Different strokes for different folks: How entrepreneurship is expressed differently around the world.

Introduction

It is generally accepted that entrepreneurship plays an important role in creating jobs, driving progress and contributing to economic growth (Schumpeter 1934, Baumol 1990, McMullen et al. 2008). Countries worldwide are interested in promoting entrepreneurial activities as means to reduce unemployment and achieve better economic development. There are, however, persistent differences in prevalence rates of entrepreneurial activity across countries (Singer et al., 2015).

A growing body of research, called comparative international entrepreneurship (CIE), has looked into the institutional factors that explain the types, rates and variations of entrepreneurial activities across countries (Oviatt and McDougall 2005; Aidis et al.,2008; Lim et al., 2010; De Clercq et al., 2013). Terjesen et al. (2013), in reviewing CIE research, however, found that "the CIE literature [was] highly fragmented with substantial knowledge gaps related to content, theory, and methodology." Despite an important progress in our understanding of the impact of institutional factors on entrepreneurial activities across countries, significant differences exist among researchers' treatment of entrepreneurship definition, analyses of types of institutions, and use of methodology (Terjesen et al. 2013). Even when CIE researchers use the same database, such as Global Entrepreneurship Monitor (GEM) data, they often employ different measures to operationalize the entrepreneurial activity construct. Such differences have resulted in a lack of consensus among research scholars about "generalizable patterns" across countries and "best

practices" that may help individuals, firms and policy makers to promote entrepreneurship in improving economic development.

This paper explores the relationship between an economy's competitive environment and entrepreneurship prevalence rates. Given the complex nature of the relationship between institutions and entrepreneurship, we first define entrepreneurship across four dimensions – ambitious early-stage entrepreneurial, innovative early-stage entrepreneurial activity, all other early-stage entrepreneurial activity, and employee entrepreneurial activity. Our definition, thus, captures the spirit of entrepreneurship by measuring owner-managers of nascent and new ventures as well as those who are carrying out new economic activity for their employer. Second, the regional concentration of economic activities, as observed by research scholars, prompted us to group economies into clusters and then develop a deeper understanding of each cluster by examining the relationship between the competitive environment and the types of entrepreneurial activities prevailing in groups of economies with similar entrepreneurship profiles. Lastly, we provide some guidelines for policymakers that may benefit the unique characteristics of different economies.

Method

This study combines two unique data sets, the World Economic Forum's Global Competitiveness Index (GCI) data, and Global Entrepreneurship Monitor's assessment of entrepreneurial activity. The GCI is the most comprehensive worldwide assessment of national competitiveness, which ranks the economic competiveness of 144 countries. The index captures the different aspects of competitiveness in 12 pillars. The *Global Entrepreneurship Monitor*

(GEM) is the largest ongoing annual study of entrepreneurial activity in the world, which since 1999 has explored the role of both formal and informal entrepreneurship across around 70 countries annually with random national surveys of at least 2,000 adults (18-64 years of age). The data collected is overseen by a central team of experts who guarantee its quality and "harmonize" it to facilitate cross-national comparisons.

To maximize the robustness of the findings from the two data sets, we average the aggregate GCI scores for competitiveness from the 2008/09 through 2013/14 surveys and average GEM's aggregate entrepreneurship data from 2010 through 2014 (except for Employee entrepreneurial activity data collection which commenced in 2011). Our sample contains 51 economies for which data were available from both the GCI and the GEM database. To develop a deeper understanding of how entrepreneurship related to competitiveness, we used a Hierarchical Cluster Analysis method to identify group of economies that share similar entrepreneurial characteristics into homogenous segments based on the four dimensions of entrepreneurship and compared the resultant clusters across a range of indicators representing conditions for entrepreneurship, entrepreneurial approaches and competitiveness.

Results

Our cluster analysis suggests six groupings among 51 economies: 3) High-Ambition economies with around double the rate of ambitious early-stage entrepreneurial activity on average; these include the US, some Asian countries including China, Taiwan and Singapore, and some eastern European countries; 2) Low Entrepreneurship economies with low rates of all

four types of entrepreneurial activity; these include southern European countries, Russia and some Asian countries including Japan, Korea and Malaysia; 3) High Independent Entrepreneurial activity economies with high levels of ambitious, innovative and other early-stage entrepreneurial activity but average rates of employee entrepreneurial activity; in our sample these were represented by Chile and Colombia; 4) Low Potential Entrepreneurial activity economies with low rates of ambitious and innovative early stage entrepreneurial activity and low rates of employee entrepreneurial activity but high rates of other early-stage entrepreneurial activity; these were poorer economies in Latin America, Africa and Asia; 5) High-Innovation economies with lower early-stage activity, low ambition and high innovation; these included mainly western European countries, Israel and South Africa and 6) Entrepreneurial Employee economies with high rates of employee entrepreneurial activity, including all Scandinavian countries, the Low Countries and the UK.

Our results so far suggest that there is more than one entrepreneurial route to being a highly competitive economy. For Scandinavia, employee entrepreneurial activity is clearly the dominant form. For the US, with its large home market and resource-rich entrepreneurial ecosystem for new ventures to tap into, ambitious early-stage entrepreneurial activity dominates. For Germany and France, innovative entrepreneurship is more dominant. Countries with low levels of competitiveness have low levels of all four forms of entrepreneurial activity. It is notable that Chile and Colombia appear to be “breaking out” from the large number of relatively uncompetitive nations by pursuing high rates of ambitious, innovative and other early-stage entrepreneurial activity.

Some of these activity clusters have regional identities, but most identify countries in different continents with similar strategies. This suggests that a regional analysis will only tell part of the story. In our full paper we show how the different clusters reflect in part different national and leadership cultures. For example, low power distance culture of Scandinavian countries seems ideally suited to employee entrepreneurial activity. Countries with high uncertainty avoidance and high power distance, such as many Latin American countries, may be less suited to this form of entrepreneurial activity.

While less competitive economies exhibit greater levels of early-stage entrepreneurial activity, more competitive economies have on average more ambitious, innovative, or employee entrepreneurs. One lesson we draw for policymakers from these clusters is “different strokes for different folks”: a focus on increasing independent start-up activity may work for some societies, but in others, a different approach to encouraging entrepreneurial behaviour may be more successful. This insight has profound implications, not just for policy, but for entrepreneurship education as well.