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SUMMARY

VARIETIES OF EXPORT-ORIENTED ENTREPRENEURIAL ACTIVITY IN TEN ASIAN COUNTRIES: THE ROLE OF INSTITUTIONAL STRUCTURES

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Principal Topic

Around the world, governments have taken steps to stimulate entrepreneurship (OECD, 2003), with Asia noted for its strong potential (Economist, 2006), but disappointing progress (Carney & Gedajlovic, 2000). Extant new venture internationalization research focuses on firm and founder-level explanations, mostly overlooking the role of institutions (Yeung, 2002; Zahra, 2005).

Given the lack of theory-based institutions research (Baker, Gedajlovic & Lubatkin, 2005), the present study fills an important gap by developing and testing political economy’s Varieties of Capitalism (VOC) theory to investigate the relationship between national-level institutions and export-oriented entrepreneurial activity. VOC describes how nation-states shape critical institutions and national-level institutional differences affect firm behavior. Institutions enable information exchange, monitor/sanction non-cooperative behavior, set norms/attitudes and provide actors with otherwise unobtainable strategic capacities (Hall & Soskice, 2001; North, 1990), including the ability to internationalize (Whitley, 1999).

Institutions enable varying degrees of capital accumulation which promote investment/growth, including entrepreneurship. To export, new ventures must produce goods/services which are valued by foreign customers and depend on efficient internal organizations and coordinated external relationships. New firms are particularly susceptible to institutional environments (Carney & Gedajlovic, 2003) and face higher transaction costs abroad than at home (Zacharakis, 1997). We focus on five institutions: Industrial Relations, Vocational Training/Education (shapes work attitudes), Corporate Governance (access to patient capital for innovative, international activities; returns; governance), Inter-firm Relations (LaPorta et al., 1998) and Employee Relations (incentives, returns, hierarchies).

Method

We use Global Entrepreneurship Monitor (GEM) data from ten Asian countries (Australia, China, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, Thailand) and lagged country-level institutional measures from IMD, World Bank and WEF.

Results and Implications

Asian national environments with higher shares of export-oriented entrepreneurship are characterized by: flexible wages ($R=0.821; p<0.01$), highly cooperative industrial relations ($R=0.673; p<0.05$), staff training ($R=0.717; p<0.05$) and quality math/science education ($R=0.703; p<0.05$), corporate governance by efficacious boards ($R=0.588; p<0.10$), inter-firm relations in highly transparent environments ($R=0.787; p<0.01$) and employee relations facilitating the delegation of authority ($R=0.767; p<0.01$).

Government policy must address a range of institutions and at multiple levels to encourage individuals to start export-oriented firms, facilitate firms’ growth, and create a supportive industry and national environment. Importantly, we do not observe a convergence of a model of capitalism or export-oriented entrepreneurial activity.

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