1990; Carree & Thurik, 2010). The focus of the next section will revolve around institutions and especially the incentives they provide in order to be aggregative elements of entrepreneurial ecosystems, as well as the main policies related.

2.3 The role of institutions: incentives and policies

Notwithstanding the straightforward claim that considers the centrality of institutions in the study of entrepreneurship, the discourses concerning their links include a wide range of topics and implications on the social, political and economic level. Hence, this section takes into account two main themes that serve as a starting point for any further broadening related to the complexity of entrepreneurial processes in these terms, namely the role of institutions in recommending and providing both key *incentives* to entrepreneurship (mainly on the individual or micro-level) and effective entrepreneurial *policies*.

a. Institutions as incentive providers

What characterizes institutions as aggregators within ecosystems is their role as enhancers of social interplays as well as guidance in dismissing unpredictability where possible. Insofar as institutions operate an effective reduction of costs and coordination of knowledge all over societal structures (Boetteke & Coyne, 2003), they can ensure the correct implementation and execution of the inputs necessary to the community. As North (1994) stated:

“Institutions are the humanly devised constraints that structure human interaction. They are made up of formal constraints (e.g., rules, laws, constitutions), informal constraints (e.g., norms of behavior, conventions, self-imposed codes of conduct), and their enforcement characteristics” (North, 1994, p. 360).

Since entrepreneurship is an intricate phenomenon that extends to many different sectors of society, it is difficult to ascribe and define a limited number of institutions that matter in influencing an entrepreneurial ecosystem. Moreover, manifestations of entrepreneurship encompass different stages which depends on a variety of factors – such as the size of the economy, the links and relation of the home country with foreign ones, and the rates of education – that relates to the institutional context as a whole. For this reason, the institutional influence over entrepreneurship cannot be played down. A claim that can be made here is that entrepreneurship occurring across different institutional regimes offers different results and

performance, and such outcomes may be largely attributable to how strong institutions are and to how, within the ecosystem, they channel business and firms' activities (Boetteke & Coyne, 2003). In order for effective entrepreneurial activities to take place, institutions are supposed to provide key *incentives* or "payoffs" that encourages not only people to become entrepreneurs, but also actual entrepreneurs not to quit their activities for want of profitable opportunities. According to Baumol (1990), institutions create the "rule of the game that specify the relative payoffs to different entrepreneurial activities", whose role is paramount in "determining whether entrepreneurship will be allocated in productive or unproductive directions, and [...] this can significantly affect the vigor of the economy's productivity growth" (Baumol, 1990, p. 918). As it seems clear that effective incentives should be aimed at increasing competition within a market, it is also true that they should pinpoint how entrepreneurs are stimulated into looking for and seizing perceived or existing opportunities (Boetteke & Coyne, 2003). Logically, incentives are meant to encompass the different realms and domains related to entrepreneurship as to impact and sway, within reach, the *supply* – or *allocation* in Baumol's words – of entrepreneurial individuals. In order to make sense of such tenet, specific bodies such as main centers of research (Global Entrepreneurship Monitor, Journal of Global Entrepreneurship Research) and international organizations (World Bank, International Labor Organization) have been targeting increasingly expansive models of incentives provided by institutional environments, which can be summarized in four broad categories:

- *Individual-level incentives.* Incentives in this sense are the result of a mediation between external circumstance and personal traits and evaluations. For instance, perceived motivations, profitability of starting a business, and the consistency of business activity are included here. One of the most crucial distinction to be made, which will be analyzed more deeply in the next chapter, is the difference between opportunity-driven and necessity-driven entrepreneurship as well as the implications it has on both economic development and the active individual decision-making process through the phases of entrepreneurial activity (Acs, 2006).
- *Public-level incentives.* This category is strictly connected to the previous one since actions on a public domain will influence individual's life and choices. Here concrete policies and less tangible factors are comprised: the regulation framework made up by

legal protections (especially intellectual property rights and competition rules), flexible bureaucracy and transparent administrative procedures (Bowen & De Clerq, 2008); societal perceptions of entrepreneurship; cultural and social norms; policies for a fairer gender distribution in business; job-creation projections.

- *Educational incentives.* The role of education oriented towards entrepreneurship has been increasing in importance in the last years: any incentive aimed at improving entrepreneurial skills and competencies as well as the extent of education capital invested in promoting entrepreneurship seem to be correlated to high-growth activities even though further research need to be done in the future (Bowen & De Clerq, 2008).
- *Financial and infrastructural incentives.* This section includes two different types of incentives. First, the ones related to the effective functioning of the financial system of a state and the critical impact it has on entrepreneurship, be it related to access to loans, stock market regulations, venture capitals or financing of risky projects (Bowen & De Clerq, 2008). Second, the ones aimed at improving both physical and non-physical infrastructure, such as technological availability on the one hand and Research & Development know-how on the other.

In the next chapter, we will see how these incentives are more specifically framed by an important center of research on entrepreneurship, namely the Global Entrepreneurship Monitor (GEM), and which methodology is employed to connect them in an operative framework. Quite obviously, all the aforementioned categories are deeply intertwined with one another and are not to be considered fixed and rigid. As an illustration, individual factors (like social acuity and leadership) may interact with infrastructural problems or complexities in the financing system, and that may prevent entrepreneurs from being solely rational and profit-maximizer actors; instead, this could allow for a push towards looking for more creative ways to express their own entrepreneurial behavior as well as searching for new information when knowledge concerning that specific business is insufficient (Hopkins, 2016).

b. Entrepreneurship policies: an overview

“Policy-makers are typically interested in facilitating or encouraging the growth of entrepreneurship because it creates both economic and non-economic value. Some policy-makers will, for example, focus on entrepreneurship contribution to economic growth. Others might focus on entrepreneurship contribution to solving environmental problems or its contribution to social inclusion” (Ahmad & Seymour, 2008, p.12)

In regards to policies related to entrepreneurship, such topic would deserve more depth of analysis due to the complexity and the several aspects and domains entrepreneurship encompasses. However, it is possible to distinguish between two macro-categories of policies which affect entrepreneurial performances both directly and indirectly. As discussed in the previous sections, functioning ecosystems allows for the flourishing of entrepreneurship, and institutions are the aggregators which pull the elements of ecosystems together. Accordingly, on the one hand there are policies aimed at improving entrepreneurial ecosystems whereas, on the other, there are policies aimed at making entrepreneurship more efficient. These two kinds of policies can also be labelled as *systemic* and *non-systemic* policies since the former focus on the ecosystem as a many-sided setting whereas the former focus on specific sectors concerning entrepreneurship, such as taxation (Mason & Brown, 2014). Moreover, the geographical factor counts as rules and policies affecting entrepreneurial behaviors and allocations are subjected to societal traits and features (Baumol, 1990). Policies supporting ecosystems are obviously much wider and general than specific entrepreneurship-aimed ones. It is possible to find four main areas constituting the framework of policy intervention: competition rules, property rights, fiscal regime associated to a stable monetary policy as well as support for education and research (Parker, 2005; Mason & Brown, 2014, Boetteke & Coyne, 2003). In particular, Boetteke and Coyne (2003), found interesting results related to ecosystem policies. First, they claimed that a strong relationship exists between sound property rights regulations, efficient enforcement of rule of law and high levels of growth, where the former factors are vital for economic development. Second, the weakness of institutional bodies is correlated to high shares of GDP comprised within unofficial economy such as criminal activities, as well as to high level of corruption and state inefficiency. However, the third point

states that excessive regulation may lead to inefficiency as well, since bureaucratic constraints prevent innovative activities and political enforcement from occurring. Conversely, Mason & Brown (2014) assert that the very members of entrepreneurial community have the power of undertaking initiatives to change and influence ecosystems, which is not only a governmental prerogative. The primary ways in which this may happen is through patronizing events both at the cultural and educational level, such as mentoring, and at the professional one by means of networking and assistance. As far as direct (non-systemic) entrepreneurial policies are concerned, here the focus is mainly economic and, according to Parker (2005), pointed towards tax cuts and loan guarantee schemes. While the former is believed to stimulate entrepreneurial growth due to the possibility of higher revenues, the latter encourage investors and entrepreneurs in asking for capital in order to set up a new business, and this is especially effective when governments promote the creation of new start-ups. Such policies have been considered by Mason and Brown (2014) as *transactional* in contrast to *relational* policies, which are aimed at developing connections between enterprises and government as well as at aligning, if possible, entrepreneurial priorities to political one in terms of trade, foreign investments and domestic macroeconomic equilibria. In other words, entrepreneurship policies are not necessarily static but they can shift from business-specific interventions to “new institutional capabilities and the fostering of synergies between different stakeholders” (Mason & Brown, 2014, p. 5). In conclusion, the varied spectrum of entrepreneurial policies shows that the targets of political actions are to be found amongst different social and economic actors, by not only focusing on entrepreneurs themselves but by grasping the way they relate to society as a whole. Furthermore, it is clear that the complexity and dynamicity of ecosystems as heterogeneous and multidimensional phenomena suggest that they should be approached as integrated systems rather than collections of diverse factors.

CHAPTER 3: THE GLOBAL ENTREPRENEURSHIP MONITOR

Thus far, this paper has attempted to provide an encompassing analysis of the phenomenon of entrepreneurship. Starting from historical inquiries, entrepreneurial activities have been evaluated and framed according to different scholarly approaches, psychological attitudes, managerial skills, socio-political significance and, of course, economic impact. Clearly, entrepreneurship complexity and multi-dimensionality should be quite perceptible by now. This is also true by reason of the growing interconnections occurring between entrepreneurship and the wider *environment* which includes further layers, agents, factors and concepts contributing to a more holistic and systemic methodology of research. One example of that is the geographic dimension within which entrepreneurship can be studied as well as its implications on both empirical inquiry and evaluation of effective policies. Indeed, it is possible to discuss at length about the size of a relevant geographic space to consider, about the parameters that defines a geographic cluster, or about the geographic limits within which a social, economic or entrepreneurial phenomenon has an impact. Furthermore, things got even more complicated since globalization stepped in as a new conceptual paradigm due to the new challenges and ramifications it presents. As an illustration, the potential contribution of entrepreneurship to growth has broadened since the globalized context amplifies innovations and spillovers insofar as “comparative advantage of modern economies is shifting toward knowledge-based economic activity” (Carree & Thurik, 2010, p. 588). However, it is also true that the entrepreneurial participation in the domestic economy is significant where a coherent growth strategy exists, which is in fact the consequence and not the prerequisite for the integration in the global economy (Rodrik, 2007).

