

Competitiveness and Entrepreneurship, and their Effects on Economic Growth

Mohsen Mohammadi Khyareh¹

Economic And Administrative Science, Gonbad-E Kavous University, Gonbad-E Kavous, Iran

Nasrin Rostami

Economic And Administrative Science, Gonbad-E Kavous University, Gonbad-E Kavous, Iran

Abstract

Entrepreneurship is the foundation of competition and innovation among firms, as well as on the national economy. In order to create a favorable environment for entrepreneurship strengthening, it must use symmetric and appropriate competitive conditions with entrepreneurship, to improve production and employment, and thereby increase economic growth. Therefore, the main objective of this study is to investigate the effects of competitiveness and entrepreneurship, which ultimately lead to economic growth. In this paper, through collecting library resources and with a descriptive approach, the interrelations between different components of competitiveness and entrepreneurship, as well as their effects on economic growth, are discussed.

Keywords: Competitiveness, Entrepreneurship, National economic growth.

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Introduction

Economic growth resulting from competitiveness can potentially be explained by the level of entrepreneurial activity in a country. Existing literature suggests that entrepreneurship has a close relationship with introducing innovation, making market

¹ Corresponding author's email: m.mohamadi@ut.ac.ir

changes, increasing competitiveness, and competing in the economic performance of a country (Wong et al., 2005).

The term competitiveness has always been the focal point of policy debate since the late 1980s and early 1990s (Krugman, 1994, Porter, 1990). Also, in relation to the factors influencing the competitiveness of the theory and the various economic theories, technical advances in production and investment in the strengthening and efficiency of human resources are crucial for continuous competitiveness. This matter has become important to the extent that based on the results of the research carried out by many economists, the difference in the rate of economic growth in developed countries is due to the difference in their entrepreneurial level. In fact, high productivity levels indicate a high rate of return, and this rate is one of the main factors behind the growth rate of the economy (Martin et al., 2010).

The study of the factors influencing growth has led to the emergence of theories that today are known as endogenous growth models. The work of Romer (1990) and Grossman and Helpman (1991) and Aghion, and Howitt (1992) are related to models that explain long-term growth, focusing on technological advancement and R & D. In 1970, an economic variable that had been neglected before that year grew into growth models, and it was an entrepreneur who, according to Schumpeter and Baumol, was expressed in terms of innovation and competitiveness, and when the conditions for entrepreneurship can be influenced by economic innovation through innovation and diversity of resources and invention and competitiveness.

The main objective of this study is to investigate the effects of the economic competitiveness of the world economy (WEF) and entrepreneurship on the national economic growth. Considering the main purpose of the research as well as the importance of government policies in developing entrepreneurial activities and creating an appropriate business environment, the main question to be taken into consideration is which of the key components of competitiveness affect participation in entrepreneurship as well as the nature. How can entrepreneurship be effective on competitive conditions, and ultimately this process can lead to economic growth.

In the remainder of this study, the study is divided into three parts: in the second part, theoretical foundations including the concept of competitiveness, competitiveness and entrepreneurship, entrepreneurship and economic growth, competitiveness and economic growth are examined. In the third section, an overview of previous studies will be presented and, finally, conclusions and suggestions will be presented.

Literature Review

Concept of competitiveness

In order to examine the nature and concept of competitiveness, the organizations of the Development Management Foundation and the World Economic Forum focus on measuring the concept of high-level competitiveness, and the microeconomic approach in the concept of competitiveness is also used by the Organization for Economic Co-

operation and Development. The Institute of management Development (IMD) states in its definition: "Competitiveness is an area of knowledge economy that analyzes factors and these policies have shaped the ability of nations to create and maintain the environment and have created more value in the environment Business and the success of their nation". The Competitiveness Index introduced by the World Economic Forum is based on a set of institutions, policies and factors that determine the level of productivity of a country. Also, the Organization for Economic Cooperation and Development (1996) believes that competitiveness is "a level of production of goods and services in a country that, in free market conditions, can absorb demand for global markets and meet different levels of demand, while at the same time It will increase the real income of citizens in the long run. "

A country's competitiveness index is a set of 12 pillars, divided into three groups. The first group relates to basic requirements, including institutions, infrastructure, macroeconomic stability, health and elementary education. The second group represents the factors and resources of efficiency, including higher education, product market efficiency, labor market efficiency, financial market development, technological readiness, market size, and complexity of the business. The third group includes innovation and business complexity factors (WEF, 2014).

