CROSS-COUNTRY MODEL OF ENTREPRENEURSHIP (INTERACTIVE PAPER)

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CROSS-COUNTRY MODEL OF ENTREPRENEURSHIP
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Principal Topic
This paper explains why the models based on World Bank (WB) data and models based on Global Monitor Entrepreneurship (GEM) data lead to conflicting results regarding the impact of a country's economic development, technological level, and institutional environment and cultural peculiarity on its national rate of entrepreneurship. It contributes to the literature a set of higher-order determinants that explains variation in entrepreneurship across countries. Unlike previous studies, this study has a well-rounded examination of entrepreneurship drivers, including factors on the human side of entrepreneurship that have been neglected in the literature. As such, this paper contributes to the literature an overarching empirically assessed model of entrepreneurship.

Method
This paper analyses all of the important determinants that have been woven in the different existing models of entrepreneurship at the macro level and used in empirical studies in the literature. To avoid multicollinearity problem, we conducted dimension reduction analysis on the sample of 48 countries averaging the data from 2002 to 2009, using the Varimax rotation with the Kaiser Normalization procedure. The result is 3 culture variables (goal oriented competitive culture, human oriented cooperative culture, and patriarchal culture) and 5 non-culture variables (regulatory environment efficiency, economic advancement, modernization, demography, and personal economic security) that became independent variables in our analysis. Having had satisfactory results from out checks for heteroskedasticity and normality, we performed two multiple regression analyses to test all the hypotheses.

Results and Implications
Our paper shows that WB data reflects formal entrepreneurship while GEM data reflects total entrepreneurship which includes both formal and informal entrepreneurship. The results of our analysis suggest to policy makers that if they want to promote formal entrepreneurship, they need to promote goal oriented competitive culture and gender equality, enhance the institutional environment, and boost the level of economic development and consequent technological advancement, modernization, and personal economic security. However, in improving personal economic security and economic advancement and encouraging goal oriented competitive culture, policy makers will deter total entrepreneurship. Since entrepreneurship plays an important role in social stability enhancement, economic growth, resource allocation efficiency, etc., policy makers may have incentives to promote total entrepreneurship rather than focusing on formal entrepreneurship. In order to do so, they need to promote humane oriented cooperative culture and to develop the right demographic parameters.

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