Today’s global social-political environment leads many to elevate entrepreneurship as a vehicle facilitating economic development. Even though different regions have similar new firm formation rates, there is a variation in terms of the contribution to economic development. Building on the resource based-view and Hofstede’s cultural dimensions, this paper proposes three factor view of the quality of entrepreneurship, rather than the quantity of entrepreneurship, that aid economic development.

Introduction

The role of entrepreneurship, and consequent job creation, has been recognized as vital to the economic development of regions and countries around the world (Reynolds, Storey & Westhead, 1994; D. J. Storey, 1985; D. J. Storey, 1984). The existence of entrepreneurship, measured through firm start-up rates, does not explain the disparity of economic development among countries. Reynolds et al. (1994) observed no significant difference in new firm formation rate among countries they studied, which varied significantly in their national wealth (measured by GDP per capita). Their study suggests that new firm formation rates make a poor indicator of the impact of entrepreneurship on economic development. Nevertheless, Audretsch and Keilbach (2004) attributed this disparity of economic development to the entrepreneurs’ failure to relocate the resource into legitimate productive activity. In other words, Audretsch and Keilbach (2004) find entrepreneurial activity to have a heterogeneous effect on economic development. Although most start-ups generate approximately the same amount of job opportunities (from the spatial perspective), some of those jobs may be more sustainable than others. Therefore, focusing on the quality of entrepreneurship rather than the quantity entrepreneurship will help us better understand the relationship between entrepreneurship and economic development (Morris & Jones, 1999).

It is posited herein that it is the quality, not quantity of entrepreneurship that is a good predictor of the effect of entrepreneurship on economic development. A high quality entrepreneurship, defined as vision driven, innovative, and growth oriented entrepreneurship, is affected by three factors in any given country. First, the entrepreneurial orientation of a firm, examined aggregately, attributes to the quality of entrepreneurship in a country. Although entrepreneurial orientation (EO) is an organization level variable, this study is based on the assumption that significant change in a considerable number of organizations, will lead to an aggregate national level change of the same. Second, the resource base of the country affects the quality of entrepreneurship. As financial resources become more accessible by the population, higher quality of entrepreneurship is likely to be evidenced within a given country. These resources include infrastructure related as well as financial related resources. Finally, regulatory stability is seen as a prerequisite of high quality of entrepreneurship. Entrepreneurs and investors alike are more likely to take a risk when regulatory and judicial environment is seen as stable and reliable.
Further, we argue that national culture exerts a direct influence on aggregate level entrepreneurial orientation, allocation of resources, and regulatory stability. The implication of this paper is manifold. Observing a need to examine quality of entrepreneurship before investing, we evidence a serious cumulative effect of corruption, and its effect of the long term entrepreneurial potential of the country. We therefore posit a more complex model in an attempt to better illuminate the relationship between entrepreneurial activity and economic development.

In this paper, we proceed by discussing entrepreneurship from the perspective of the resource-based view. Then we consider the state level regulatory stability and the national culture, and their effects on the nations’ entrepreneurial quality. Arguments culminate in the development of the framework. Implications are discussed on both theoretical and practitioner levels, followed by concluding remarks and comments.

**Entrepreneurship as a Tool for Economic Development**

Any discussion of entrepreneurship, and its effect on the economic development of a region or a nation, begins with a discussion of entrepreneurship itself. Developing the definition of entrepreneurship remains a significant challenge for the academic community. Although the potential of entrepreneurship was recognised some time ago (Schumpeter, 1934), defining ‘entrepreneurship’ and establishing the boundaries of the field has yet to be achieved (Bruyat & Julien, 2001; Scott Shane & Venkataraman, 2001; Shaker A. Zahra & Dess, 2001). Consequently, the question posed by Gartner (1990) is still relevant: is entrepreneurship just a buzzword, or does it have particular characteristics that can be identified and studied? To answer this question, one must define the field of “entrepreneurship”.