Competitiveness and entrepreneurship

Petuškienė and Glinskienė (2017) defined entrepreneurship as business start-ups or the development of business ideas, the creation and commercialization of innovations, which in their turn led to political and cultural changes Economic, legal and social, as well as opening up opportunities for market competition at the micro level and improving national competitiveness. In their view, this definition describes the best economic aspect of entrepreneurship and emphasizes its effects on environmental change and national competitiveness. Promoting entrepreneurship is an essential component of a policy designed to improve competitiveness (Cuckovic and Bartlett, 2007). On the other hand, Acs and Amorós (2008) suggest that entrepreneurial dynamics will decrease as competitiveness and economic growth of the region increase. They also consider that for developing countries, rather than facilitating the entrepreneurial dynamism of countries, competitiveness is more prone to the efficiency of the production structure. According to the grouping of competitive pillars, the main argument of this study is the impact of competitiveness on entrepreneurship and it differs for countries at different stages of economic development.

First Pillar: Institutions

The quality of institutions is closely linked to competitiveness and economic growth and can influence investment decisions and organizing production (Soto 2000). Institutions are, according to Sautet (2005), vital to the expansion of entrepreneurial activity, which is at the heart of the process of development and economic growth. The assumption is that institutions are rather stable and that entrepreneurs assess the institutional environment, find an opportunity, and try to exploit it (Sine and David, 2010). Keefer and Snack (1997) suggest that poor institutions that do not guarantee

property rights can also interfere with growth by promoting entrepreneurs who are less able to take advantage of new technologies. Where institutions are inadequate, entrepreneurs succeed on the basis of political rather than economic criteria.

Second pillar: Infrastructure

Entrepreneurs need to benefit from a strong infrastructure because they do not need large investments to build their infrastructure. In addition, the quality and breadth of the infrastructure network has a significant effect on economic growth and affects income inequality and poverty in different ways (Aschauer, 1989). However, the well-developed transport and communications infrastructure network is a pre-requisite for the acquisition of less developed products for basic economic activities and services, which also provides opportunities for entrepreneurs as well as entrepreneurship as an opportunity for entrepreneurship opportunities and activities are expected to be available when there is still no strong infrastructure, (Cohen and Winn 2007). Audretsch et al. (2015) state that investments in this segment may be particularly conducive to entrepreneurial opportunities considering infrastructures to be positively related with startup activity. Casson (1990) argued that an infrastructure that enhances cooperation between a country's entrepreneurs will facilitate problem-solving activities and increase entrepreneurial activity.

Third pillar: Macroeconomic environment

Current fiscal deficits limit the future capabilities of the government to respond to business cycles. When the inflation rate is out of control, firms cannot function effectively. In fact, the economy cannot grow well unless the macroeconomic environment of the economy is stable. The stability of the macroeconomic environment is important for business, both for short and long term decisions, and, therefore, is significant for the overall competitiveness of a country. The macroeconomic environments of some countries are more conducive to entrepreneurial behaviour while others penalize it (Arenius and Minniti, 2005).

Fourth pillar: Health and primary education

A healthy workforce is vital for productivity and competitiveness in the country. Therefore, investment in health and health services is a requirement of having a healthy economy (Sachs, 2001), The fundamental importance of health and education of a country in competition and success is when expected to have a positive relationship with entrepreneurship, as has been the case in recent studies (Van Praag, 1999). Workers who are ill cannot function to their potential and will be less productive. Also quantity and quality of basic education received by the population is increasingly important in today's economy. Primary education increases the efficiency of each individual worker (Ramoniene and Lanskoronskis, 2011).

Fifth Pillar: Higher education and training

Educated force is very important for countries' competitiveness and productivity. Education and higher education are essential for economies that want to extend the value chain beyond production processes and simple products (Schultz, 1961, Lucas, 1988, Becker, 1993). Mondragón-Velez (2009) shows that both people with less than a college education (starting on secondary enrolment) and people with a higher than college or more, are more interested to become entrepreneurs, since higher educated people are more interested to have their own business, rather than only wage earning workers. It is also noticeable that, people with less than the college education or high school education prefer to be a wage-earning worker. Working in the opposite direction. In non-university graduates, they often have to adapt their business to living conditions. They can not find a job, so they decide to start a company to build their lives.

