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Macroeconomic Analysis of the Competitive Factors which Influence Innovation in Rural Entrepreneurship

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Abstract

In order to identify the main factors influencing the development of entrepreneurial innovation in the rural environment, the present study starts from the analysis of competitiveness at a macroeconomic level, by extrapolating all the factors at a regional level. Following the analysis of the relevant factors, a descriptive model was conceived pertaining to the development entrepreneurial innovation in rural areas. The model is centered on entrepreneurial innovation and is conceived as a nucleus in the development of competitiveness in the rural environment. The development of innovation may occur by the complex interaction of the four elements, which form what is known as Porter's diamond. Other relevant external factors are all the institutions which may influence innovation in the rural environment.

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1. Introduction

Competitiveness can be defined as that set of institutions, policies and factors which determine the current level of productivity of a country. Productivity determines both the welfare of an economy at a given time and its growth potential in the future [1].

American economist Paul Krugman defined the term competitiveness differently, depending on its area of application: at the micro level - the company or the macro- level: the economy of a country. Krugman states that, in

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essence, the competition between countries is not similar to competition between companies and the competitiveness is hardly a zero-sum game, as traditional economic theory considers. A country can benefit from economic growth recorded by other nations in a chain reaction: growth in a particular part of the world determines the appearance of new markets as well as of their sources of supply. Thus, unlike the traditional mercantile vision, being competitive does not mean causing disadvantage to trading partners, but also increasing and making full use of one's advantage [2].

In his "The competitive advantage of nations" [3] M. Porter showed that in order to explain the economic success of a country or region it is not sufficient to resort to the classical theory of production factors, but also to the complex interplay of factors which compose "Porter's diamond." In Porter's vision, competitive advantages are influenced by the natural environment and the existing national and international climate. In this regard, there are items such as the existence of factors of production and the geographical position of a country, but also elements regarding the evolution of the international climate that cannot be influenced by that State (changes in international prices, changes in international markets, political events and social, technological changes, etc.). On the other hand, there are a number of factors that can be influenced by government action. Public investment, government procurement, subsidies, the legal framework of the internal market, consumption norms and standards are all ways of generating competitive advantages. Considering the specific political decision, it is important to have a global approach to the system of competitive conditions through a coherent government action to improve the country's competitive advantages [4].

2. Theoretical background

The economic goal of an entrepreneur and the social objective of rural development are more interlinked in rural rather than in urban areas. For this reason, rural entrepreneurship is primarily based on the community, has strong extended family ties and has a relatively large impact on the rural community [5].

The choice of the indicators of rural development depends on the objectives proposed by economic policies, such as creating jobs, increasing productivity, competitiveness, stimulating innovative enterprises etc. as well as on the national context and demographic structure of enterprises.

2.1. The diamond of local competitiveness

The diamond of local competitiveness requires an analysis of each local economic sector in terms of the four elements considered to be the four sides of the diamond:

- Determining factors (location, natural resources, human resources, financial resources, technology and infrastructure);
- Company strategy and structure (policies and strategies, objectives, competencies and skills, motivation, culture and local tradition and awareness);
- Demand (market, customers, the pace of market growth, the level of innovation and complexity) and
- Support industries (suppliers, subcontractors, related industries and competitors).

Other external factors considered relevant in enhancing the competitiveness of rural areas are represented by all the institutions that can influence innovation in entrepreneurship, such as:

- State institutions,
- Institutions of education,
- Institutions for innovation support,
- Networks of business environment.

The composition of the elements forming the model of innovation competitiveness in rural areas is presented in Fig. 1.