A number of scholars have argued that entrepreneurship may include, but does not require, the creation of a new organization (Amit & Schoemaker, 1993; Casson, 1982; Erikson, 2001; Scott Shane & Venkataraman, 2000). This is an important observation, especially when entrepreneurship is discussed under the auspices of Resource-Based View (RBV, discussed later in this paper). Some define entrepreneurship as a “scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited” (Scott Shane & Venkataraman, 2000, p.219). Others see entrepreneurship as an approach to management, as a “process by which individuals – either on their own or inside organisations – pursue opportunities without regard to the resources they currently control” (Stevenson & Jarillo, 1990, p.23).

A number of authors have observed that there is a difference in entrepreneurial quality between different ventures (Todorovic & McNaughton, 2007; Venkataraman, 2004). For example, starting a high technology firm (such as Research in Motion, the maker of “Blackberry”) is not of the same entrepreneurial quality as starting a “hot dog stand” (Todorovic & McNaughton, 2007). Present authors, however, found no in-depth discussion or definition of entrepreneurial quality itself. Consequently, for the purposes of this paper, high quality entrepreneurship is defined as vision driven, innovative, growth oriented entrepreneurship.

Concept of entrepreneurial quality is also important within the concept of the definition of entrepreneurship in different cultures. In some cultures entrepreneurship may refer to those investing in hot-dog stands on a busy corner or intersection (Todorovic & McNaughton, 2007). For this reason, entrepreneurship is often seen as the action of last resort, undertaken out of economic necessity by those whom the system has failed (Bruton & Rubanik, 1997; Venkataraman, 2004). Venkataraman (2004) calls this type of entrepreneurship “low-quality” entrepreneurship, since it is driven by substance need rather than vision. Therefore, entrepreneurship does not necessarily refer to the frequency of entrepreneurial engagement, but rather to the degree to which the new venture embodies high quality and vision driven activity, adding significant value to the product. This type of entrepreneurship, which has the potential to
change the economic landscape of a region or a nation, requires significant resources (Todorovic & McNaughton, 2007).

The contribution of entrepreneurship to economic development can be explained by the creation of job opportunities and facilitation of economic dynamism (Storey, 1985; Storey, 1984). However, the disparity of economic development among countries cannot be attributed solely to the existence of entrepreneurship per se, in part for the reason that entrepreneurial ventures do not create same quality jobs (Storey, 1985; Storey, 1984). In fact, Reynolds et al. (1994) found that, even though the new firm formation rates were broadly similar, economic development may vary across countries. Later studies attempted to explain the disparity of economic development by examining the resources that the various countries possess. However, it is the entrepreneurs who seize the opportunities and allocate the resources to productive activities that appear to make the greatest contribution to economic development (Audretsch & Keilbach, 2004). Therefore, we suggest that:

P1 – Entrepreneurial quality amplifies the relations between entrepreneurship and economic development.

Antecedents of Entrepreneurial Quality

A discussion of entrepreneurship is often not complete without an examination of the different levels at which entrepreneurship can be found. In fact, entrepreneurship can be examined from the perspective of individual, organizational, and national levels (Lee, Lee & Pennings, 2001). Organizational level entrepreneurship is often referred as Entrepreneurial Orientation (EO). Originating in the filed of strategy research (e.g., Child, 1972; Miles & Snow, 1978; Mintzberg, 1973), EO continues to demonstrate significant promise for firms and organizations. Both Mintzberg (1973) and Miles and Snow (1978) discussed a similar concept when they wrote about entrepreneurial firms, referring to them as “entrepreneurial organizations” in the case of former, and “prospector firms” in the latter. Khandwalla’s (1977) work, as well as that of Miles and Snow (1978) and Mintzberg (1978), is seen by many as the initial impetus, which eventually led towards the delineation of EO (Covin & Slevin, 1986; Lumpkin & Dess, 1996; Miller, 1983).

