ENTREPRENEURSHIP AND
COMPETITIVENESS DYNAMICS: A
DEVELOPING COUNTRIES PERSPECTIVE
(INTERACTIVE PAPER)

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Recent studies suggest that during the last two decades the development of new technologies, and the emergence of new business models, has shifted from large corporations to small and new ventures (Thurow, 2003; Wennekers et al., 2005, Amorós and Cristi, 2008). Nevertheless, the competitive impact of the latter differ not only between countries with different stages of development but also between countries at the same level of development and among regions in a single country (Audretsch and Keilbach, 2004; Belso, 2005; Acs and Armitage, 2006; Carree et al., 2007). Latin American countries have showed lower levels of development and by consequence face a relative absence of more value-added entrepreneurial ventures. In this paper we investigate the relation between entrepreneurial activity and competitiveness performance in Latin American countries. We think that entrepreneurship and innovation are keys to overcoming this recent lack of dynamism on emergent economies.

Method

We construct a series of regressions to verify the relationship between entrepreneurial dynamics and the level of competitiveness and economic growth. We use longitudinal data for 55 countries – ten of which are Latin-American and Caribbean countries– over the period 2000-2006 that had participated in Global Entrepreneurship Monitor, GEM, We used a general-to-specific modelling procedure to test different specification of the data. The use of a panel data in this paper advances our understanding of entrepreneurial dynamics.

Results and implications

Results from the pooled models show significant and negative effects of competitiveness rates, and economic growth on “necessity-based” entrepreneurial dynamics. Whereas, the relationship are significant and positive on “high-expectation oriented” entrepreneurship. These results suggest that in developing countries the competitiveness has been more oriented to structural production efficiency than enhance the entrepreneurial dynamics of the country. Our findings show that new venture creation is not only relevant for developing countries but also highly necessary. They uphold high-expectation entrepreneurial activity that may reflect a better performance of the competitiveness and economic development (Autio, 2005). Developing countries need to transform the typical self-employment or necessity new venturing from isolated experiences involved with local markets, to a strong networked innovative firms competing globally. It is important to develop a more compressible framework to understand this phenomenon in emergent economies. Implications for new ventures creation and public policy are discussed.

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