A high level of education and higher education will make the economy more competitive. Competitive labor force is positively correlated with entrepreneurship. When entrepreneurs are people with higher education, they can grow faster and make things work more efficiently and accurately, and they will have a greater chance of turning opportunities into economic positions.

Sixth pillar: Goods market efficiency

Given the literature on entrepreneurship, there are different views on the relationship between the productivity of the commodity market and entrepreneurial activities, however, the relative dependence on other important factors that affect entrepreneurship and competitiveness. On the one hand, it is argued that when markets are efficient and in balance, entrepreneurship is encouraged to develop new technologies, to drive out enterprises that are inactive from the market and to create economic growth (King and Levin, 1993). On the other hand, entrepreneurship succeeds when there is a market failure and market imbalance (Fisher, 1993), which provides significant opportunities for developing advanced technology and innovative business models. a new product into the marketplace is fraught with challenges due to the customers' resistance to change (Heidenreich and Kraemer, 2016) to introduce new methods of production, to utilize new sources of supply, to restructure industries, and to create new markets in new regions (Schumpeter, 1934) by replenishing the pool of opportunities that is drawn upon by entrepreneurs in their pursuit of profit (Eckhardt and Shane, 2003).

Seventh pillar: Labour market efficiency

The labor market needs to have the flexibility to move the workforce from one economic activity to another, quickly and at a low cost (Almeida, 2009, Kaplan, 2009). The efficiency and flexibility of the labor market to ensure that the workforce is efficiently allocated and that there are incentives to achieve the highest returns. Efficient markets ensure strong incentives for employees and endeavor to improve their skills at work (WEF, 2017). Entrepreneurship is expected to have a negative relationship with market efficiency and competition, when employees can easily be moved (job mobility) may be picked up for established firms sooner, and novice entrepreneurs will be a big part

of potential opportunities. Lose. Well organized working environment and good working conditions can improve employees' job satisfaction which will result in higher labour efficiency (Kuznetsova et al, 2017).

Eighth Pillar: Financial market development

According to King and Levin (1993), developed financial systems affect entrepreneurial activities, which lead to improvements in four ways. Firstly, financial systems always identify future entrepreneurs and choose high-return projects. Second, financial systems are a resource mobilization to finance profitable projects. Examples of ways in which financial resources can be provided include: bank loans, investments from venture capitalists or business angels, money from funded funds, or cash funds from friends, family, and family acquaintances. Third, financial systems give investors the confidence to test the diverse risks associated with uncertain innovative activities. Fourth, financial systems show that there is a potential bonus for engaging in innovation, not in the continuation of the production of products with previous techniques. Therefore, the development of financial markets is an important challenge for a country's innovation (Schumpeter, 1934). The poor countries, with a weak financial system, make a range that is in a circle, so that poor financial development leads to poor economic performance, and, in turn, poor economic performance also leads to a limitation of financial market development. (Fung, 2009).

Ninth Pillar: Technology readiness

For entrepreneurs, access to public technologies is important because the cost of malware is reduced and entrepreneurs can focus on the core business model. With the presence of industrial clusters, access to technology and more efficiency (Gilbert et al., 2008). Szabo and Herman (2014) point out, it is widely recognized that technology and innovation have a positive impact on the entrepreneurial performance and have a significant role in the social and economic development through the created output. Other issue is that as new technologies often require new skills, the lack of human capacity has been one explanation for the failure of many developing countries to fully exploit the existing global technologies (Lee, 2001).

Tenth pillar: Market size

An increase in the size of the domestic market can have a positive and negative impact on corporate profits and entrepreneurs' (potential) decision on whether a new business is possible or not. The positive effects of increasing market size can be that entrepreneurs create more opportunities. In general, when market size rises, it has a positive effect on economic growth. On the other hand, there is a negative effect of the economic side-effects of competition between companies. When the size of the firm increases, firms will compete with firms that have a larger share of the market share. Since there is a higher level of competition, firms should pay more to their employees, for example, for them to be satisfactory, and the chances of employees moving to competitors will not increase. If positive effects are overcome, entrepreneurs will create a new company in a large market and the index of entrepreneurial activity will increase (Sato et al., 2012).

