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**UNU-MERIT**



**Maastricht University**

Maastricht Graduate School of Governance



# Entrepreneurship in Developing Countries

Module 3 EPRM September - October 2020



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## **1. Introduction to the Course / Module**

### ***Background***

Entrepreneurship, i.e. the creation and growth of new businesses, is at the heart of Schumpeter's process of 'creative destruction' and is widely viewed as a process generating employment, income and economic development. For developing and least developed countries alike, policies are designed to stimulate the start-up of new firms and even more importantly, the evolution of small business into a larger size and operating with more advanced technologies. But while the importance of entrepreneurship for employment and income generation is well supported, not all entrepreneurial undertakings appear conducive to economic growth. Indeed, many developing countries have large informal economies, where turnover of micro-businesses is overwhelming, yet not generating stable and high-quality jobs. Many small firms have difficulties in evolving into medium and large size, encountering important barriers to entrepreneurship and growth. Personal, cultural and institutional factors influence the allocation of entrepreneurial talent and the survival and growth performance of the entrepreneurial firms, determining the contribution of entrepreneurship to growth.

### ***Course outline***

The course is designed to study a number of topics in this field of the literature to enable the student to understand the research debate and policy discussions on dynamic entrepreneurship and private sector development. In particular, the following topics are addressed:

***Module 1:*** Introduction: Entrepreneurship, economic growth and development  
*An introduction to the research questions and concepts in the entrepreneurship literature, and a discussion on the role of entrepreneurship for economic growth.*

***Module 2:*** Micro-economic drivers of entry and firm growth  
*Discussion on the determinants of entry and growth of firms;*

***Module 3:*** Topics in entrepreneurship research  
*Students pick one particular topic of their choice out of a set of 6 topics that they study more in detail.*

***Module 4:*** Entrepreneurship policy discussion  
*Discussion on the trends in the entrepreneurship policy debate; the justification of entrepreneurship policy interventions and best practices in entrepreneurship policy*

## **2. Key Concepts**

The concept of entrepreneurship;  
Entrepreneurship and economic growth;  
Necessity versus opportunity entrepreneurship;  
Entry, growth and high growth of firms  
Micro-determinants of entrepreneurship;  
Contextual factors, institutional constraints and barriers to entrepreneurship;  
Entrepreneurship policy

### 3. Learning Goals

The course is designed to familiarize young researchers interested in entrepreneurship in developing countries with existing literature in this field. The objective is to:

- Provide the student with a brief overview of research questions and topics in the field of entrepreneurship in developing countries;
- Provide the student with a number of survey articles that summarise the knowledge from theory and evidence and contain interesting reference lists for further study;
- Provide the student with additional reference material, not for immediate study but as background and reference material for later study or for use in their PhD research;
- Provide, through this literature survey, the necessary tools and insights for students to understand the research debate and policy discussions on dynamic entrepreneurship and private sector development.

### 4. Learning Materials

- i. Lectures / Video Recordings
  - a) Lecture slides are provided online
  - b) There are audio lecture recordings for each module.
- ii. Readings

**Module 1:** Introduction: Entrepreneurship, economic growth and development

Obligatory readings:

- Wennekers, S. and Thurik, R. (1999) Linking entrepreneurship and economic growth. *Small Business Economics* 13(1): 27-56. Available at: <https://link.springer.com/article/10.1023/A:1008063200484>
- Baumol, W. J. (1990) Entrepreneurship: Productive, unproductive, and destructive. *Journal of Political Economy* 98(5): 893-921. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/69423314>
- Naudé, W. (2011) Entrepreneurship is not a binding constraint on growth and development in the poorest countries. *World Development* 39(1): 33-44. Available at: <https://www.sciencedirect.com/science/article/pii/S0305750X10001208#aep-section-id10>

Optional readings:

- Audretsch, D. B., Keilbach, M. C. and Lehmann, E. E. (2006) *Entrepreneurship and economic growth*. New York: Oxford University Press, p12-33. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/4642361492>
- Shane, S. and Venkataraman, S. (2000) The promise of entrepreneurship as a field of research. *Academy of Management Review* 25(1): 217-226. Available at: <https://entrepreneurscommunicate.pbworks.com/f/Shane%2520%252B%2520Venkat%2520-%2520Ent%2520as%2520field.pdf>
- Szirmai, A., Naudé, W. A. and Goedhuys, M. (2011) *Entrepreneurship, innovation, and economic development* Oxford; New York: Oxford University Press. An overview:

[https://www.researchgate.net/publication/265064574\\_Entrepreneurship\\_Innovation\\_and\\_Economic\\_Development\\_An\\_Overview](https://www.researchgate.net/publication/265064574_Entrepreneurship_Innovation_and_Economic_Development_An_Overview)

## **Module 2:** Microeconomic drivers of entry and firm growth

### Obligatory readings:

- Quatraro, F. and M. Vivarelli (2015). "Drivers of Entrepreneurship and Post-entry Performance of Newborn Firms in Developing Countries." *The World Bank Research Observer* 30(2): 277-305. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/5879239468>
- Goedhuys, M. and Sleuwaegen, L. (2000) Entrepreneurship and growth of entrepreneurial firms in Côte d'ivoire. *Journal of Development Studies* 36(3): 123-145. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/43928463>
- Sleuwaegen, L. and Goedhuys, M. (2002) Growth of firms in developing countries, evidence from Côte d'ivoire. *Journal of Development Economics* 68(1): 117-135. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/4930268491>
- Naudé, W. (2008). "Entrepreneurship in economic development." Research paper / UNU-WIDER 2008/20. Available at: <https://www.econstor.eu/bitstream/10419/63572/1/560604459.pdf>

## **Module 3:** Topics in entrepreneurship research

### Obligatory readings: select only one topic (rest is optional)

#### (1) *Women entrepreneurship*

- Minniti, M. and Naudé, W. (2010) What do we know about the patterns and determinants of female entrepreneurship across countries? *European Journal of Development Research* 22(3): 277-293. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/647251358>
- Minniti, M. (2010) Female entrepreneurship and economic activity. *European Journal of Development Research* 22(3): 294-312. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/682576037>
- Elam, A. and Terjesen, S. (2010) Gendered institutions and cross-national patterns of business creation for men and women. *European Journal of Development Research* 22(3): 331-348. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/647251361>

#### (2) *The role of institutions: Financial constraints*

- Paulson, A. L. and Townsend, R. (2004) Entrepreneurship and financial constraints in Thailand. *Journal of Corporate Finance* 10(2): 229 -262. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/4930988517>
- Beck, T. and Demirguc-Kunt, A. (2006) Small and medium-size enterprises: Access to finance as a growth constraint. *Journal of Banking & Finance* 30(11): 2931-2943. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/5902548142>

- Beck, T., Demirgüç-Kunt, A. and Maksimovic, V. (2005) Financial and legal constraints to growth: Does firm size matter? *The Journal of Finance* 60(1): 137-177. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/6895026953>

(3) *The role of institutions : Legal constraints, regulations*

- Djankov, S., La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. (2002) The regulation of entry. *The Quarterly Journal of Economics* 117(1): 1 -37. Available at: [https://scholar.harvard.edu/files/shleifer/files/reg\\_entry.pdf](https://scholar.harvard.edu/files/shleifer/files/reg_entry.pdf)
- Bruhn, M. and D. McKenzie (2014). "Entry Regulation and the Formalization of Microenterprises in Developing Countries." *The World Bank Research Observer*. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/5558837475>
- Beck, T., Demirgüç-Kunt, A. and Maksimovic, V. (2005) Financial and legal constraints to growth: Does firm size matter? *The Journal of Finance* 60(1): 137-177. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/6895026953>