EO and Entrepreneurial Quality

Khandwalla’s (1977) study, although empirical, dealt with the organizational design and not the entrepreneurial organization per se. His study was further supplemented by Miller (1983), who examined 52 firms, developed typology of organizations identifying simple, planning and organic firms. Miller (1983) defined an entrepreneurial firm as one that “engages in product marketing innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations” (p.770). Morris and Paul (1987, p.249) defined EO as the “inclination of top management to take calculated risks, to be innovative and to demonstrate proactiveness.” EO definition was further supplemented by Lumpkin and Dess (1996, p.135), who added “propensity to act autonomously” and a “tendency to be aggressive towards competitors.”

Although the debate regarding the effect of entrepreneurship on organizational performance continues, the examination of EO has yielded much more conclusive results. Covin and Slevin (1986) reported a correlation coefficient of .39 between an entrepreneurial posture (defined as risk-taking, product innovation, and aggressive/proactive competitive stance) and a multivariate index of firm performance. This finding was also made by a number of other studies (e.g., Voss & Giraud, 2000; Wiklund, 1999a; Yang, Li-Hua, Zhang & Wang, 2007; Zahra & Garvis, 2000). As early as 1977, it was observed that the entrepreneurial style was more effective for smaller firms in hostile environments (Khandwalla, 1977). Miller and Friesen (1978) suggested that there was a relationship between EO and
environmental hostility. In their later study, Miller and Friesen (1978) found that effective firms in hostile environments were more entrepreneurially oriented than ineffective firms given the same environment. This finding suggests that EO is related to organizational performance in hostile environments. A number of other studies included environmental hostility as a moderating variable in the EO performance relationship (Shaker A Zahra, 1993; Shaker A. Zahra, Covin & Slevin, 1995).

Considering that high quality entrepreneurship represents activity that is vision driven, innovative and focused on growth, it can also be called entrepreneurially oriented activity. As one may recall from earlier discussions, EO is defined as activity that is innovative, risk-taking and proactive in nature. Likewise, recalling that EO’s relationship to performance is well established, we propose that:

\[ P2 – EO behavior is a prerequisite of high entrepreneurial quality. \]

Resource Base and Entrepreneurial Quality

Understanding entrepreneurship in diverse national environments necessitates a discussion of resources available or possessed by the entrepreneur or his/her firm. Consequently, this paper is built on the resource based view (RBV) paradigm, first advocated by Penrose (1959) in her book, *The Theory of the Growth of the Firm*. The resource-based view incorporates the ideas of distinctive competencies of heterogeneous firms, as well as the rate, direction, and performance implications (Mahoney & Pandian, 1992). In essence, RBV considers firms to be a bundle of unique resources, capabilities, and competencies. Depending on how difficult these capabilities and competencies are to copy, they can become a source of unique advantage that a firm may come to possess.

The main purpose of the RBV framework is to enhance our understanding of how competitive advantage within firms is achieved and how that advantage can be sustained in the future (Barney, 1991; Eisenhardt & Martin, 2000; Nelson, 1991; Penrose, 1959; Schumpeter, 1934; Teece, Pisano & Shuen, 1997; Wernerfelt, 1984). Resources that are valuable, rare, inimitable and non-substitutable (VRIN) help firms achieve sustainable competitive advantage (Barney, 1991; Eisenhardt & Martin, 2000; Penrose, 1959). These resources may be found in distinctive processes, organizational structures, and management insights (Teece et al., 1997).