Eleventh pillar: Business sophistication

Business complexity is related to two elements that are related: Business enterprises are becoming more advanced to the quality of business networks throughout the country, as well as the quality of the strategies and operations of private firms. In this study, individual skills and abilities are not used, but focuses on the complexity of a business in an economy and the competitive advantage it gains. So entrepreneurial activities are more likely to grow. Business complexity is likely to occur in advanced economies where improved productivity has already been exploited; undeveloped economies are unlikely to have a high degree of complexity. According to Schwab (2010), business sophistication leads to higher productivity in the production of goods and services. This in turn, results in the increase of efficiency, thus enhancing the competitiveness of a nation.

Twelfth pillar: Innovation

Entrepreneurship and innovation are two concepts that are often related, some people see entrepreneurs as the most innovative people in economics. However, many innovations are being developed in research and development. Several studies and theories have been made in this regard (Schumpeter, 1942). Innovation can arise from new and non-technical knowledge (WEF, 2014). Non-technological innovations are highly relevant to the knowledge, skills, and working conditions embedded in organizations. The final pillar of competitiveness is focused on technological innovation, although it can be achieved through significant improvements in institutions, institutions, infrastructure, or macroeconomic instability, but all of these factors ultimately lead to declining yields. (Aghion and Howitt, 1992). Enterprises must seek to design and develop new products and processes in order to stay in competition with competitors. Focusing on innovation, Drucker (1998) asserts that innovation is central for entrepreneurial activity and encourages many entrepreneurs to engage in entrepreneurial activity. Summarizing, entrepreneurs' innovations encourage other entrepreneurs to enter into entrepreneurial undertakings and innovation (Duguet and Monjon, 2004).

In Figure 1, the effects of the competitiveness pillars on entrepreneurship and, finally, the effects of both on economic growth have been shown.