(4) *Education and entrepreneurship selection and performance*

- van der Sluis, J., van Praag, M. and Vijverberg, W. (2005) Entrepreneurship selection and performance: A meta-analysis of the impact of education in developing economies. *The World Bank Economic Review* 19(2): 225 -261. Available at: <http://documents.worldbank.org/curated/en/686181468152720536/Entrepreneurship-selection-and-performance-a-meta-analysis-of-the-impact-of-education-in-developing-economies>
- Unger, J. M., et al. (2011). "Human capital and entrepreneurial success: A meta-analytical review." *Journal of Business Venturing* 26(3): 341 -358. <https://maastrichtuniversity.on.worldcat.org/oclc/5900627471>

(5) *Entrepreneurship in (post)-conflict states*

- Naudé, W. (2007) Peace, prosperity, and pro-growth entrepreneurship. in UNU-WIDER Discussion Paper 2007/02.: UNU-WIDER Helsinki, Finland, 33p. Available at: [https://www.wider.unu.edu/publication/peace\\_-\\_prosperity-and-pro-growth-entrepreneurship](https://www.wider.unu.edu/publication/peace_-_prosperity-and-pro-growth-entrepreneurship)
- Brück, T., Naudé, W. and Verwimp, P. (2013) Business under fire: Entrepreneurship and violent conflict in developing countries. *Journal of Conflict Resolution* 57(1): 3-19. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/7021658273>
- Collier, P., Duponchel, M. (2012), The economic legacy of civil war: firm level evidence from Sierra Leone, *Journal of Conflict Resolution* 57(1): 65 -88. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/7021656448>

(6) *Evaluation of business training and financing*

- Cho, Y. and M. Honorati (2014). "Entrepreneurship programs in developing countries: A meta regression analysis." *Labour Economics* 28(0): 110-130. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/5568842162>

- McKenzie, D. and C. Woodruff (2014). "What Are We Learning from Business Training and Entrepreneurship Evaluations around the Developing World?" The World Bank Research Observer 29(1): 48-82. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/5529136789>
  - de Mel, S., et al. (2014). "Business training and female enterprise start-up, growth, and dynamics: Experimental evidence from Sri Lanka." Journal of Development Economics 106(0): 199-210. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/5160031583>
- (7) *On occupational choice: who becomes an entrepreneur?*
- Evans, D. and L. Leighton (1989). "Some empirical aspects of entrepreneurship." American Economic Review 79(3): 519-535. Available at: <https://www.jstor.org/stable/pdf/1806861.pdf>
  - Blanchflower, D. and Oswald, A. J. (1990) What makes an entrepreneur? Evidence on inheritance and capital constraints. National Bureau of Economic Research Working Paper Series, No. 3252. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/769228760>
  - Holtz-Eakin, D., Joulfaian, D. and Rosen, H. S. (1994) Entrepreneurial decisions and liquidity constraints. National Bureau of Economic Research Working Paper Series No. 4526. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/70046861>
- (8) *Firm (high) growth (in developing countries)*
- OECD (2007) Eurostat-oecd manual on business demography statistics. in, 104p. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/212399973>
  - Delmar, F., Davidsson, P., & Gartner, W. B. 2003. Arriving at the high-growth firm. Journal of Business Venturing, 18(2): 189-216. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/4932051094>
  - Goedhuys, M. and Sleuwaegen, L. (2010) High-growth entrepreneurial firms in Africa: A quantile regression approach. Small Business Economics 34(1): 31 -51. Available at: <https://link.springer.com/article/10.1007/s11187-009-9193-7>
  - Grimm, M., Knorringa, P. and Lay, J. (2012) Constrained gazelles: High potentials in West Africa's informal economy. World Development 40(7): 1352-1368. Available at: <https://www.sciencedirect.com/science/article/pii/S0305750X12000460>
  - Coad, A. and Hölzl, W. (2012) Firm growth: Empirical analysis. in Handbook on the economics and theory of the firm: Edward Elgar Publishing Ltd., 324 -338. Available at: <ftp://papers.econ.mpg.de/evo/discussionpapers/2010-02.pdf>
  - Autio, E. (2011) High-aspiration entrepreneurship. in Minniti, M., ed., The dynamics of entrepreneurship. Oxford: Oxford University Press. Available at: [https://www.researchgate.net/publication/281908542\\_High-Aspiration\\_Entrepreneurship](https://www.researchgate.net/publication/281908542_High-Aspiration_Entrepreneurship)

