

≈ SUMMARY ≈

**ENTREPRENEURSHIP AS THE MISSING FACTOR IN SUSTAINABLE
ECONOMIC DEVELOPMENT OF POOR NATIONS: A SYSTEMATIC
ANALYSIS OF FACTORS OF PRODUCTION**

Chi Anyansi-Archibong,

*School of Business and Economic, North Carolina Agricultural and Technological State University,
Greensboro, North Carolina*

Overview

Entrepreneurship has been viewed and cited by researchers as an important and key contributor to a nation's industrial development as well as a significant driving force in the nation's economic development (Steward and Boyd, 1988). Economists in the study of factors of production (Exhibit 1) identify entrepreneurship and knowledge as the two most critical of the five factors. In the same trend of argument, a management expert and business consultant, Peter Drucker (1999) declares knowledge as the most important factor giving examples of how the young workers on the high-tech industries of Silicon Valley area of California are often referred to as knowledge workers. It will be argued in this paper that entrepreneurial skills/characteristics include knowledge and the ability to recognize analyze and seize opportunities.

Additionally, an analysis (Nickels et al, 2004) of the rich and poor countries to determine what causes the difference in the levels of wealth show that entrepreneurship and knowledge are the most dominant cause of wealth. The analysis indicates that most poor countries have abundance of land, labor, and natural resources (China and Russia as command economies) but lack knowledge and entrepreneurship. In contrast, Japan and Hong Kong for example, are relatively rich countries but are poor in land and Natural resources. It will be argued in this paper that capital could not be the missing ingredient since capital (tools, machinery, etc) could be made available by International Monetary Fund (IMF), World Bank and other funding agencies including the national governments.

This paper examines the relationships among the factors of production(land, labor, capital, knowledge and entrepreneurship) and the potential of a country to develop and sustain its economy. The paper argues that entrepreneurship is the most critical and necessary factor for effective economic development. The current globalization process appear to be forcing industrialized nations to find ways to revive entrepreneurial activities in their efforts to reactivate and sustain the economic growth and to compete effectively in the global society

In recent years, research studies (Gibb 1996; WSJ , March 22, 2004) are showing increasing interest in the development of entrepreneurial activities in many countries including the developed nations.

Exhibit 1

Factors of Production

Land – Land and other natural resources provide raw materials for goods

Labor – People are an important resource for production of goods and services but today Technology (technical education and training) is replacing many unskilled labor

Capital – Capital includes machines, tools building, and other means of manufacturing goods and services

Entrepreneurship – All resources are of little value unless entrepreneurs are willing to take risk starting a business using the resources

Knowledge – information technology have revolutionized business – making it easier to find and meet customer needs anywhere in the world (tied into entrepreneurship and tech. labor)

Many of these countries see potential growth in indigenous entrepreneurs as promising. Unfortunately these businesses are prone to failure without adequate assistance or support from the state and federal government. In an article in Unitec New Zealand Global Entrepreneurship Monitor (GEM, 2004) Report, the principal author, H. Frederick emphasized the importance of government policies and programs aimed at nurturing entrepreneurship. “Governments can either fuel entrepreneurship or stop them in their tracks,” he continued. “When you consider that these entrepreneurs create jobs and wealth for their communities, commercialize innovations that make people’s lives better and contribute to national economic growth, you have to wonder why government is not developing policies that make the ground fertile for entrepreneurship to thrive,” concluded Fredrick.

The above statements by Fredrick (GEM 2004) refers to policies and development of infrastructure (“fertile ground”) for entrepreneurship to thrive. To compete globally and grow the economy, several governments are changing long-standing traditional policies and creating new initiatives to encourage entrepreneurial businesses. In the United States, the National Governor’s Association (NGA) released a new report, “A Governor’s Guide to Strengthening State Entrepreneurship Policy” which offers hands-on tips for what governors and their policy teams can do to stimulate new business starts and business growth in their states, (NGA Report, 2004). **In another report the European Action Plan for entrepreneurship calls for a focus on five key areas** including fueling entrepreneurial mindsets; encouraging more people to become entrepreneurs; gearing entrepreneurs for growth and global competitiveness, improving the flow of finance, and creating a friendlier regulatory environment. Future action plans include promotion of social entrepreneurship and improving small business access to government (The European Agenda for Entrepreneurship, 2004). The European Union is yet to provide detail action plan for enhancing these entrepreneurial activities.

In Asia, Japan External Trade Organization (JETRO) outlines new initiatives, models and knows how to revive growth in its economy (Wall Street Journal, March 22, 2004, Section A). In

Indonesia, new decree tries to clarify policies and win investment (WSJ, March 22, 2004, Section A). A number of other initiatives and changes in policies are developing among emerging nations including India and South Korea.

However, in Africa, a Harvard Business Conference, (2004) reported that African Entrepreneurs face a lot more challenges – “Beyond the basic issues of building a successful firm, new entrepreneurs deal with government *corruption, poor infrastructure, centralized economic policies*, and the like.” The conference further reports that a major upside is that Africa is rich with opportunities – land, natural resources, large populations and the like, but lacks the most critical factors for development and appropriate government policies.

The proposed research model (Exhibit 2) depicts the importance of entrepreneurship and the roles of adequate government support for a sustainable economic development.

Research Method and Key Propositions:

A comparative, trend analysis method was used in this pilot study. The pilot study focused on examination of the economic development of two emerging countries which are comparatively similar in relation to the factors of production.