Entrepreneurship is therefore much more complex than we already imagine. It is drenched with complexity in every stage and phase, and new aspects and findings are bound to be unveiled in the next years. Consequently, research on entrepreneurship *needs to reach a new equilibrium by offsetting the focus on definite and precise elements with a more extensive, interdisciplinary,*

and integrative approach. Surely, effective research does already exist, as shown by the World Bank reports and the International Labor Organization WESO (World Employment Social Outlook). Nonetheless, this chapter is concerned with exploring and describing the work and the methodology provided by the General Entrepreneurship Monitor (GEM), one of the largest research consortia on entrepreneurship and one of the most promising due to its cross-national and social analyses of entrepreneurship. The importance and the contribution provided by GEM lies in the insights that stem from a particular way of tackling entrepreneurial phenomena, a way which gets close to that holistic approach one needs to make sense of the already mentioned complexity. In this chapter, I will describe what GEM is, what framework and concepts are employed as well as the main results of the most recent report of 2016-2017. In conclusion, I will analyze the case of a country employed in the GEM research, namely Malaysia, in order to apply and examine GEM findings over entrepreneurship more in detail.

3.1 What is the Global Entrepreneurship Monitor?

The Global Entrepreneurship Monitor (GEM) is a research institute on entrepreneurship founded in 1997 as a partnership between Babson College and the London Business School. Reports have been issued annually since 1999, when only 12 countries were surveyed, while the most recent one includes 66 world economies - covering 84.9% of the world's GDP - examined by more than 400 researchers belonging to more than 100 different academic bodies (GEM Report, 2016). The major peculiarities of GEM research consist in the analysis of different countries classified according to regional areas, level of economic development and type of entrepreneurial activity. Despite such differentiations, GEM's strength lies in two common features among surveyed countries. First, the measurement approach employed by GEM analysts is homogeneous as it makes use of global-scale databases, namely the Adult Population Survey (APS) and National Expert Survey (NES), which are meant to be complementary and mutually beneficial. On the one hand, the APS categorizes respondents within the 18-64 age range from representative samples of 2000 randomly selected adults whose gender, employment status, educational background, and household income are

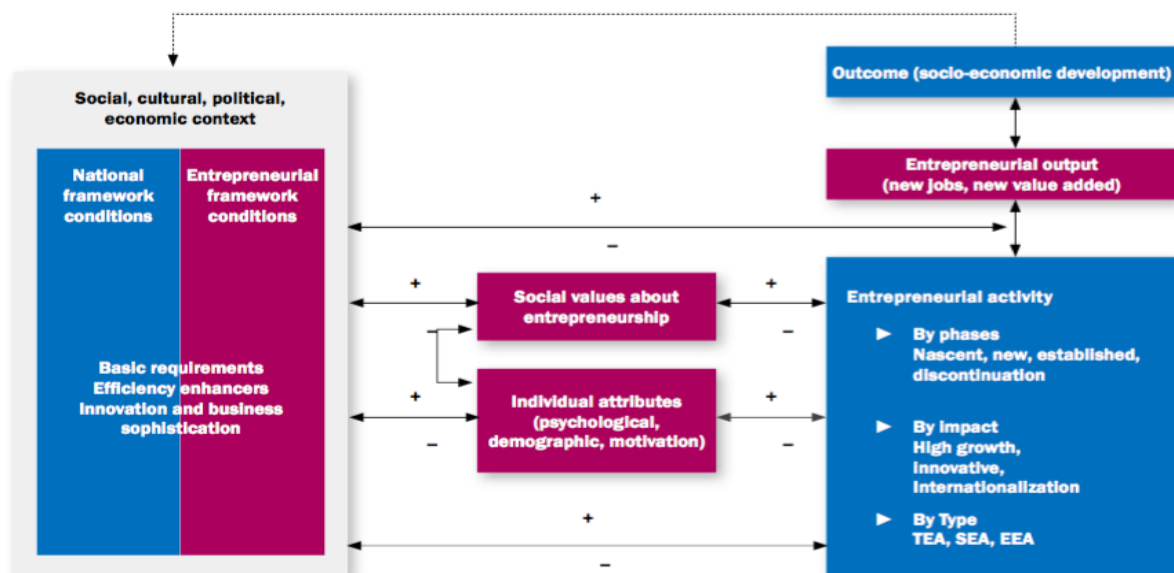
carefully recorded (Lepoutre, Justo, Terjesen & Nosma, 2013). On the other, the NES ensure that a minimum of 36 entrepreneurship experts per country (entrepreneurs, members of the academia or government) are interviewed in order to collect in-depth judgments about the factors that can mostly affect entrepreneurial activity. Second, uniform definitions and concepts are utilized in the interviews in order to allow for unique cross-national comparisons, and indeed such equivalence would be hard to establish by merely relating official national data from domestic surveys (Acs, 2006). Furthermore, GEM singularity arises from its broad approach which goes beyond simplistic economic analysis: rather, the focus of the inquiry shifts also towards asking the interviewee for the perceptions they have about entrepreneurship (both self-perception and societal perceptions), motivations and ambitions of entrepreneurs, and the quality of the entrepreneurial ecosystem they live in. The latest GEM report thoroughly combines parameters and findings so as to ensure different perspectives on the results of the research: the first part discuss the result according to the indicators employed, the second part displays entrepreneurial profiles for each individual economy whereas the third one includes tables on indicators arranged by geographical region. The importance of GEM research has increased over the last years as more studies have relied upon GEM data, concepts and findings, and a larger community focused on entrepreneurial activities is growing although only a modest number of academic and political institutions have fully esteemed GEM model (Alvarez, Urbano & Amoro, 2014). In fact, GEM potentiality is still quite untapped – as the connections and implications between entrepreneurship and society are – and therefore both academic partnership and links with national and international institutions should be progressively strengthened, even though GEM's policy recommendations are addressed to a large variety of actors within the entrepreneurial ecosystem. However, GEM activity can still be considered as relatively new since every year the methodology and the research framework are both adjusted to the results of the previous years and enriched with new concepts, notions and topics to investigate as economies, politics and societal needs continue to evolve. And certainly, the very soundness and credibility of GEM research lies in the flexibility and the consistency of such framework and methodological approach.

3.2 GEM approach to entrepreneurship: framework and concepts

a. The framework

As already mentioned, the GEM framework help understand entrepreneurship holistically, namely as a phenomenon which is intertwined with individual attributes and the wider ecosystem context. In the 2016-2017 report, it is pointed out how the framework “depicts the multifaceted features of entrepreneurship, recognizing the proactive, innovative and risk responsive behavior of individuals, always in interaction with the environment” (GEM 2016-2017 report, p. 13).

FIGURE 3.1: GEM METHODOLOGICAL FRAMEWORK



[GEM report 2016-2017, p. 14]

It is once more evident that factors affecting entrepreneurship have to be found both to external factors like societal values and internal personal perceptions, and that the best results ascribable to entrepreneurship, i.e. economic growth, occur to the extent to which the ecosystem (social, cultural, economic and political context) effectively support their combination. **Figure 3.1** explains that clearly. The ecosystem is divided between the National Framework Conditions (NFCs), which takes into account the stage of economic and social development, and the Entrepreneurial Framework Conditions (EFCs), which relate to the wider

spectrum of market, government policies, legal infrastructures, and cultural norms. The way all these factors interact with individual and social values produces a certain kind of entrepreneurial activity with a different socio-economic impact, which will finally create specific qualitative and quantitative outputs. GEM researchers recognize entrepreneurship as part of a complex “*feedback system*” which includes personal (psychological) and trans-personal elements (social, political, economic and cultural), and that entrepreneurship itself is at the same time an output stemming from the interaction of those elements and a favorable input to the ecosystem as a whole through economic development and the creation of new jobs. Understandably, the positive effects of entrepreneurship as an input depend on the structures and elements that created and influenced it in the first place. Therefore, by using such scheme as a starting point, GEM’s goal is to “uncover factors that encourage or hinder entrepreneurial activity [...], provide a platform for assessing the extent to which entrepreneurial activity influences economic growth [...], and uncover policy implications for the purpose of enhancing entrepreneurial capacity in an economy” (GEM 2016-2017 report, p. 14).

b. Main concepts and parameters

Undoubtedly, in order for this framework to serve effectively as a guide in entrepreneurial research, some concepts and notions need to be coherently defined and formulated. For instance, the kinds of entrepreneurial activity that characterize and are related to a certain development stage for a country – and how such stages are described; or the indicators to measure people’s perceptions about entrepreneurship as well as the social values that might influence such perceptions. The GEM report individuates three macro-areas that include the main concepts employed in the research, namely the societal values towards entrepreneurship, individual attributes and entrepreneurial activity, whose main aspects are summarized in the following table (3.2).

