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NATIONAL POLITICAL INSTITUTIONS AND RESOURCE ENVIRONMENTS AS DETERMINANTS OF NATIONAL ENTREPRENEURIAL ACTIVITY (INTERACTIVE PAPER)

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INTERACTIVE PAPER

NATIONAL POLITICAL INSTITUTIONS AND RESOURCE ENVIRONMENTS AS DETERMINANTS OF NATIONAL ENTREPRENEURIAL ACTIVITY

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Principal Topic

Although there are a growing number of studies examining entrepreneurial activity within individual countries (Wang, 2006) or regions (Armington & Acs, 2002), there remains a dearth of cross-country comparative empirical work examining the extent to which country level factors actually influence within-country entrepreneurial activity and/or what specific country level factors support entrepreneurial activity advantages over time (van Stel, Storey & Thurik, 2007). Some argue that one critical “structural characteristic” at the national level of analysis is political institutional structures that guide and constrain entrepreneurial behavior within a country (Aldrich, 1999; Spencer, Murtha, and Lenway, 2005), while others suggest that the within country resources available to startups predict formation rates (Bartolomew, 1997; Ho & Wong, 2007; Shane, 2004). Our study advances entrepreneurship research through empirically examining both political institutional structures and resource environments, and how they may influence country-level entrepreneurial activity.

Method

We sampled country-level factors from 17 of the most developed countries in the world (e.g. North American and Western European countries, Australia, New Zealand, and Japan) over a seven year time period (2000-2006), drawing upon three data sources that evaluate country level factors. We used GEM survey results as measures of entrepreneurial activity from 2000 to 2006 and Global Competitiveness Report survey items to comprise three measures of perceived country resource environments: financial resources, human resources, and technological networks. Each country’s political institutional structure was determined from designations argued by Jepperson (2002) and Spencer, Murtha and Lenway (2005). Differences between countries were examined using nonparametric statistical methods.

Results and Implications

Significant differences in entrepreneurial activity were detected between political institutional structures. Countries where state authority is granted intrinsically from the society (weak-state) displayed significantly greater levels of total entrepreneurial activity than countries where authority is granted from the state (strong-states). Among the countries with weak-state structures, countries with less perceived financial resources and technological networks demonstrated more entrepreneurial activity. Our findings suggest that political institutional structures direct entrepreneurial behaviors within countries and although not necessarily out of necessity, entrepreneurial activity in the developed world may thrive in environments lacking in resources.

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