Unique resources are further divided into two types: tangible and intangible (Grant, 1991). Human and organizational (intangible) assets are hard to copy, representing a potential competitive advantage (Prahalad & Hamel, 1990). It is further recognized that entrepreneurship is one such a resource. Alvarez and Busenitz (2001, p.757) defined entrepreneurship as “the recognition and exploitation of opportunities that result in the creation of a firm that seeks to obtain entrepreneurial rents.” This definition suggests a continuum of entrepreneurial activities in terms of entrepreneurial rent. Considering that Birch (in Giamartino, 1991) found a positive link between economic development and entrepreneurship, we can conclude that:

\[ P3—Access to resources is a prerequisite of high entrepreneurial quality. \]

Building on the RBV, the success of entrepreneurs is attributed to different types of resources they may be able to obtain. Specifically, financial capital, human capital, and social capital are considered three most important antecedents for new firm performance (Dakhli & De Clercq, 2004; Per Davidsson & Honig, 2003; Honig, 1998). Financial capital often refers to the initial financial capital invested for the new firm, although not limited to it. Human capital is less tangible, being embodied in the skills and knowledge acquired by individuals (employees, partners, associates). Less tangible yet is the social capital, which is found to exist in the relations among persons (Coleman, 1988). Social capital, at the organizational level, is often defined as value to an organization in terms of the relationship formed by its
members for the purpose of engaging in collective action (Nahapiet & Ghoshal, 1998). The role of three
types capitals are found to play a major role in entrepreneurial success.

Dakhli & De Clercq (2004) examined the human capital and social capital on innovation at the
country level. Using trust, associational activity, and norms of civic behavior as surrogate of social capital,
they found a positive relationship between human capital and innovation. They also found partial support
for the positive effect of trust and associational activity on innovation and a negative relationship between
norms of civic behavior and one of four innovation measures.

Human capital and social capital also play a role among nascent entrepreneurs (Per Davidsson &
Honig, 2003). In particular, being a member of a business network (one aspect of social capital) had a
statistically significant positive effect on entrepreneurial performance. Human capital can be used to
predict entry into nascent entrepreneurship. Human capital, however, is a poor predictor of sustained
successful entrepreneurial activity.

Honig (1998) found that the rate of return for financial, human, and social capital vary by the
different structure environment. Starting capital helps both small and large firms to succeed. Human
capital and social capital also affect the profitability of the business positively. Human capital also affects
venture partner perceptions of firm profit and growth (Watson, & BarNir, 2003). Human capital and
financial capital also can complement each other, showing that firms with low levels of financial capital
and high levels of founder human capital perform as well as those with high level financial capital but low
level of founder human capital. As matters of fact, founders with a high level of human capital perceive
that they have high ability to take the advantage of opportunity and succeed tend to invest less than those
with low level of human capital. Honig (2001) also found that the impact of human capital on firms’
profitability is stronger when the firm size is small. Human capital can be diluted in a large size enterprise,
and the impact of human capital on profitability will be weakened.

Dimov & Shepherd (2005) distinguished general human capital from specific capital. General
capital is measured by the proportion of their top management teams with education in humanities and in
science and specific capital is measure by the proportion of their top management teams with MBA, law
education, and consulting experience. They found that general capital is positively related to the
proportion of portfolio companies that went public, but specific capital is not. Specific capital was
negatively associated with the proportion of portfolio companies that went bankrupt.

Rauch, Frese, & Utsch (2005) examined the impact of human capital of business owners, human
capital of employees, and human resource development and utilization on employment growth of small
scale enterprises. They concluded that human resource development and utilization is the most effective
predictor for the growth of small scale enterprise. Based on the discussion above, we propose:

\[
P4 \text{ – Multifaceted economic resource base is a prerequisite of high entrepreneurial quality.}
\]