Nigeria, West Africa and China, South East Asia were selected for this study. The levels of economic development in the past five years were examined and compared using the Major Economic Indicators (GNP, GDP, Interest rate, Unemployment rate, Currency value/exchange rate, etc).

Variables: For economic development measures, Economic indicators (GDP, GNP, Unemployment rate, interest rate, etc.) were used. Populations was compared on the basis of literacy level, etc.

The presence of Factors of production were examined and defined as presented in Exhibit 1.

Exhibit 2 presents the proposed relationship between the presence of entrepreneurship, government recognition and support (as “emphasized or not...” in the National Economic Development Plans).

Proposition One:

Countries with large population (50-60% literacy/knowledgeable labor force), abundant natural resources (raw materials) , Large land mass, Capital (resources for tools, machinery,etc) and planned support for entrepreneurial activities have the propensity to develop and sustain their economic growth.

Proposition Two (Null):

Similar countries as described in Proposition One which have all the other four factors but without a planned support for entrepreneurial activities will not develop and sustain the economic growth as fast as the countries in proposition one.

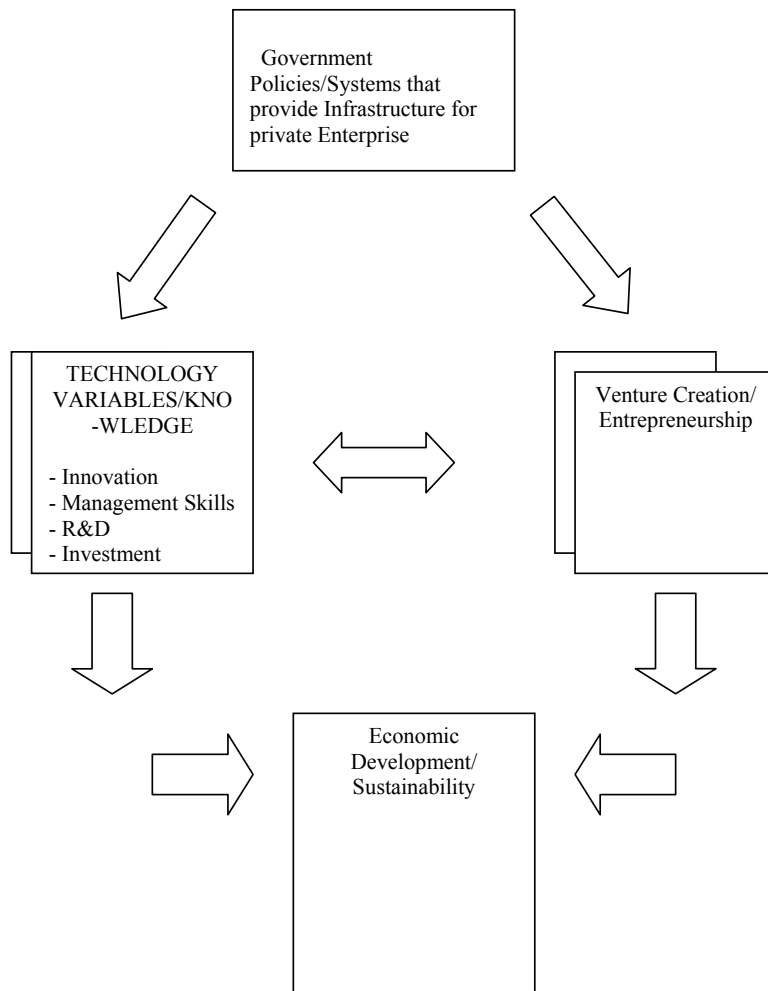
Preliminary analysis of the data in the pilot study show that China is ahead of Nigeria and. There is evident in China's 1997 National Development Plan that called for expansion of the Special Economic zones created in the late 1980. Nigeria's plan on the other hand had no direct mention of special free enterprise opportunitie.

A follow up of the the pilot study is recommended and planned involving a minimum of six countries including Ghana, India, South Kororia, Russia and Latvia.

Exhibit 2

A Model for Fueling and Sustaining Economic Growth

Relationships among Government Infrastructure, Entrepreneurship and Economic Growth



REFERENCES

- “New Zealand Excels in Export & Job Growth Entrepreneurship,” Unitec NZ Global Entrepreneurship Monitor (GEM) 2003-2004 Report
- How DO New Zealand Entrepreneurs Fund Their Business? Unitec (GEM) 2003-2004 Report
Global Entrepreneurship Monitor (GEM) – page 3 of 4
(CIS) Center for Innovations & Entrepreneurship
- “Entrepreneurs in Africa” – <http://hbswk.hbs.edu/item.jhtml?>
- “State Strategies for Entrepreneurial Development,” The National Government Association, (NGA) Report – <http://www.nga.org/cda/files/0402govguideentrepreneur.pdf>
- “European Action Plan for Entrepreneurship,” <http://europa.eu.int/com/enterprise/whatsnew.htm>
- “India’s Boom Takes the Stage,” by Jay Solomon, WSJ, April 19, page A19
- “A More Open-Minded Society Offers New Incentives for Foreign Investors,” John R. Harris, WSJ, March 23, 2004, page 1
- “The Importance of Entrepreneurial Activity for Economic Growth,” Professor Paul Reynolds, Babson College/London Business School
- “An EU Perspective on Entrepreneurship and Economic Growth,” Director Timo Summa, SME Envoye, DG Enterprise
- “Jetro is Cutting the Red Tape and Rolling Out the Red Carpet,” John R. Harris, WSJ, March 22, 2004, page A20