TABLE 3.2: MACRO-AREAS OF GEM RESEARCH CONCEPTS

Societal values	Individual attributes	Entrepreneurial activity
<ul style="list-style-type: none"> • Extent to which entrepreneurship is valued as a good career choice • Social status of entrepreneurs • Contribution of media attention/coverage of entrepreneurship 	<ul style="list-style-type: none"> • Demographic factors (age, gender, geographic location) • Psychological factors (perceived opportunities, perceived capabilities and entrepreneurial intentions, fear of failure rate) • Motivational aspects (necessity vs. opportunity) 	<ul style="list-style-type: none"> • Phases of the life cycle of entrepreneurial ventures (nascent, new business, established business, discontinuation) • Type of entrepreneurial activities [EA] (Total Early-stage EA, Social EA, Employee EA) • Impact (High growth, Innovation, Internationalization)

The main parameters of the three categories are meant to serve as the main indicators to be used in the collection and elaboration of data. Societal values and individual attributes are addressed to the respondents of the sample (whose demographic factors are recorded), as they have to assess, for instance, how they think that entrepreneurs are regarded in their society or what would motivate them to become entrepreneurs. These indicators are crucial to extrapolate individual attributes and societal views on entrepreneurs and entrepreneurial activities, as well as someone's intentions to become an entrepreneur and why. Instead, the third area is addressed to the current entrepreneurs and to the features of their businesses. In particular, GEM researchers assess the type of entrepreneurial activity and its phase within the lifetime cycle of a business. Specifically, the report presents a key distinction between the *Total Early-stage Entrepreneurial Activity* (TEA) - which measures the phenomenon of *new entrepreneurship* - the *established business ownership* rate and the *discontinuation rate*. The

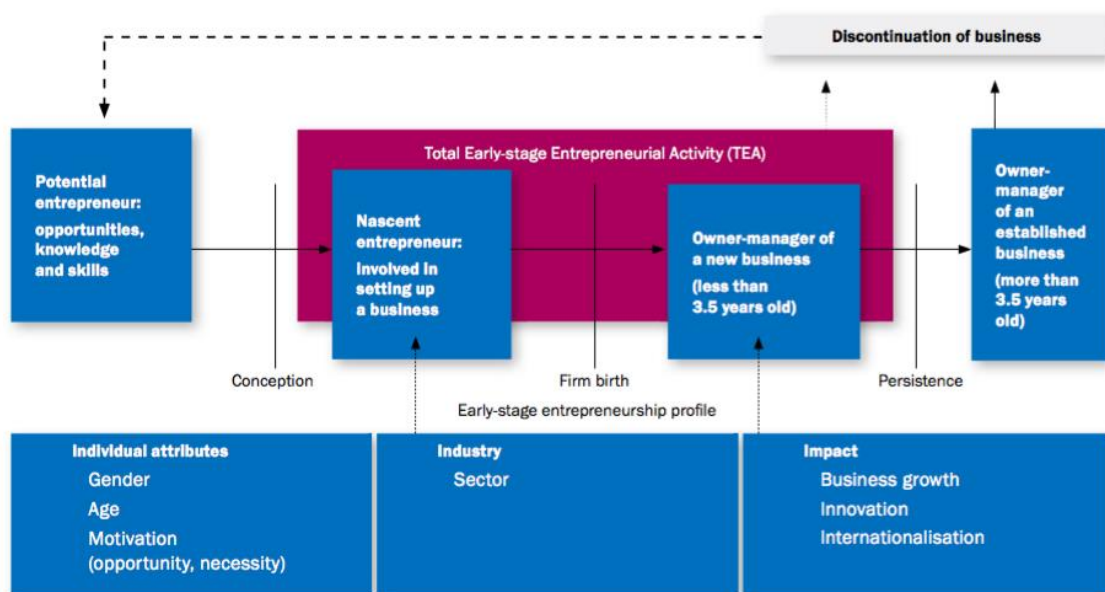
established business ownership rate includes those who have owned and managed a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months, whereas the latter includes those who have given up their business in the last 12 months. Indeed, the GEM aims at appraising the rate of business birth and the prevalence of firms that have survived the “start-up” phase as to ascertain the dependence of each to economic growth, while evaluating the factors who contribute to business discontinuation (Acs, 2006). As far as the type of enterprise is concerned, the GEM report carefully distinguishes between three kinds of entrepreneurial activities:

1. The *Total Early-stage Entrepreneurial Activity* (TEA) which, as already mentioned, targets the newest forms of entrepreneurship and the process of business inception. Indeed, it indicates the percentage of the adult population who are actively involved in the process of starting a business (they have already chosen to engage in entrepreneurship) or owner-managers of a new business which is less than 42 months old.
 2. The *Employee Entrepreneurial Activity* (EEA), which indicates the percentage of the adult population who as employees have been involved in entrepreneurial activities such as developing or launching new goods or services, or setting up a new business unit, a new establishment or subsidiary.
 3. The *Social Entrepreneurial Activity* (SEA), which indicates the percentage of the adult population who are engaged in early-stage entrepreneurial activities with a social goal.
- (GEM 2016-2017 report, p. 16)

GEM research commits notably to inquiring the TEA since it marks the transition between the intention of becoming entrepreneur to actual entrepreneurship. The focus, as shown in **figure 3.3**, revolves around the main factors affecting such transition, from individual features and psychological traits to the growth of the business and its impact on the ecosystem, unless discontinuation happens and the business owner is classified back as a potential entrepreneur. Accordingly, it has been argued that GEM intention is to capture the *informality* of entrepreneurship, that is the distinction between potential and actual entrepreneurs as well as the dynamics that influence all the possible decisions (Acs, Desai & Hessels, 2008). Another key

distinction that must be mentioned is the one between the different types of economic development of a state. Here, GEM researchers have relied upon the World Economic Forum's classifications of national economies, which are divided in three categories:

FIGURE 3.3



[GEM report 2016-2017, p. 15]

- *Factor-driven economies*: economies at lower levels of economic development that relies mainly upon subsistence agriculture, unskilled labor and natural resources exploitation.
- *Efficiency-driven economies*: economies whose competitiveness is high enough to ensure an efficient production process and increased quality of products.
- *Innovation-driven economies*: economies at the highest level of economic development that relies mainly on knowledge-based business and the service sector, with high levels of competitiveness and wages.

(Schwab & Sala-i-Martin (2015), World Economic Forum Global Competitiveness Report 2015-2016)

Such definitions are crucial due to the fact that all the data are functional to the stage of

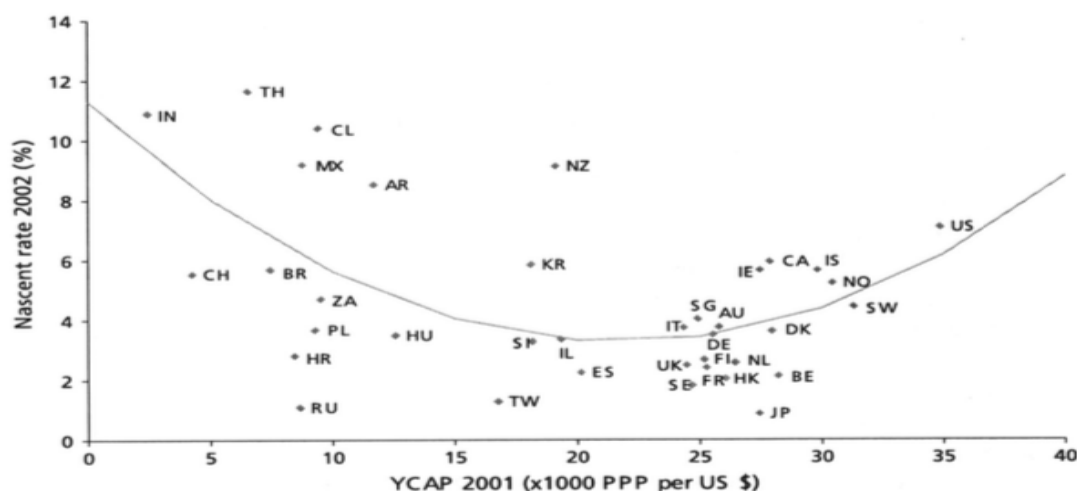
economic development of a country. Indeed, GEM findings are interpreted and presented by following the classification of the states included in the research according to their own level of economic development and competitiveness. Noticeably, it is important for GEM researchers to detect and discuss certain patterns or findings that connect entrepreneurial activities to economic development, especially if the aim is providing recommendations for that specific state or geographical area. Indeed, although GEM's efforts are surely pointed towards devising uniform and consistent models, it is clear that GEM research underlines that each region and state has their own needs and potential stemming from different social, cultural and institutional environments. Accordingly, GEM tries to distance itself from a flimsy *one-size-fits-all* approach to economic development, even though it considers the fostering of entrepreneurship as having a general positive impact. The effectiveness of GEM research therefore depends on keeping to assert the need of specific entrepreneurial policies in line with one state's peculiar background.

c. Entrepreneurial opportunity and necessity

The first GEM reports pointed out that factor-driven countries had similar rates of nascent business in comparison to the innovation-driven ones (Acs, 2006; Acs, Desai & Hessels, 2008), as shown in **figure 3.4**. Despite the discrimination between the three levels of development adopted from the World Economic Forum, one of the major problems that GEM has faced was comparing the different types of entrepreneurial activity in countries at a different economic development stage. Indeed, the difference in the typology of self-employment and TEA between developed and developing countries could not be neglected. The main distinction to be marked is between *necessity entrepreneurship* and *opportunity entrepreneurship*. While the former reflects the constraint to resort to engaging in any form of self-employment to cope with a condition of poverty or joblessness, the latter is more likely to bring about economic development because it represents "an active choice to start a new enterprise based on the perception that an unexploited or underexploited business opportunity exists" (Acs, 2006, p. 97). In order to rationalize the findings of **figure 3.4** within the conceptual framework, GEM researchers started using a new indicator in 2004, namely the *opportunity-necessity ratio*, which illustrates the proportion of *opportunity-entrepreneurship* vis à vis *necessity-entrepreneurship*, and **figure 3.5** shows how the rate of the former increases with the level of

economic development (Acs, Desai & Hessels, 2008).

