Emerging Markets Queries in Finance and Business

Innovative Entrepreneurship for Economic Development in EU

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Abstract

It is widely acknowledged that entrepreneurship contributes to the positive growth of different economical indicators. Adam Smith 1776 already observed different features of innovation in the 18\textsuperscript{th} century and later generations of specialists have showed that innovation is a great force of economic activity. Nowadays, it is well known worldwide that innovation is the engine of growth being an important element of development achievements Fagerberg et al., 2011. In Europe, after 1980, the first programs, which promoted innovation and SMEs, started EC, 2000. The impact on the growth of the innovative SMEs is significant as official data show. Therefore, innovative entrepreneurship started to be considered a key factor of modern economic development UN, 2012.

This paper presents a short review of the literature on the relevance and role of innovation and entrepreneurship on economic growth and development. This study intends to analyze the relation between entrepreneurship, innovative entrepreneurship and economic development in EU. For the statistical data processing, we used the SPSS software package.

\textit{Keywords:} innovation; entrepreneurship; SMEs; innovative entrepreneurship; competitiveness; economic growth; economic development.

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1. Introduction

Reaching the objective set by the European Union, turning the European economy into “the most competitive and dynamic knowledge-based economy in the world” Lisbon Strategy, as well as into an “intelligent, sustainable and favourable to inclusion” one Europe Strategy 2020, requires the acknowledgement of the central role that innovation and entrepreneurship play in achieving economic development, job creation and growth of well-being.

Different studies have also acknowledged this central role in the economic literature. Thus, entrepreneurship has been recognized as a micro driver of innovation and economic growth Wennekers and Thurik, 1999; Audretsch and Thurik, 2001; Acs, 2006; Audretsch et al., 2006. Grilo and Thurik 2005 consider that the entrepreneurial activity is at the heart of innovation, productivity growth, competitiveness, economic growth and job creation. Dahlstrand and Stevenson 2008 show that SMEs and entrepreneurship continue to be a key source of dynamism, innovation and flexibility in advanced industrialized countries, as well as in emerging and developing economies. In OECD, 2007a, it is underlined that, today, innovative performance is a crucial factor in determining competitiveness and national progress, and much of the rise in living standards is due to innovation, emphasizing the fact that improving the business environment for innovation is especially important, as business is the main driver of innovation.

The relationship between entrepreneurship and innovation and their role in economic development was very well highlighted by Schumpeter one of the most influential economists of the twentieth century in “The Theory of Economic Development” 1911/34. In his work, Schumpeter established conceptually the „entrepreneur as innovator”, a key figure in driving economic development. Subsequent studies have increasingly emphasized the link between innovation, underlying research and entrepreneurial effort aimed at commercializing the results of R&D, in many instances innovation being considered a precondition for an enterprise acquiring a competitive advantage UN, 2012.

Some research papers make the distinction between ‘innovative’ versus ‘ordinary’ entrepreneurship, underlining that these two types of entrepreneurship may result in different economic outcomes Waasdorp, 2002; Dahlstrand and Stevenson, 2010. The main contribution of ordinary entrepreneurship is job creation. Innovative entrepreneurship is more likely to lead to higher value-added jobs and wealth creation and firms with higher growth rates, the founders perhaps more compelled towards growth by the opportunity of the venture and its innovativeness Stevenson, 2002.

According to OSLO Manual OECD, 2005, innovation “is the implementation of a new or significantly improved product good or service, or process, a new marketing method, or a new organizational method in business practices, workplace organisation or external relations”. On the other hand, entrepreneurs “are those persons business owners who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets” OECD, 2007b. The combination of entrepreneurship and innovation results in innovative entrepreneurship: new firms based on new innovative ideas.

Taking into account that most of the entrepreneurial activity most assuredly involves innovation, according to Audretsch and Thurik 2001 and Acs et al. 2005, entrepreneurs are critical to the innovation process and the entrepreneurial capacity is a key element in the transfer of knowledge in the commercialization process.

2. Methodology and data

In this paper, we aim to analyse the relationship between innovative entrepreneurship and economic development at the level of the EU member states to emphasize how innovation and entrepreneurship can influence the level of economic development in these countries.
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