CREATING A THRIVING ENTREPRENEURIAL ECOSYSTEM: THE IMPACT OF HUMAN CAPITAL AND CORRUPTION

Charles Bryant, Bisk College of Business, Florida Institute of Technology, U.S.A.
Raj G. Javalgi, Monte Ahuja College of Business Administration, Cleveland State University, U.S.A
David A. Grossman, Goucher College, U.S.A.

dx.doi.org/10.18374/JIBE-24-1.2

ABSTRACT

Research in the field of entrepreneurship indicates a strong positive relationship between economic growth and entrepreneurial activity. This relationship has been demonstrated to be robust to both developing and developed markets. However, corruption has also been shown to impact on the entrepreneurial ecosystem. This paper examines a potential explanation for the association between human capital and entrepreneurial activity and investigates the role of corruption in mediating the linkage between them. We sourced data from established research databases – the Global Entrepreneurship Monitor (GEM), the World Bank, and various NGO sources, to conduct an empirical investigation of the direct impacts of human capital on the overall level of national total entrepreneurial activity and follow this by further studying the impact of this antecedent on the disaggregated components of total entrepreneurial activity. Our results indicate that while human capital is a vital component in a successful entrepreneurial ecosystem, the impact afforded to human capital can be completely negated when corruption is present. In other words, we find that corruption fully mediates the relationship between human capital and entrepreneurial activity in certain situations.

***Keywords**: Entrepreneurial Ecosystem, Human Capital, Corruption, Entrepreneurship*

1. INTRODUCTION

Economic growth on both the national and regional scale, is largely driven through entrepreneurial activity. In fact, entrepreneurial activity has been shown to be a key indicator of future economic development, including job creation and spillover activity. This core theoretical concept, has been supported by researchers beginning with Schumpeter (1939) who established his “treatise of circular flow,” and empirically by Porter (1990) who found that “entrepreneurship is at the heart of national advantage” (Porter, 1990, p. 125).

The economic value created through entrepreneurial activity impacts both developed and developing economies, but not necessary in the same ways. In developed markets, entrepreneurship brings increased economic value primarily through the high-tech sector by providing new technologies, efficiencies, and increased job creation. In developing economies, entrepreneurship brings a substantial reduction in poverty and increased standards of living primarily through the emergence of new ventures and the introduction of new technology, (Mohapatra, Rozelle, & Goodhue, 2007)

However, it is not simply entrepreneurship in general that drives economic growth. Research based on data from the Global Entrepreneurship Monitor (GEM), indicates that the type of entrepreneurship plays a deciding role in the way in which entrepreneurial activity impacts an economy. Data from GEM is presented as Total Entrepreneurial Activity (TEA), which is an aggregated measure comprised of two separate measures - Opportunity Motivated Entrepreneurship (OME) and Necessity Motivated Entrepreneurship (NME). Research demonstrates that each of these components impact an economy differently. Additionally, Bryant and Javalgi, found evidence that indicates that these disaggregated components will also behave differently based type of economy (developed vs developing) being studied, (Bryant & Javalgi, 2016)

While the vast majority of research indicates a strong positive relationship between entrepreneurial activity and economic growth, the antecedent factors leading to a thriving economic environment are much less understood. This study attempts to investigate these antecedents by focusing on human capital and