FIGURE 3.4: NASCENT ENTREPRENEURSHIP AND PER CAPITA INCOME



[Nascent entrepreneurship versus per capita income, the U curve, from *Entrepreneurship, Economic Development and Institutions* (Acs, Desai & Hessels, 2008, p. 224)]

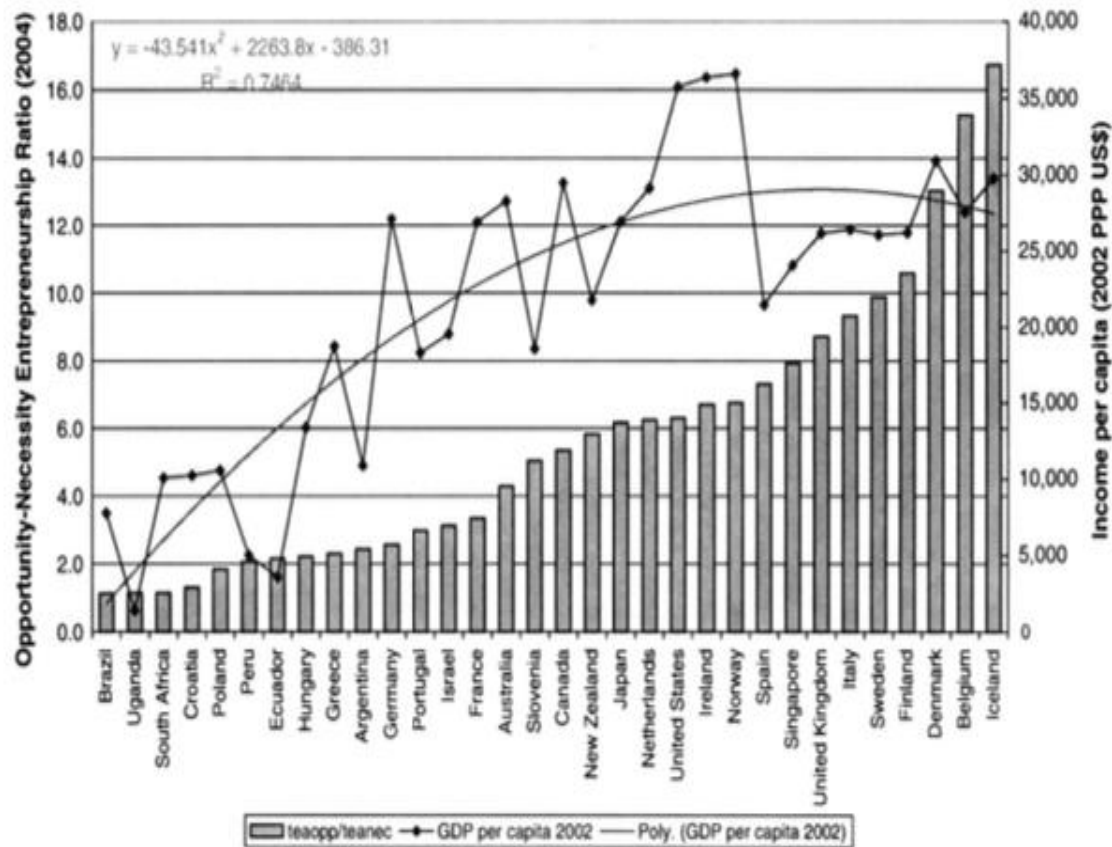
It is clear that factor-driven countries generally witness higher rates of *necessity entrepreneurship* in the form of self-employment due to the worse economic conditions, whereas in efficiency-driven countries innovation comes from the outside, usually as Foreign Direct Investments or exported technological know-how from abroad, and therefore both the rates of *opportunity* and *necessity entrepreneurship* fall as the most of working chances derive from being employed in already established firms rather than going freelance (Acs, 2006). Finally, in innovation-driven countries *opportunity-entrepreneurship* raises as more profitable opportunities stem from the developed market-economy environment, i.e. better economic institutions, which also provides people with more resources to set up a business.

3.3 Key findings and policy recommendation

The results of the GEM 2016-2017 report are manifold and thoroughly discussed by taking into account general trends, specific findings per country, regional areas and demographic attributes (gender and age). Generally speaking, they appear to confirm the importance of both infrastructural aspects of the environment and the individual and social perceptions as key element in influencing and affecting entrepreneurship as far as choices, performances and

contribution to growth are concerned. As follows, the main findings are summarized within the categories of *social findings*, *entrepreneurial stages* and *entrepreneurship and ecosystem*.

FIGURE 3.5: THE OPPORTUNITY-NECESSITY RATIO



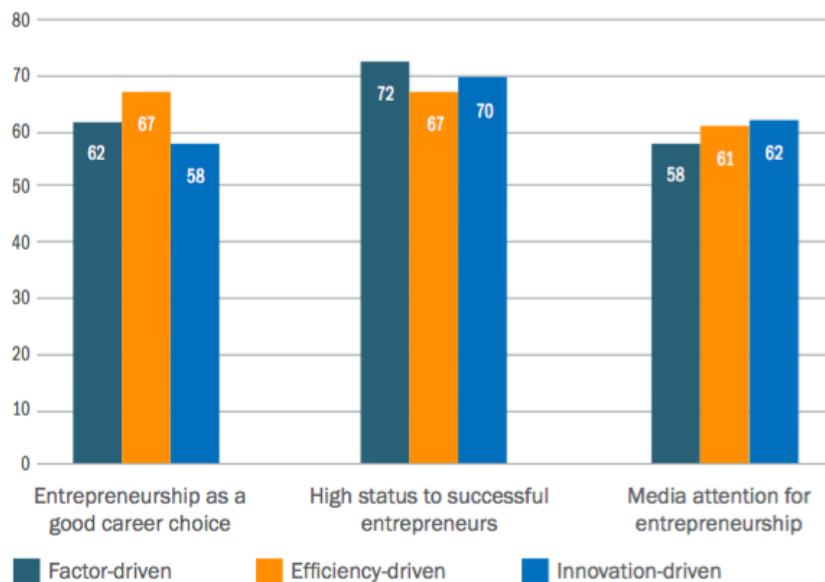
[Opportunity-necessity entrepreneurship ratio and income per capita, from *Entrepreneurship, Economic Development and Institutions* (Acs, Desai & Hessels, 2008, p. 225)]

a. Social findings

As shown by **figure 3.6**, positive perceptions about entrepreneurship are shared by all the surveyed economies without any significant deviation. Favorable regards are usually higher in factor-driven and efficiency-driven economies, where entrepreneurship is often associated to better economic conditions. However, when it comes to opportunity-perception and

entrepreneurial-intention, the matter gets more complex. This is evident from **figure 3.7**, where one can notice how, in innovation-driven economies, there is a higher rate of fear of

FIGURE 3.6



[GEM report 2016-2017, p.18]

failure and lower rates of perceived capabilities, as well as lower intentions to start a business. This is explainable by the already mentioned difference between opportunity and necessity entrepreneurship, as in developed countries entrepreneurial activities are usually more related to the chances offered by the market, by sectors requiring highly skilled performers such as information technology, and by financial activities. Moreover, it is plausible to say that there is a higher supply of well-paid employment jobs with respect to factor-driven and efficiency-driven economies.

The fact that entrepreneurial propensity is larger in factor-driven supports the claim that necessity self-employment is weighed as an optimal choice to increase the standard of living, as also the levels of female and youth entrepreneurship are higher in less developed geographical regions such as Africa, Caribbean and Latin America, at around 16% (GEM report). Moreover, it is once more evident how the ecosystem (including the level of economic development) influences both entrepreneurial propensity and the type of entrepreneurial activity.

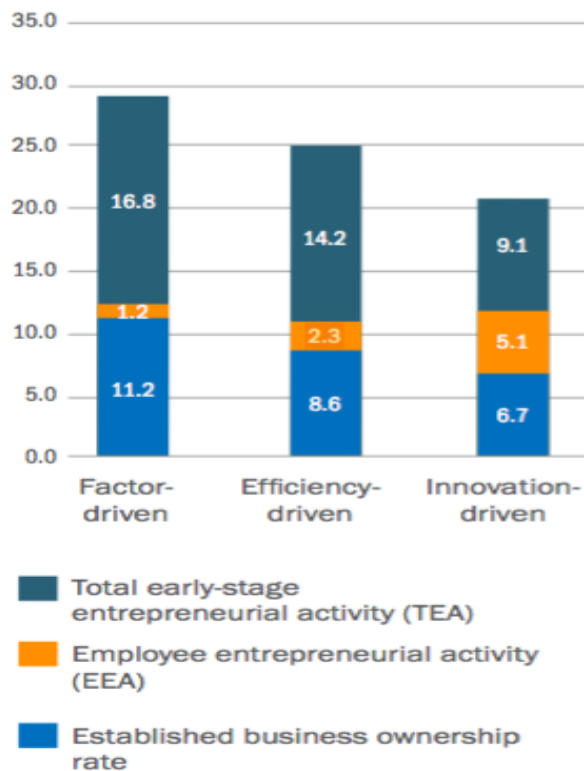
FIGURE 3.7 [GEM report 2016-2017, p.19]



b. Entrepreneurial stages

GEM found out that the highest levels of both TEA and established business ownership (EBO) belong, understandably, to factor-driven economies, and that both geographical location and GDP levels tend to explain similar patterns between countries. It is also suggested that the recent support of start-up activities in developing countries is at the root of increasingly higher levels of TEAs as compared to EBO levels, although “the magnitude of the imbalance implies that there are likely to be problems with the sustainability of the former” (GEM Report 2016-2017, p. 24). On the other hand, levels of EEA are much higher in the innovation-driven group, thus showing how the support of certain firms for an entrepreneurial-like behavior - innovative, autonomous and proactive – is promoted by more socially and economically stable society (GEM Report on Entrepreneurial Employee Activity, 2011). Such findings are illustrated in **figure 3.8**. Finally, GEM shows that business discontinuation levels are higher in factor-driven and efficiency-driven economies, suggesting that, despite the need to contextualize the reasons of giving up a business, firms in less developed entrepreneurial ecosystems may be more likely experience major constraints form inefficient bureaucracy and heavy taxation. However, these suppositions could hide other more realistic causes, such as individual entrepreneur’s lack of skills and competences, especially when it comes to necessity entrepreneurs.