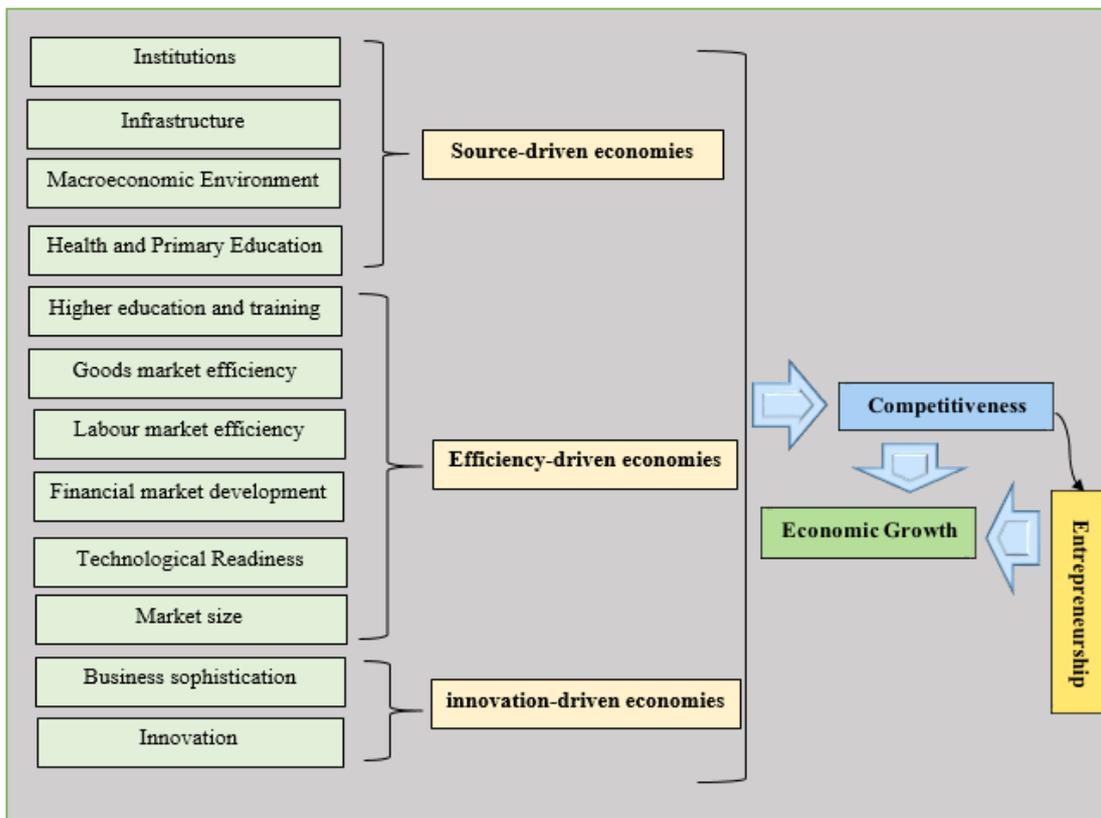


Figure 1: The Effects of Competitive pillars and Entrepreneurship on Economic Growth

Entrepreneurship and economic growth

Entrepreneurship for many years had no place in economic research related to growth, although many articles were theoretically written about the impact of entrepreneurship on economics (Porter, 1990, Baumol, 1993). Considering the role of production and economic growth in promoting the standard of living of human beings, theorists have concentrated on the role of entrepreneurship in production and growth in recent decades and have introduced it as an engine for growth and development, so that entrepreneurship was first considered by economists and All schools of thought from the sixteenth century to the present have been entrepreneurial in their economic theories. Martin et al. (2010), by examining the relationship between entrepreneurship, income distribution and economic growth, follows the ideas created by Schumpeter and compares them with an empirical analysis using GEM (Global Entrepreneurship Watch) data has done. Schumpeter emphasizes the role of the entrepreneur on economic growth through innovation, and states that the entrepreneur is seeking to produce a new product with new methods, and this approach is associated with acceptance of risk and uncertainty. Zsuzsanna and Herman (2012) present a brief critique of the literature on the relationship and the role of innovation and entrepreneurship in economic growth and development. Similarly, studies such as Davidsson et al. (2006), Audretsch and Thurik (2004), Van Stel

et al. (2005), Wennekers et al. (2010) and El Harbi et al. (2011) examine the relationship between economic growth and entrepreneurship Paid.

Regarding the role of entrepreneurship in economic growth, the Holocaust acknowledges that the entrepreneur is a motor of economic growth (Holcombe, 1998). Creation can boost economic performance, since more entrepreneurs create more competition, thus increasing productivity and efficiency. And encourages innovation, which, in turn, leads to more economic growth (Carre and Thurik, 2005, Fritch, 2008).

Competitiveness and economic growth

The level of competitiveness of a country is an important factor for the standard of living and economic well-being in that country, as well as an effective factor in the economic growth of the countries. In the following, the impact of each of the components of competitiveness on the process of economic growth and economic development is highlighted.

According to Miller et al. (2014), government agencies can impose significant economic costs on businesses and slow down economic development; for example, bureaucracy and excessive administrative regulations, corruption, fraudulent engagements and contracts, Lack of transparency, inability to provide proper services in the business sector, inappropriate management of public finances and political affiliation of the judicial system can play a fundamental role in the development of a country. In addition to state institutions, the good governance of private institutions and the preservation of consumer and investor confidence is also an important element of the wealth production process (Zingales, 1998). The quality and breadth of the infrastructure network integrates the national market and connects it to other countries at a low cost, enabling businesses to deliver their goods and services in a safe and timely manner to the market, the rapid flow of information and makes it cheap and facilitates labor mobility. The impact of infrastructure networks on economic growth has been proven by researchers such as Canning and Pedroni (1999) and Calderon and Servén (2004). There is clear evidence of the effects of the economic stabilization of economic activity in the short term. For example, the effects of low and moderate levels of inflation have been examined by Goodfriend (2007) and Temple (2000). The stability of the macroeconomic environment is an important and effective factor in growth and competitiveness, and instability in the macroeconomic environment causes the economy to suffer.

The health of employees in each of the economic activities is a factor in productivity and competitiveness. The quantity and quality of elementary and basic education increases the efficiency of the workforce and contributes to the design and implementation of innovations, which ultimately lead to an increase in the value chain through the production of more complex and high value added products. (WEF 2014). The rate of enrollment of secondary and university courses, as well as the quality of higher education, are also key factors in boosting the value chain in the economy (Krueger and Lindahl, 2001). The efficiency of the commodity market is related to the production and appropriate combination of goods and services in accordance with the specific requirements of supply and demand in the country, as well as the effectiveness of trade

with these commodities (WEF, 2014). The best environment for exchanging goods requires a high level of market competition and at least government intervention. Evidence of a positive relationship between business openness and economic growth and well-being has been found by several scholars (Alsina et al., 2005; Baldwin, 2003; Dollar and Kraay, 2003).