**Regulatory Environment and Entrepreneurial Quality**

Because entrepreneurially oriented activity involves risk, investors of significant capital look for
the existence of a good legal system, stable markets, an effective communication systems, and dependable
transportation systems (Gibb, 1993; Tsang, 1994). The lack of infrastructure may be a source of concern
in developing economies. An underlying characteristic of some developing countries is corruption and
bribery (Tsang, 1994).
Arising from an impoverished economic state and resulting low standard of living, many government officials need to find alternative ways of providing sustenance for their families. With increased economic pressures, the temptation to accept bribes and kickbacks intensifies. Consequently, as the occurrence of bribes and kickbacks increase, they become more widely accepted and more widespread. Tsang (1994) found that, in China, bribes are a prerequisite of a successful business. Local individuals, who often take bribes, serve to shield the new venture from influences coming from a central government, leading to increased regional heterogeneity. The force of law suffers as entrepreneurs must exercise a "careful selection of which rules to follow and which to ignore" (Perkings 1986, 67 in Tsang, 1994). As the law becomes less prominent, government becomes unstable and subject to power struggles (Tsang, 1994). These struggles often increase risk and uncertainty for entrepreneurs. Finally, because of the increased risk faced by entrepreneurs, they are likely to develop a short-term focus - to the national detriment (Tsang, 1994). Venkataraman (2004) found that potential entrepreneurs are likely to emigrate from such regions, thereby resulting in even lower entrepreneurial activity for the host nation. Therefore, we suggest that:

\[ P5 – \text{Regulatory stability is a prerequisite of high entrepreneurial quality.} \]

The Effect of National Culture

Initially based on a survey of IBM, a multinational company, Hofstede (1981) introduced his classical dimensions of national culture. The four dimensions Hofstede identified are individualism, uncertainty avoidance, power distance, and masculinity/femininity.

- Individualism: the focus on the self (with the opposing dimension being collectivity, a focus on the group);
- Uncertainty Avoidance: the amount of structure needed to relieve uncertainty, in itself a variable between societies;
- Power Distance: the amount of inequality acceptable in a society;
- Masculinity/femininity: An assertive or competitive orientation and gender role sensitivity.

The four dimensions of culture have been applied in many areas to explain the difference behavior across societies, such as consumer behavior, organizational behavior, and economic growth (Geert Hofstede, 2001). In this article, culture is posited to be a factor that influences the quality of entrepreneurship.

Hofstede (2001) not only identified the cultural dimensions, but also examined the relationship between cultural dimensions and economic growth. He found that economic growth is negatively related to individualism and positively related to uncertainty avoidance among wealthier nations. In other words, collectivist and less flexible societies grow faster than those in individualistic and more flexible societies. Among poor countries, Franke, Mento, and Brooks (1985) found that individualism and political instability were negative factors for economic growth. However, individualistic societies do show a higher level of national wealth (per capita growth national product in dollars).

Cross-cultural entrepreneurship also attracted the attention of many different writers (e.g., Bruton & Rubanik, 1997; George & Prabhu, 2000; Giamartino, 1991; Hoselitz, 1963; Ibrahim & McGuire, 2001; Venkataraman, 2004). The predominant focus of cross-cultural research is tangible infrastructure, such as a good legal system, transparent and efficient capital markets, and effective communication and transportation systems. Focusing on available capital and resources is not sufficient (Venkataraman,
Cultural values and type of entrepreneurial endeavor (i.e., entrepreneurial quality) must also be considered. Venkataraman (2004, p.154) suggested that "many developing regions are characterized by cultures "that celebrate and depend on tradition." In other words, one factor effecting the economic development and entrepreneurial activity is the cultural environment of the host nation (McGrath, MacMillan, Yang & Tsai, 1992). Consequently, culture is a more significant factor than scholars previously thought.

There are differences between countries in terms of their level of entrepreneurship (Venkataraman, 2004). Even within the US, one of the most entrepreneurial countries in the world, there is regional heterogeneity. Comparing regions where quality entrepreneurship prospers (e.g., Silicon Valley) and where it is still a struggle (e.g., Appalachian regions), one realizes that there is disparity in the regional (or national) resource base. This finding is also supported by other research (Todorovic & McNaughton, 2007; Venkataraman, 2004). Differences in the level and quality of entrepreneurial activity were found to be related to investment flow, cultural aspects, or political and regulatory structures (Frederking, 2004; Glaister, 1998; Hisrich, 1995). For this reason, the topic of cultural and national differences in entrepreneurship is attracting increased attention (Bruton & Rubanik, 1997; George & Prabhu, 2000; Giamartino, 1991; Hoselitz, 1963; Ibrahim & McGuire, 2001; Venkataraman, 2004).