Figure 3.8



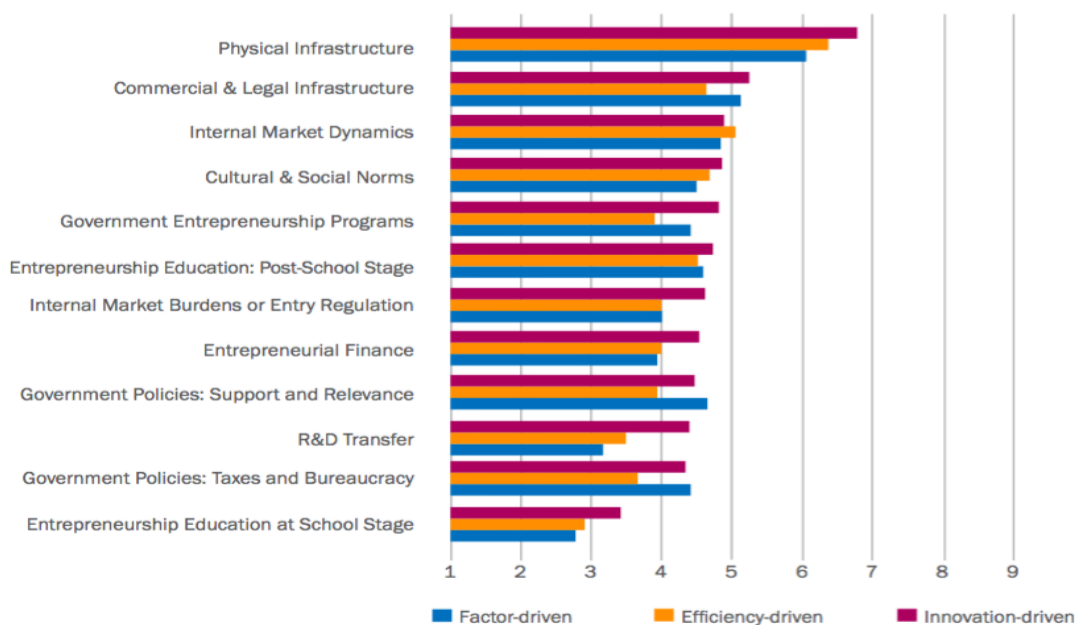
[GEM Report 2016-2017, p. 21]

c. Entrepreneurship and the ecosystem: the main policy recommendations

Another key GEM's goal is to assess the quality of the entrepreneurial ecosystem which, as already claimed, crucially affects both entrepreneurial performance as well as how entrepreneurship contributes to growth and development. As shown by respondents' answers, the geographical region whose ecosystem results to be the most supportive towards entrepreneurship is North America, while the least supportive is the one of African nations. Unsurprisingly, there is a match between ecosystem efficiency and the level of innovation brought about by business and firms in these two regions, with North America having the highest innovation intensity (39%), and Africa the lowest (below 20%). The main reasons for such discrepancy, besides differences in skilled labor force and market diversification, can be inferred from an analysis of the sectors in which entrepreneurs operate. In factor-driven economies, entrepreneurship is mainly related to agricultural practices, in efficiency-driven

economies entrepreneurs are largely involved in wholesale or retail activity, while in innovation-driven economies business activities chiefly pertain to communication services, information technology, and financial activities. **Figure 3.9** lists all the ecosystem features according to GEM and how they are evaluated by respondents on a scale from 1 (highly insufficient) to 9 (highly sufficient). Whereas almost all features are considered better in innovation-driven economies, it is possible to notice three aspects. First, there are some considerations commonly shared among different economies, such as the perception of the tax system and bureaucracy as burdens regardless of their efficiency. Secondly, in all the three types of economy entrepreneurial education is rated quite poorly, and that has been leveraged by GEM as one of the main themes around which policy recommendations to improve entrepreneurship globally revolve. Indeed, the conclusion of the discursive section of the GEM report 2016-2017 is dedicated to all the pieces of guidance, instructions and proposals GEM researchers have issued in order to stimulate and urge for an advancement of entrepreneurship and its further promotion as a decisive resource for economic development. This section is addressed to all the actors and institutions which constitute the ecosystem, namely national policy makers, interest groups, civil society, academia, international organizations, business sector, media and financial institutions.

FIGURE 3.9 [GEM Report 2016-2017, p. 32]



To each of these categories are assigned specific recommendations and suggestions emerging from the data and findings of the report, and it is possible to briefly categorize them in four broad categories. First, the need to strengthen, as already, mentioned, entrepreneurial related education in order to provide aspiring entrepreneurs with accessible information and effective theoretical tools. Second, the key role of academia and government in influencing social perceptions on entrepreneurship and in fostering formal and informal links between entrepreneurs, institutions and civil society. Third, practical economic incentives in various forms (from start-up funding to tax breaks) combined with an enhancement of the overall infrastructure, mainly access to technology, smoother bureaucracy, better market dynamics and enforceable regulations. Fourth, taking into account how globalization is changing international economies and domestic ones by acknowledging new needs and geo-economical clusters of production and trade.

However, GEM researchers also recognize how much the specific context of certain countries matters, primarily on an economic level. According to Acs (2006), “entrepreneurs in countries with different levels of GDP per capita face different challenges. As a result, policies and conditions favorable to entrepreneurship in one country (or region) may not be effective or favorable in another” (Acs, 2006, p. 104). For instance, while less developed countries may need the strengthening of small and medium-sized firms in order to diminish the level of necessity-driven self-employment, countries with stronger economies may require more “sophisticated” and targeted policies such as ease the availability of early-stage funding (Acs, 2006). Therefore, GEM pushes towards holding ecosystem actors, especially the political and economic ones, responsible for undertaking effective action in accordance to the economic and social needs of that particular country or geographical region. Undeniably, such statement illustrates once more how the mainstream *one-size-fits-all* approach to economic development does not make much sense when confronted to the social, cultural and economic realities of the world. Rather, it shows and reaffirms the necessity for a multi-dimensional analysis of development policies corresponding to the multi-dimensional features of entrepreneurship as a means for economic growth, remarked by the major findings of the existing literature (Rodrick, Acs, Venkatamaran, Ahmad & Seymour).

3.4 Malaysia: a case study

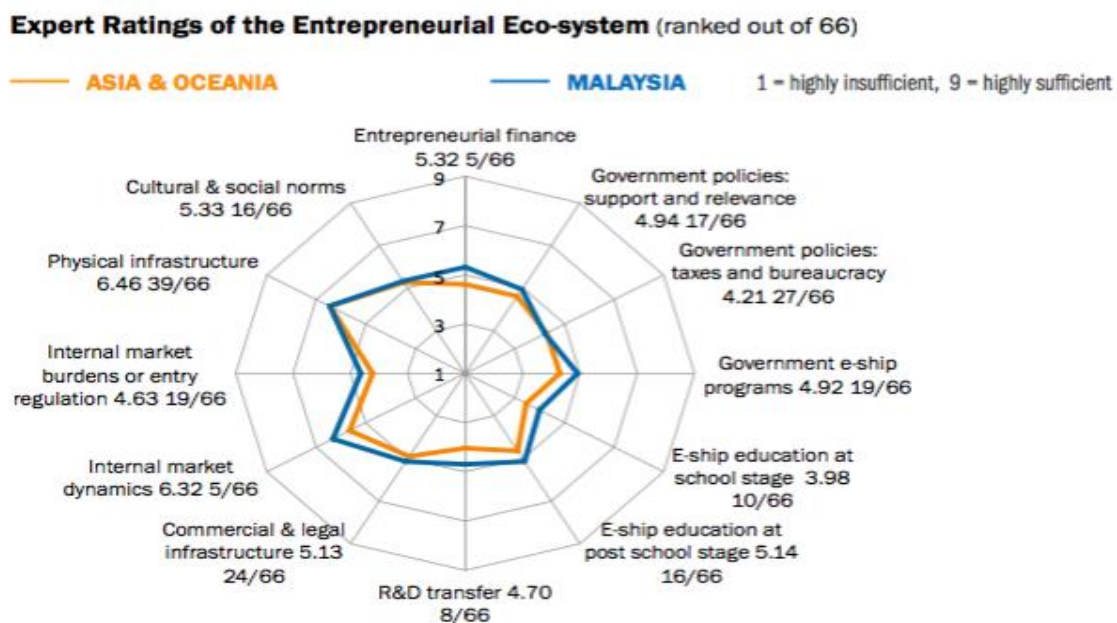
In the latest report, GEM has surveyed 66 countries from different regions of the world and belonging to different developmental stages. In this section I will analyze one specific country, namely Malaysia, in order to make sense of GEM findings as applied to the concrete reality of that state. The reasons why I chose to pick up Malaysia mainly relies on three factors. First, its economy has proven to be one of the most dynamic and growing in South-Eastern Asia in the last forty years, and it is still in a transition towards being ranked in the innovation-driven group. Secondly, GEM's interesting findings on the country may look somewhat counterintuitive as far as entrepreneurship is concerned, although the economic effectiveness of the ecosystem is certified. Finally, Malaysia is an extremely diversified country on many aspects, especially on a cultural and ethnic level. Therefore, Malaysia expresses a unique complexity that lies in various element of its society, political structure and economic performance. To summarize, Malaysia shows that models of development and entrepreneurial policies work when adapted to one particular state's needs, features and context.

a. *GEM findings on Malaysia*

GEM includes Malaysia within the efficiency-driven group of economies and underlines several positive aspects of its level of economic development. The report shows that Malaysia, with a GDP per capita of 28,490 \$ as of 2015 and a high Human Development Index score of 0.789 out of 1, is ranked 25th out of 138 countries for its competitiveness, with a score of 5.2 out of 7 according to the World Bank Competitiveness Index. The country is also ranked 23rd out of 138 countries in the *Doing Business Rating* by the World Bank, with a Small-Medium Enterprises contribution to the GDP close to 40%. However, when it comes to the Starting a Business rating the position drops to the 112th place out of 138, which shows a considerable discrepancy between the rate of current established business and the nascent firms in the TEA phase. Indeed, such data are confirmed by the fact that Malaysia is one of the countries surveyed by GEM with the lowest entrepreneurial intentions (5%), the smallest TEA rates (5%), and low EEA as well (0.5%). Nonetheless, Malaysia displays a high motivational index for opportunity-driven entrepreneurs as well as a narrow gender gap in entrepreneurship, with about 80% of

opportunity-motivated women entrepreneurs. As a further illustration, the ratio between female and male TEA entrepreneurship is 0.92, whereas the ratio between female and male entrepreneurial opportunities is 1.14, with Malaysia being ranked 3rd out of 66 countries. Despite the poor performance in nascent business and TEA rates, Malaysia has one of the most conducive ecosystems for entrepreneurial activities, especially if compared to the average of Asia-Pacific economies analysed by GEM, as visible in the following **figure 3.10**.

