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Economic development and entrepreneurship

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Abstract

Several dynamic forces, such as technological disruption, fluctuating economies or demographical changes, have brought new opportunities and threats for organizations, and transformed societies from all over the world. In order to cope with these shifting forces, governments, public and private organizations, and the public are more and more aware of the importance of entrepreneurship. Entrepreneurship is a multifaceted phenomenon, being analysed as a process, a resource or a state-of-being. According to the Schumpeterian view, the entrepreneurial process constitutes one of the key factors in the economic development of a country/region. However, researchers have expressed different views about the relationship between the stages of economic development and entrepreneurship during the time. The aims of the paper are to examine in brief the concepts of economic development and entrepreneurship, and to emphasize the role of entrepreneurship in economic development. The methodological approach is literature review. Our paper provides a theoretical model that highlights some of the main factors involved in the relationship between entrepreneurship and economic development. More than ever in the history, economic development and entrepreneurship have become strongly interconnected.

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1. Introduction

Several dynamic forces, such as technological disruption, fluctuating economies or demographical changes, have brought new opportunities and threats for organizations, and transformed societies from all over the world. In order to cope with these shifting forces, governments, public and private organizations, and the public are more and more aware of the significance of entrepreneurship. The role of entrepreneurship in society has become prominent since the end of the last century. Entrepreneurship matters because it is, above all, a human characteristic (Bessant and Tidd, 2011). In modern open economies it has become more important for economic growth and development than it has ever been.

In the past decades, there has been a growing interest regarding the concepts of economic development and entrepreneurship. On the one hand, there are several studies in the literature related to these two important notions (Ács et al., 2013; Szirmai et al., 2011; Naudé, 2011; Braunerhjelm, 2010; Caree and Thurik, 2010; Walzer, 2009; Wennekers et al., 2009; Audretsch et al. 2006; van Stel et al., 2005; Harper, 2003; Dejardin, 2000). Researchers have concluded that although “economic development theory can still be argued to lack a ‘general theory’ of entrepreneurship, one that could encompass a variety of development outcomes, progress has been made in extending the notion and understanding of entrepreneurship in economic development” (Naudé, 2008, p. 1). On the other hand, international organizations, governments and policy makers have shown a greater attention to the function fulfilled by entrepreneurship in generating economic development. Economic experts have abandoned their traditional approach to economic development based mainly on recruiting large companies with different financial and fiscal inducements. Today they are relying more on the small and medium enterprises (SMEs) and new ventures than in the past. Entrepreneurship is spreadingly recognized by government officials throughout the world not only as “a key mechanism for enhancing economic development, particularly in regions where entrepreneurial activity was once vibrant and is now lagging”, but also as “a good solution because it provides a relatively non-controversial way to increase the proverbial pie, creating jobs and enhancing per capita income growth” (Shane, 2005, p. 1). That is why “entrepreneurs need access to resources and markets to succeed, and this is where national policies play a vital role” (Kressel and Lento, 2012, p. 6).

However, when it comes to know how the mechanism operates, little is known, either on how entrepreneurship can be best promoted or on how entrepreneurship influences economic performance (Wennekers and Thurik, 1999). Arising from the above discussion emerges the following question: What is the relationship between economic development and entrepreneurship?

The aims of the paper are to examine in brief the concepts of economic development and entrepreneurship, and to emphasize the role of entrepreneurship in economic development. Also, our paper provides a theoretical model that highlights some of the main factors involved in the relationship between entrepreneurship and economic development. The methodological approach is literature review.

The paper is divided in three parts. The first section examines the conceptual framework of the notions of economic development and entrepreneurship. The second section presents the relationship between the two concepts and its theoretical model. Paper ends with conclusions.

2. Theoretical perspectives on economic development and entrepreneurship

Understanding the role of entrepreneurship and entrepreneurs in the process of economic development requires the decomposition of the concepts. There are hundreds of definitions for the notions of entrepreneur and entrepreneurship. Ever since the first writings about entrepreneurship there has never been an accord over a definition of the concept. The central explanation lies in the fact that entrepreneurship represents a multifaceted phenomenon, being analysed as a process, a resource or a state-of-being (Naudé, 2013). That is why there is no shortage of definitions of entrepreneurship because it is too complex to be explained through a single set of factors. During the time, the scholarly views of entrepreneurship have evolved into three main categories (Naudé, 2013):

- behavioral definitions (e.g., Schumpeter, Kirzner);
- occupational definitions (e.g., Evans and Jovanovic);
- synthesis definitions (e.g., Gries and Naudé).

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