#### **Module 4: Entrepreneurship policy discussion**

##### Obligatory readings:

- Naudé, W. (2008). "Entrepreneurship in economic development." Research paper / UNU-WIDER 2008/20. (section on policy p28-36) Available at:

<https://pdfs.semanticscholar.org/83dc/0215aba844381f2ee8254905139abcfaba97.pdf>

- Nichter, S. and L. Goldmark (2009). "Small Firm Growth in Developing Countries." *World Development* 37(9): 1453-1464. Available at: <https://www.sciencedirect.com/science/article/pii/S0305750X09000928>
- Goedhuys, M, and Calza, E. (2016), Entrepreneurial heterogeneity and the design of entrepreneurship policies for economic growth and inclusive development, mimeo, UNU-MERIT Available at: <https://www.merit.unu.edu/publications/wppdf/.../wp2016-044.pdf>
- Coad, A., Daunfeldt, S.-O., Hözl, W., Johansson, D., & Nightingale, P. 2014. High-growth firms: introduction to the special section. *Industrial and Corporate Change*, 23(1): 91-112. Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/5525801792>

#### Optional readings:

- Goedhuys, M. and L. Sleuwaegen (2010). "High-growth entrepreneurial firms in Africa: A quantile regression approach." *Small Business Economics* 34(1): 31-51. Available at: <https://link.springer.com/article/10.1007/s11187-009-9193-7>
- Quatraro, F. and M. Vivarelli (2015). "Drivers of Entrepreneurship and Post-entry Performance of Newborn Firms in Developing Countries." *The World Bank Research Observer* 30(2): 277-305. (section on policy) Available at: <https://maastrichtuniversity.on.worldcat.org/oclc/5879239468>

### **5. Required Activities/Assignment:**

#### *Assignment 1:*

Provide a short written answer to the following questions related to the literature of week 1.

- Take the framework of Wennekers and Thurik (fig 4. p.51). Would the framework also hold in case of destructive entrepreneurship as described by Baumol (1990). Which elements of the framework are dysfunctional in case of unproductive or destructive entrepreneurship? Explain (20lines)

#### *Assignment 2:*

Select one topic from the list of eight (8) topics in module 3, or propose a topic of your interest. (In the latter case, submit 3 key papers on your proposed topic) Study your particular topic in entrepreneurship research, based on the compulsory reading of your selected topic, and check what has been written about it in the readings of module 2.

Prepare a presentation of 10 min, either audio or video, or, alternatively, a written text (1000 words) on the topic. Integrate to the extent possible the compulsory readings of module 2 into the presentation.

### **6. Grading Procedure**

Grading will be done on the basis of the submission of the 2 assignments consisting of a short written answer to assignment 1; and the submission of a

video/audio/written presentation for assignment 2. About the oral exam based on the second assignment. The first assignment counts for 25%, the second assignment for 50% and the oral exam for 25%.

## **7. Timeline**

- a. Module order and time schedule: one module per week (unless specifically agreed different with the tutor).
- b. Deadlines required activities: submission of assignments 1 by Thursday **1<sup>st</sup> October 2020 before 20:00** and assignment 2 by **Friday 16<sup>th</sup> October 2020 before 20:00**. Submission deadline for **resit** (if required) is 28<sup>th</sup> October 2020 and is due at 20:00

## **8. Support Structure**

- a. Academic Staff (who, when, how contact, discussion moments, online tutorials or office hours?)
  - I. Course Tutor: Shuan Sadreghazi

The tutor can be contacted via email at: [ghazi@merit.unu.edu](mailto:ghazi@merit.unu.edu).

If you have any problems accessing the course or materials, please contact the tutor or [eprm@merit.unu.edu](mailto:eprm@merit.unu.edu)



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