FIGURE 3.10 [GEM report 2016-2017, p.79]



Malaysia exhibits a significant degree of R&D transfer, positive internal market dynamics and good rates of entrepreneurship education also as related to government programs and policies, as well as a good quality of entrepreneurial finance. Moreover, both physical, commercial and legal infrastructure level are above the regional average, even though innovation-driven countries' performances are sensibly better. Finally, cultural and social norms on entrepreneurship are quite favorable as compared to other efficiency-driven countries.

Undeniably, Malaysia is regarded as one of the "healthiest" economies nowadays. According to the World Bank, Malaysia has recorded an average of 7% of economic growth per year in the last 25 years; in addition, less of 1% of Malaysian households live in extreme poverty and income inequalities are starting to reduce as well. Malaysia modernized economy can count on high rates of Foreign Direct Investment (FDI), being it one of the favorite destination for foreign

firms – especially related to electronic services and devices - to outsource their productive processes, and that has allowed the country to acquire more technological know-how as well as to be one of the world's largest exporters of semiconductor components, electrical goods, solar panels, and information and communication technology products (US Department of Trade Report, 2016). However, GEM illustrates how entrepreneurship is not generally regarded as having an effective impact on the domestic economy, mainly as far as innovation and job offers are concerned. This goes together with low levels of perceived capabilities and opportunities individuals expressed in the survey, as shown in **figure 3.11**, which displays Malaysia at the lowest positions out of the 65 countries surveyed. In order to make sense of such conflicting findings, it is necessary to take into account how Malaysian economy developed in the last decades and what policies have been put into place, as well as what contingent circumstances have come out as a consequence.

FIGURE 3.11 [GEM report 2016-2017, p.79]

Self-Perceptions About Entrepreneurship		
	Value %	Rank/65
Perceived opportunities	25.4	58
Perceived capabilities	28.3	64
Undeterred by fear of failure	36.7	33
Entrepreneurial intentions	4.9	64

Entrepreneurship Impact		
	Value %	Rank/65
Job expectations (6+)	8.2	56
Innovation	3.5	65
Industry (% in Business Services Sector)	6	53

b. *Malaysia's economic history and policies*

Malaysian economic growth was not a process that happened overnight. Instead, it gradually included different reforms in the last forty years starting from a difficult condition of poverty and ethnic tensions. As a former British colony, in the 19th century Malaysia saw a massive employment of Indian and Chinese workers, who turned out to gain a decisive influence in trade as well as in other remunerative occupations within local administration, whereas

indigenous ethnic Malay become economically confined to the low-income agricultural sector, except for those with strong kinship links to upper-class or royal families (Ariff & Aboubakar, 2003). These discrepancies not only prepared the ground for racial clashes in the following years, but they also impoverished the local social fabric with an exploitation of natural resources to be traded abroad by the British rulers and Chinese merchants.

Once the complete decolonization was gained in 1963 through a federation of the Malay monarchies and sultanates, after decades of armed guerrilla, the new governments had to face a critical situation of economic backwardness and rising tensions among the ethnic components of the society. The solution proved to be the introduction of the New Economic Policy (NEP) plan in 1970 with two ambitious goals. First, to radically reduce the endemic levels of poverty and inequality within the Malay population (Ahmad, Fauziah, Yusoff, Noor & Ramin, 2012). Second, to erase the strict identification of a certain ethnic group with a specific social status or activity by both reducing the monopolistic concentration of economic power of certain classes, as in the case of the Chinese, and by encouraging the creation of business communities to grant equal opportunities for social climbing to all (Nor, 2015; Ariff & Aboubakar, 2013). Indeed, as stated by Ariff & Aboubakar (2003), the emphasis of the plan was focused towards “increasing effective [Malay] ownership and participation in the corporate sector, improving [Malay] participation in high-income occupations, as well as narrowing income inequality and eradicating poverty” (page 2). Another major strength of the plan was devising cyclical five-year plans of development according to the outcomes of the previous ones. For instance, while some plans aimed at putting certain policies into effect, such as the Privatization Master Plan and the creation of the Bumiputera Commercial and Industrial Community (Nor, 2015), others were linked to the establishment of new institutions such as the Ministry of Rural and Agricultural Development, the Development Bank of Malaysia, and The National Productivity Center in order to provide financial assistance, guidance and consultation (Nor, 2015; Ahmad, Fauziah, Yusoff, Noor & Ramin, 2012). Clearly, the impact of governments and institutions was essential to transform Malaysian economy in such a way that it was able to endure regional financial crisis, most noticeably the recession in the mid 1990s that affected all the South-Eastern Asian economies. Indeed, the Malaysian economy recovered so fast that it recorded an average growth of 4.7% per annum during the period 1996-2000,

with a peak of 7.2% in the 1999-2000 period (Ariff & Aboubakar, 2003). One of the reasons for that was the comparative strength of the Malaysian banking and financial sectors, whose growth was further implemented in the immediate years following the crisis through the Capital Master Plan and the Financial Sector Master Plan in 2001, with the aim of strategizing the enhancement of their efficiency and resilience in the light of an increasingly globalized and interconnected environment where domestic economies are integrated with one another on an international scale (Ariff & Aboubakar, 2003).

Undeniably, years of economic planning according to the country's needs have certainly made the Malaysian economy part of an ecosystem where entrepreneurship has plenty of possibility to spread, develop and bring about further economic growth. And, again, the key role has been played by the political institutions. As an illustration, it is possible to notice three steps taken specifically to target entrepreneurial progress and advancement within Malaysian society. First of all, the need for the Malaysian government to foster entrepreneurship was made known with the establishment in 1995 of the Ministry of Entrepreneurial Development as the key agency to manage and arrange entrepreneurial policies at a local level (Ariff & Abubakar, 2003). Secondly, a considerable amount of effort was made in 2010 by the Ministry of Regional and Rural Development to introduce various programs supporting rural entrepreneurship in the less developed areas of the country, including a specific agenda on education, training and marketing programs (Ahmad, Fauziah, Yusoff, Noor & Ramin, 2012). Thirdly, the Malaysian government has continually encouraged a major involvement of women in entrepreneurship, as also shown by GEM data on the narrow gender gap between male and female entrepreneurs in the country. This has taken place through micro-credit facilities issued by entrusted governmental institutions in order to provide not only for financial back-up, but also for marketing education and business plans preparation (Ahmad, Fauziah, Yusoff, Noor & Ramin, 2012). The commitment towards education programs and training is also visible in the program of Women Entrepreneurship Incubator (I-KeuNITA), which provides "intensive skills training and entrepreneurship assistance for low-income women in the field of sewing, beauty therapy, commercial cooking, crafts, childcare, and tour services" (Nor, 2015, p. 2).

Nonetheless, as noticed at the beginning of this section, GEM findings show that the current

rate of nascent business in Malaysia is amongst the lowest rates in the surveyed countries, and that both the intentions and the capabilities for starting a business are surprisingly low as well. In the light of the current economic circumstances of Malaysia, it is possible to attempt to discuss some reasons which might have affected the conclusions and data in the GEM report. In the first place, it is important to remark the heavy influence of FDI rates in the country due to the massive trade liberalizations occurred through free trade agreements and free trade regional associations, most noticeably the ASEAN (Association of South-East Asian Nations). Such agreements have opened the country to the establishment of foreign firms which turned out to be the major source of employment and paid work and, consequently, to be considered as more favorable vis à vis self-employment. The crucial role played by foreign firms, especially in the domain of technology and electronics, is ascertained by the fact that Malaysia is still categorized as an efficiency-driven economy. However, despite the good disposition towards the open trade, Malaysia is still witnessing an appreciable degree of protectionism in the manufacturing sector due to relatively high tariffs, restrictions of quantitative imports, and a duty-free purchase of some capital requirements (Ariff & Aboubakar, 2003), which may nevertheless disadvantage certain entrepreneurial realms related to foreign trade and intermediate goods in the productive chains. Another point is that too much government interventionism in supporting entrepreneurship could lead to counterproductive results. Although a proper entrepreneurial ecosystem needs to be put into place by political, social and economic institutions, it must be said that perhaps Malaysian governments should leave more leeway to entrepreneurs to pursue, create and seize the opportunities offered by the market. The problem with too much legislation arises when entanglements or complications happen. As in the example of Ariff and Aboubakar (2013), Malaysian bureaucracy is often something “with which entrepreneurs must contend, causing delays of several months just to get approval for applications. This difficulty, [...], is due to the fact that most of the programs for entrepreneurs are organized and offered by government agencies” (Ariff & Aboubakar, 2013, p. 14). Accordingly, this example leads to the issue of inefficient or conflicting policies. Whereas past governments have enforced and applied effective pieces of legislation in favor of entrepreneurship, it is equally true that certain policy targets might have been incomplete or neglected, or that certain strategies did not work at all. Another example provided by Ariff and

Aboubakar is the Employees Provident Fund (EPF), a form of quite rare social safety net for Malaysian standards which was designed for covering retirement funds of both private and public sector employees. The hurdle with this scheme is that it is the only form of welfare policy that can be applied also to entrepreneurs as “self-employed” people, even though it is not mandatory as it is specifically addressed to “employees”. Therefore, entrepreneurs’ retirement funds are supposed to consist of their own profits and savings, which in turn depend on the firm’s or business’ profitability, earnings and financial proficiency. Clearly, this would lead many potential entrepreneurs to forego a potential business because of the high risk of not ensuring themselves a pension in case of failure or bankruptcy.

