

Chapter 1

Factors Stimulating Entrepreneurship: A Comparison of Developed (U.S. and Europe) and Developing (West African) Countries

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ABSTRACT

The World Bank, the World Economic Forum, the Heritage Foundation, and other global organizations have studied national business climates to determine optimal conditions and practices necessary to stimulate entrepreneurship and economic growth. This chapter compares select measures from the three organizations from six West African countries (Benin, Cote d'Ivoire, Ghana, Liberia, Senegal, and Sierra Leone) and benchmarks their results against the United States and an unweighted average of six European Union member states. These measures are most directly tied to the establishment, protection and sustainable growth of technology or technology-dependent entrepreneurial businesses: business freedom, investment freedom, investor protection, property rights protection, technological readiness, innovation, freedom from corruption, and access to risk capital. This chapter contributes to the literature in three ways. First, it provides a broad policy comparison. Second, it benchmarks entrepreneurial readiness climates via comparisons among emerging and developed markets. Lastly, it offers recommendations for policy makers and researchers.

DOI: 10.4018/978-1-4666-7533-9.ch001

INTRODUCTION

Significant research has been conducted over the past two decades to identify, characterize, and predict the emergence of entrepreneurial movements within national economies. At this macro level of analysis, it is common to speak of national innovation systems—frameworks that engender entrepreneurship and invention at the national level (Nelson, 1998). The national innovation systems literature has an implied theory of change; that is, if a nation can improve its entrepreneurial sub-systems, it can increase the quantity and quality of entrepreneurial outcomes. There has been no lack of effort to define the characteristics of national entrepreneurship. As Acs et al. (2014) note, three general frameworks for measuring entrepreneurial activity have emerged: output measures, attitude measures, and framework measures. In a framework measures construct, an entrepreneurial country is one where the regulations and broader institutional factors support (or do not inhibit) entrepreneurial activity. It is this concept of entrepreneurial frameworks—with a special emphasis on West Africa—that is the focus of this research.

West Africa is beginning its second half-century as a post-colonial region. In seeking to enter the 21st century system of global business, trade and economic development, Sub-Saharan West Africa faces a number of challenges derived from colonialism, enduring tribal conflicts, inconsistent or contradictory property ownership paradigms, a technology gap, and natural resource management. Despite similar challenges, resources, and economic histories, nations within the region vary widely in economic advancement over the past decade when measured by GDP size and growth. While some of these differences in direction and outcomes arise from political tensions and setbacks, a large body of literature suggests that at least a portion of the differences result from institutional factors as well as differences in

risk-perception and opportunism at the individual and cultural level (Carraher et al., 2010; Acs et al., 2014).

While a thorough discussion of differences is well beyond the scope of this chapter, we would suggest that the long-term performance of a national economy depends in part on the resilience and robustness of its entrepreneurial infrastructure. While the infrastructure includes individual, cultural and other institutional factors, not all factors have equal impact. In this chapter, we select a series of factors from multiple international indices to develop a simple and tractable picture of entrepreneurial readiness within six selected countries of West Africa. To the degree that this infrastructure can be identified and assessed on a periodic basis, it may help policy makers examine whether or not the systems over which they have influence are making it easier to attract or stimulate development of high-growth, entrepreneurial enterprises within their regional and national economies.

For decades, multinational organizations like the World Bank, the World Economic Forum, the Heritage Foundation and others have studied national business climates to determine optimal conditions for entrepreneurship and economic growth. This chapter compares select measures from each of the three organizations from six West African countries (Benin, Cote d'Ivoire, Ghana, Liberia, Senegal, and Sierra Leone) and benchmarks their results against the United States and an unweighted average of six European Union member states (France, Germany, Italy, the Netherlands, Spain, and United Kingdom). These six European countries were chosen because they comprise roughly three quarters of European Union GDP and are representative of the cultural, economic, and political diversity of the mature markets in the European Union.

The select factors include a series of measures tied directly to the establishment, protection and sustainable growth of technology or technology-

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