When there is mobility of labor and the shift of labor from economic activity to other activities, it is possible to quickly and at the lowest possible cost, and wage fluctuations without social distortions can be managed, it can be hoped that labor market performance will increase economic growth Will be (Kaplan, 2009). The size of the market as a blessing for an economy affects productivity by creating opportunities for achieving economical economies of scale. In previous periods, the size of the market was limited to the domestic market, but with the advent of globalization, market size has increased and the positive effect of trade on economic growth has been confirmed in many studies. Operations and advanced strategies of firms are overflowing with the economy, leading to complex and modern business processes among the business sectors of the country, which contributes to increasing productivity (WEF, 2013). Although the main achievement can be achieved through reforming institutional factors, building infrastructure, etc., in the long run, the standard of living can only be enhanced through technological innovation. According to Romer (1990), technological innovations are especially important for economies that can no longer improve their productivity through the integration and acceptance of exogenous technologies.

A group of studies have examined the relationship between competitiveness and economic growth, and a number of these studies are presented below. Cazacu (2015) examines the relationship between economic growth and competitiveness in a sample of 28 European countries during the 2013-2006 period. He has used the Global Competitiveness Index as an indicator for national competitiveness capability. The results of this study have shown that shock in competitiveness has a positive effect on GDP growth. Nevertheless, the results have shown that rapid economic growth has a positive but small effect on competitiveness. In this regard, Kordalska and Olczyk (2016) experimentally test the relationship between GCI and economic growth using the Granger Causality approach in a sample of 114 countries in the period 2014-2006. The authors conclude that there is a strong unilateral causality from economic growth to competitiveness. In addition, the results have shown that GCI has been successful in predicting economic growth for most of the low-income and high-income countries of the OECD. In another study, Mohammad and Hamdi (2012) analyzed the relationship between economic growth and global competitiveness in a sample of 23 African countries during the period 2004-2009. The results of the study indicate that the level of global competitiveness has had a positive and significant effect on the economic growth of African countries. Fagberg et al. (2007), in a paper on a hybrid framework based on Schumpeter's logic to analyze questions such as why some countries grow faster and have a much better business performance than other countries? present. In this regard, there are four competitive aspects: technology, costs, capacity and demand. The framework was implemented in 1993 and 2001, for example in 49 countries. Senir and Sari Dugan (2011) found that countries need to design economic, scientific and technological strategies in order to achieve sustainable global competitiveness and long-term economic

growth. Gonzales Pernia et al. (2012) found in their research that there is a high capacity of the regions to synchronize new knowledge and set up firms, which has a positive relationship with the level of competitiveness of those regions. Their findings suggest that innovation is a necessary but not sufficient condition for economic development in the region.

Conclusion

Considering the importance of competitiveness in each country's economy, as well as the importance of entrepreneurial activities in creating employment and increasing economic growth, this study also examines the effects of competitiveness and entrepreneurship on economic growth. Based on theoretical background and literature in which the concept of country's competitiveness and the impact of each of the components of competitiveness on economic growth can be expected, economic growth and the competitiveness of the national economy can be expected to be positively correlated. The present study also focuses on entrepreneurship and economic growth.

Using this research, competitiveness can be used as an indicator for entrepreneurship activities within the country and is one of the factors of economic growth. From the social domain, this study can also help governments, which aspects of politics favor entrepreneurial opportunities, and what factors encourage entrepreneurs to grow in a single economy. This study is also important for entrepreneurs, since it shows what aspects of the economy are important and should focus on which of the deficiencies in the economic dimension and the pillars of competitiveness. By using this knowledge, they can increase their understanding of the global economy and benefit from more opportunities in countries with different stages of development and competition.

One of the ultimate goals of policies in each economy is to achieve sustainable growth. Therefore, in order to achieve this goal, it is suggested that governments, with appropriate policies, can directly influence factors such as the business environment, physical infrastructure and educational infrastructures and ultimately affect the competitiveness of the country. And thus affect business performance, productivity, prices, and labor costs.

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