Notwithstanding the reasons preventing Malaysian entrepreneurship from a further growth, the country is still on the right path thanks to the overall positive economic performance and ecosystem’s soundness. Undoubtedly, many policies targeting entrepreneurship have succeeded, especially those related to funding, infrastructure improvement, training and business support, since the number of entrepreneurs has shown a marginal increase between 1982 and 2012 (Nor, 2015). Furthermore, in recent years Malaysian governments have implemented new plans to transform the domestic economy into an information- and innovation-driven through subsidizing high-tech ventures, funding human resource development, and enacting new legislation on intellectual property rights (Ariff & Aboubakar, 2013). In the words of Ariff & Aboubakar, “Malaysia has a vibrant entrepreneurial base with a huge potential to become a global player. Indeed, past and current policies to create a class of entrepreneurs have succeeded in the sense that there are more Bumiputeras (i.e. ethnic Malay) involved in business and entrepreneurship now compared to before. Non- Bumiputera (mainly Chinese) companies are spreading their reaches overseas, proving that Malaysian companies can succeed in the global arena” (Ariff & Aboubakar, 2013, p.19). To conclude, it is clear that Malaysia needs to come up with new reforms on competitiveness and less regulation in order to further develop its entrepreneurial strength in a globalized economy, but it is surely advantaged by its openness towards foreign trade, by the key role played by education and training, and, most importantly, by a model of development which fits Malaysian features, potential and society.

CONCLUSION

The goal of this paper was to shed light upon the concept of entrepreneurship, specifically by clarifying the need for an integration of various disciplines and perspectives in order to reach a fuller comprehension of the phenomenon. For this reason, the whole discourse on entrepreneurship in these terms has undergone a specific structure that was meant to gradually provide the reader with the necessary analytical instruments.

Firstly, the meaning of “entrepreneurship” had to be investigated through its historical evolution, which helped add different layers that characterize its features, namely productivity, risk-taking, opportunity-seizing attitude, profit, planning, innovativeness, and loose setting. This had to be completed by inquiring the current meaning and perspectives thereof, particularly through the analysis of the psychological aspects and the role of entrepreneurs on both a social and economic level. Subsequently, it has been pointed out how Peneder’s modular concept succeeds at integrating these perspectives and, consequently, at allowing for a more comprehensive understanding of how many-sided entrepreneurship is.

Secondly, it has been shown that the complexity of the concept of entrepreneurship is reflected by its transposition in real terms. Indeed, entrepreneurial dynamics are best explained by how the external environment, i.e. ecosystem, makes them happen on both an economic and a socio-cultural level. Accordingly, ecosystems themselves conceptually refer to the multi-dimensional integration of all the social, cultural, political, and economic actors, elements, and systems within a specific geographic cluster. In this context, institutions matter to a remarkable extent: by providing a coherent framework of rules and incentives, they are paramount in ensuring a stable, well-functioning and adequate ecosystem where entrepreneurship can effectively contribute to economic development and growth.

Finally, the Global Entrepreneurship Monitor has served as a suitable example of how entrepreneurship can be systematically investigated by integrating several areas of inquiry, for instance macro-regional and local trends, individual behaviors and perceptions on

entrepreneurship, economic performances of the single states surveyed, differences and similarities about the stages of entrepreneurial activity, and the impact of education systems, media and globalization. To examine in depth the extent of GEM research and the links to the claims of the dissertation, I picked up one country surveyed by GEM, namely Malaysia, and I tried to relate GEM findings to its economic and societal context. The key message deduced from such analysis is how a one-size-fits-all model of development does not work, especially when applied to entrepreneurship policies as a vehicle to pursue economic growth. The role Malaysian institutions played in crafting both an economic environment and an entrepreneurial model which fits Malaysia's own features is undeniable. It follows that entrepreneurship and economic development are certainly intertwined with one another, but positive results can be reached only by taking into account the peculiarity of the ecosystem related to the region, country or macro-area under scrutiny. Indeed, studying entrepreneurship holistically means to recognize that as well.

To sum up, entrepreneurship is an extremely complex phenomenon due to its fluidity and to the fact that it involves different disciplines and perspectives. As a consequence, we need an eclectic model of analysis which takes into account such complexity both empirically and theoretically, not only to better grasp its essence and ramifications, but also to address and tackle all the issues, policies, and challenges related to entrepreneurship as a tool for economic development. Such claim presents two crucial implications. On the one hand, integrating all the disciplines, aspects, and actors within the entrepreneurial ecosystem indicates a holistic attitude which must not neglect the role of institutions as aggregative elements. Indeed, they are crucial in shaping ecosystems to make them more suitable for entrepreneurship. On the other hand, in order for entrepreneurship policies to be effective, it is important to carefully consider which ecosystem is targeted by taking into account its economic, political, social and cultural features. By doing so, entrepreneurship can play an effective role as to actualize economic development.

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RIASSUNTO

Le numerose ramificazioni derivanti dallo studio dell'imprenditorialità hanno origine proprio dalla complessità di tale fenomeno e dalla gamma di discipline ad esso attinenti. Le attività di un imprenditore o di un'imprenditrice sono difatti oggetto di studio non solo di economisti e sociologi, ma riguardano aspetti inerenti alla psicologia, alla storia, alla cultura e alla politica. Questo fatto rispecchia come l'imprenditorialità sia il risultato dell'interazione di molteplici fattori, sia individuali che collettivi, e di dinamiche, sia socio-economiche che politiche. Inoltre, è innegabile come il fenomeno imprenditoriale contribuisca a determinare, attraverso i processi innovativi e concorrenziali, la crescita e, più in generale, la performance macroeconomica. Nella letteratura accademica si ha riscontro di come il "fare impresa" apporti benefici non indifferenti all'economia di uno stato o di una regione (Acs, 2006; Baumol, 1990; Rodrick, 2007) da cui deriva l'importanza attribuita alle politiche per lo sviluppo e il sostegno all'imprenditoria. Negli ultimi decenni un contributo fondamentale nel rimarcare tale necessità è stato svolto da organismi internazionali quali la Banca Mondiale e l'Organizzazione mondiale del Lavoro.

Tuttavia, la complessità dell'imprenditorialità, se trattata superficialmente, rischia di rivelarsi un ostacolo piuttosto che una fonte di spunti, analisi e osservazioni. Ciò si verifica soprattutto quando, nell'illustrare il fenomeno secondo una certa prospettiva, si esclude completamente il quadro generale che accompagna i processi legati all'imprenditorialità. Ad esempio, un errore sarebbe quello di considerare l'imprenditore esclusivamente come un *homo economicus* soggetto alle dinamiche di mercato e non inserito in un contesto di tipo sociale o politico. Allo stesso modo, sarebbe riduttivo affermare che un imprenditore statunitense e uno africano posseggano lo stesso approccio relativo al management aziendale solo perché spinti dalla comune necessità di profitto. In generale, un'analisi coerente dell'imprenditorialità ha bisogno, come punto di partenza, di un'indagine sul come e sul perché le varie cause, agenti e fattori in gioco interagiscono tra loro. In questo modo, oltre che a perfezionare la prospettiva attraverso la quale si studia e si conosce questo fenomeno, si ha la possibilità di comprendere meglio come

l'imprenditorialità contribuisce effettivamente allo sviluppo economico. L'obiettivo della dissertazione è dunque quello di presentare, descrivere e discutere un approccio e una metodologia di ricerca in grado di raggiungere questi obiettivi. Tale approccio consiste in un approccio sistematico, ossia nel considerare l'imprenditorialità come il risultato di un'interazione non casuale dei vari elementi che la determinano. Di conseguenza, l'imprenditorialità va intesa come un fenomeno in divenire che si manifesta in certe condizioni socio-economiche che possono variare sia a livello individuale che collettivo. In tal senso è fondamentale contestualizzare le attività imprenditoriali all'interno di uno spazio concettuale, ovvero il cosiddetto *ecosistema imprenditoriale*, nel quale si determinano quelle condizioni che ne permettono la nascita e lo sviluppo. Evidentemente, ciò è particolarmente rilevante quando si applicano politiche a paesi che si trovano ad un diverso stadio di sviluppo. Anche l'ecosistema riflette la complessità dei processi imprenditoriali, in quanto rappresenta il contesto sociale, culturale ed economico nel quale essi si svolgono; tuttavia, è importante sottolineare la centralità delle istituzioni nel coordinarne le dinamiche e garantirne l'equilibrio strutturale, specialmente da un punto di vista normativo e governativo. Inoltre, da questo approccio si evince come l'esistenza di politiche imprenditoriali efficaci, e che possano avere effetti positivi sullo sviluppo economico, dipenda da due aspetti fondamentali. In primo luogo, dall'assetto istituzionale inteso come fattori che, determinando le "regole del gioco" a cui gli attori economici devono attenersi, influenza gli incentivi e i comportamenti. In secondo luogo, dalla necessità di considerare le particolarità sociali, economiche, geografiche e politiche dell'ecosistema in questione. Ne consegue che un modello unico e generalizzato di sviluppo, se applicato a realtà profondamente diverse non solo dal punto di vista economico ma anche culturale, non può portare a risultati concreti.

Il percorso della dissertazione parte da un'analisi storica dei termini "imprenditore" e "impresa", che ne mette in evidenza l'evoluzione e i cambiamenti di significato nelle diverse epoche e contesti. Rispetto ad altre attività produttive, in cui i concetti di rischio e profitto sono altrettanto rilevanti, l'imprenditorialità risulta strettamente collegata a tre ulteriori aspetti qualificanti: pianificazione, innovazione e necessità di un ambiente operativo appropriato. Il primo termine si riferisce all'abilità dell'imprenditore nell'organizzare il modo in cui sfruttare le opportunità rese disponibili dal mercato attraverso una gestione efficiente delle proprie

risorse. Il secondo, trattato specialmente da Schumpeter (1934), denota la creatività dell'imprenditore nel riconoscere o addirittura "creare" nuove opportunità di profitto mediante una comprensione del contesto e del mercato in cui opera. Infine, deve esistere un equilibrio tra il libero mercato e le regolamentazioni a tutela della concorrenza. Un ruolo importante lo giocano anche i fattori soggettivi, in particolare i tratti psicologici. Come suggerito da Frese (2009), gli studi attitudinali sulle qualità degli imprenditori sono di fondamentale interesse per indagare le dinamiche decisionali e comportamentali relative, soprattutto, alle motivazioni e alle analisi costi-benefici riguardanti la carriera imprenditoriale; per di più, essi fungono da elementi di spunto per gli organi politico-istituzionali con il fine di espandere l'imprenditorialità attraverso la promozione e il sostegno a tali propensioni individuali. Inoltre, la letteratura sulla psicologia imprenditoriale suggerisce riflessioni aggiuntive sul modo in cui il resto della collettività percepisca e valuti gli imprenditori all'interno della società. Le due visioni comunemente più attribuite al ruolo dell'imprenditore riguardano ciò che Ahmad e Seymour (2008) hanno identificato con i termini *top-down* e *bottom-up*. Il primo rappresenta l'imprenditore come esponente di un'attività volta alla creazione di un valore non solamente economico, ma soprattutto culturale o sociale. Questo punto di vista riconosce le abilità relazionali, creative e carismatiche dell'imprenditore come figura innovatrice e quasi visionaria in grado di concorrere in modo sensibile allo sviluppo della società nel suo complesso. Il secondo termine, invece, attribuisce all'imprenditore un ruolo più formale attinente all'azienda, alla sua efficienza e al raggiungimento del profitto. L'imprenditore è dunque un agente razionale, strategico e di alta professionalità nell'ambito economico, finanziario, manageriale e del marketing. Uno dei contributi più significativi sull'integrazione tra le varie prospettive psicologiche e sociali appena discusse è sicuramente quello dell'economista austriaco Michael Peneder e della sua *concezione modulare* di imprenditorialità. Egli sostiene che, nel trovare i punti d'incontro tra i diversi approcci teorici ed empirici sull'imprenditorialità, risulti rilevante l'interazione tra l'iniziativa individuale e le circostanze esterne. Queste ultime sono determinanti nell'influenzare le abilità del singolo imprenditore, nonché le possibilità di operare al meglio delle sue potenzialità.

Una volta appurato il peso che il contesto generale ha sulle attività imprenditoriali, è necessario approfondirne il significato, le accezioni e le conseguenze che esso comporta. Nel secondo

capitolo, il tema centrale è appunto quello della caratterizzazione dell'*ecosistema imprenditoriale*, descritto da Mason e Brown (2014) come un insieme interconnesso di processi socio-culturali, dinamiche sociali e enti (sia personalità fisiche che giuridiche) che si uniscono tra loro formando lo spazio nel quale l'imprenditorialità può svilupparsi. Per contro, mentre un ecosistema "naturale" raggiunge un proprio equilibrio involontariamente partendo dalle condizioni iniziali, un ecosistema "imprenditoriale" può essere modificato, controllato e reso più adatto per accrescere lo sviluppo delle imprese e, di conseguenza, quello dell'economia. Il punto fondamentale è dunque che la correlazione tra imprenditorialità e sviluppo non è necessariamente causale o lineare. In altre parole, lo sviluppo non è il risultato diretto e univoco dell'esistenza di imprese e imprenditori. Piuttosto, solamente laddove un ecosistema favorisca le attività imprenditoriali è possibile che da queste ne risultino benefici in termini di crescita economica e sociale. Un ecosistema è tale, ad esempio, se favorisce l'istruzione e investe nello sviluppo tecnologico, se vanta una tradizione storica di attività produttive a livello locale, se premia culturalmente la meritocrazia e se possiede un sistema burocratico e amministrativo efficiente. L'elemento cardine che può modificare e controllare l'ecosistema sono le istituzioni, comprese quelle più informali con un alto impatto sulla società come fondazioni e ONLUS, in quanto elementi di connessione e aggregazione tra i vari processi e agenti che operano all'interno dell'ecosistema stesso. Oltre ad attività di regolamentazione, le istituzioni svolgono un ruolo fondamentale nel definire gli incentivi che determinano la convenienza e la vantaggiosità dell'intraprendere il percorso da imprenditore o imprenditrice. All'interno della dissertazione, tali incentivi vengono descritti secondo quattro livelli: gli incentivi al livello individuale, gli incentivi a livello pubblico, gli incentivi relativi all'istruzione e gli incentivi finanziario-infrastrutturali. Le prime due categorie sono strettamente collegate in quanto comprendono la flessibilità e la trasparenza del sistema burocratico oltre che le agevolazioni fiscali e commerciali. La terza categoria riguarda gli investimenti a livello educativo e scolastico su come formare gli imprenditori a livello di conoscenze e competenze. Infine, l'ultima categoria include incentivi più "materiali" come l'accessibilità dei prestiti, i finanziamenti per certi tipi di imprese, le politiche a salvaguardia del copyright e della competitività, l'accessibilità alle infrastrutture e alle piattaforme digitali. Attraverso la definizione delle tipologie di incentivi si possono comprendere meglio le varietà di politiche da mettere in atto. In particolare, esse

possono essere mirate o al miglioramento dell'ecosistema nel suo complesso (politiche *sistemiche*, come tassazione e diritti di proprietà) o specificamente al supporto dell'imprenditorialità (politiche *non sistemiche*, di stampo più economico). Ciò suggerisce non solo che le politiche imprenditoriali non possano rimanere fisse nel tempo, ma anche che debbano tenere conto delle particolarità e delle specificità dell'ecosistema in questione.

Avendo dunque provveduto a trattare il concetto di ecosistema, nella terza ed ultima parte della dissertazione viene discusso il metodo di ricerca di uno degli istituti globali più importanti che si occupano dello studio dell'imprenditorialità, ovvero il Global Entrepreneurship Monitor (GEM), un consorzio di analisti appartenenti a diverse università di livello mondiale. La particolarità e l'unicità del metodo GEM sono dovute al fatto di fondare i propri parametri ricerca su quell'approccio sistemico necessario per comprendere le dinamiche imprenditoriali. Tenendo conto di vari parametri economici, sociali, culturali e individuali, la ricerca GEM offre una panoramica esaustiva e allo stesso tempo dettagliata sul fenomeno dell'imprenditorialità nel mondo, esplorando 66 paesi diversi per posizione geografica e livello di sviluppo economico. Il punto di partenza del metodo si basa sul riconoscimento di una stretta interazione tra il contesto socio-economico, le caratteristiche individuali, le opinioni sul valore dell'imprenditorialità, le tipologie delle attività imprenditoriali e i risultati che esse generano, i quali a loro volta hanno un impatto sul contesto generale in una sorta di ciclicità (*feedback system*) che svela la complessità del fenomeno analizzato. Di conseguenza, l'obiettivo di GEM è di indagare queste relazioni classificando i concetti e i soggetti di studio in tre macro aree. La prima riguarda il valore che l'imprenditorialità ha nell'ecosistema - in questo in ciascuno dei 66 Stati - attraverso il contributo dei media, dell'istruzione e della cultura del luogo. La seconda macro area si focalizza sulle caratteristiche individuali come fattori demografici, attitudini psicologiche e fattori motivazionali che spingono le persone a diventare imprenditori. Infine, l'ultima parte analizza le varie fasi di nascita e sviluppo delle attività imprenditoriali, i motivi che possono portare ad un'eventuale interruzione, e il loro impatto a livello socio-economico. Per ogni risultato, GEM esegue un'analisi comparativa tra i diversi paesi per individuare particolari tendenze ed elementi ricorrenti ricollegabili al livello di sviluppo economico o alle condizioni politico-istituzionali. Nella parte conclusiva della ricerca, GEM parte dai risultati empirici per elaborare una serie di raccomandazioni politiche al fine di migliorare le condizioni

necessarie per lo sviluppo dell'imprenditorialità. Da un lato, GEM riconosce degli elementi, comuni a diversi paesi, sui quali bisogna investire: ad esempio, il sostegno ad un'istruzione più mirata a formare le competenze imprenditoriali, una forte collaborazione tra istituzioni pubbliche e private per implementare alcuni tipi di politiche, il rafforzamento della competitività per favorire un'imprenditorialità di *opportunità* piuttosto che di *necessità*, lo sviluppo di una burocrazia più snella e più sgravi fiscali per le nuove imprese. Ciononostante, GEM sottolinea allo stesso tempo l'importanza del contesto, in quanto certe politiche a favore dell'imprenditorialità devono tenere conto delle caratteristiche non solo economiche ma socio-culturali di un particolare Paese. Più o meno indirettamente, alla luce dell'analisi svolta, viene affermato come un unico modello di sviluppo applicabile a livello generale non sia dunque una soluzione attuabile ed efficiente. Ciò risulta evidente nella parte finale della dissertazione che analizza come caso studio la Malesia, appartenente ai Paesi studiati dal GEM, per trovare un riscontro ai dati e ai risultati della ricerca. Le particolarità della Malesia, in tal senso, sono molteplici: si tratta di una delle migliori economie asiatiche per tasso di crescita e con i più alti livelli d'istruzione dei paesi dell'ASEAN, pur non possedendo una cultura imprenditoriale particolarmente diffusa fino ad una decina di anni fa. Inoltre, in Malesia coabitano diversi gruppi etnici, linguistici e religiosi che rendono il Paese estremamente ricco, variegato e unico per storia e cultura – non a caso la forma di governo è quella di una confederazione di diverse monarchie e sultanati. Partendo dai dati GEM, si evince una particolare contraddizione tra la forza economica del paese, il numero crescente di misure a favore delle attività imprenditoriali degli ultimi anni e uno tra i tassi più bassi di imprese nascenti (*Early-stage Entrepreneurial Activity*) di tutti e 66 i paesi analizzati nella ricerca. La risposta a questi elementi contrastanti si deduce proprio dall'osservazione del modello di sviluppo malese. Infatti, i governi che si sono succeduti dagli anni '60 in poi si sono focalizzati sul risolvere i problemi inerenti al sottosviluppo e alle tensioni etniche latenti tenendo conto del tessuto sociale del Paese e delle sue potenzialità. La crescita economica della Malesia è stata guidata attraverso politiche inizialmente protezioniste e successivamente volte ad attrarre investimenti esteri, rendendo il Paese altamente industrializzato e destinazione favorita per l'*outsourcing* di finanziatori e imprese straniere. Contemporaneamente, una regolamentazione eccessiva, la dipendenza dalla burocrazia e un interventismo sproporzionato hanno frenato la domanda interna di

imprenditori rispetto ad altri Paesi. L'esempio della Malesia mostra dunque l'importanza di adottare strategie mirate, definite sulla base delle caratteristiche, sociali, culturali, politiche ed economiche dei Paesi.