National culture affects the entrepreneurial outcome on the national or regional level, such as national rates of innovation (Scott A. Shane, 1992) and regional rates of new-firm formation (Per Davidsson, 1995; Per and J. Wiklund Davidsson, 1997). Culture also affects entrepreneurship at the corporate level, in strategic decision making (Kogut & Singh, 1988; Scott Shane, 1994a, 1994b, 1995). Meanwhile, national culture affects entrepreneurial characteristics and traits such as motives, values, and beliefs (Mitchell, Smith, Seawright & Morse, 2000; Mueller & Thomas, 2001; Scheinberg, 1988; Scott Shane, Kolvereid & Westhead, 1991; Thomas, 2000). Cultural dimensions are also associated with corporate entrepreneurship, in that different dimensions affect firms’ strategies. For instance, uncertainty avoidance and power distance affects firms’ choices of entry mode. Firms from high uncertainty avoidance societies generally prefer joint venture rather than acquisitions (Kogut & Singh, 1988), while those in low power distance societies prefer licensing versus foreign direct investments (Scott Shane, 1994b). Makino & Neupert (2000) reached a similar conclusion by comparing Japanese and US firms’ preferences between joint ventures and wholly owned subsidiaries. They observed an impact of power-distance and uncertainty avoidance on firms’ strategic decision making. Geletkanycz (1997) demonstrated that uncertainty avoidance and power-distance are negatively associated with commitment to leadership and strategy status quo and that individualism is positively associated with commitment to leadership and strategy status quo.

Previous studies have shown that national culture not only impacts entrepreneurship at national and corporate levels but also affects entrepreneurship of a country via individual characteristics. Individualism, uncertainty avoidance, and power distance can influence entrepreneurial cognitive scripts and venture creation decisions (Mitchell et al., 2000), internal locus of control, innovativeness, risk taking, and energy levels (Mueller & Thomas, 2001; Thomas, 2000). The characteristics of entrepreneurs also affect the manner in which they make strategic decisions. If we consider entrepreneurs’ cognitive scripts and their ability to make a decision as resources, then we conclude that national culture actually affects the amount of resources available to entrepreneurs. Meanwhile, individualism may influence entrepreneurs’ perceptions of the importance of a particular resource in the firm’s operation (Greve & Salaff, 2003).

P6: National culture affects resources available to the entrepreneur.

Innovation is an essential element of high quality entrepreneurship. As previously expound, EO-Performance relationship is positively moderated by environmental hostility (Zahra, 1993; Zahra et al., 1995), where environmental hostility is often characterized as a condition of increased uncertainty. It is
intuitively appealing, and even tautological, to observe that ‘low uncertainty avoidance’ societies are better equipped to deal with hostile environments. This reflection is further supported by the realization that lower uncertainty avoidance can also be associated with greater risk-taking. As risk-taking is one of the dimensions of EO, it follows that lower uncertainty avoidance is more likely to lead to higher EO.

Likewise, one may recall that the dimensions of EO are innovation, risk-taking and proactiveness. United States, a country with a very ‘individualistic society’ is also one of the most entrepreneurial countries in the world, thereby suggesting a relationship between individualism and EO. Such a conclusion agrees with the study Shane (1992), who found that individualism is positively correlated to innovation. Therefore,

\[ P7 \text{ – National culture affects the EO of firms.} \]

Along the same line of thinking, it is a known fact that in many cultures bribes are more acceptable than they are in USA or Canada. Tsang (1994) observed that the use of bribes is a prerequisite of business activity in China. The same is perceived to be the practice in Eastern Europe (Todorovic & McNaughton, 2007), as well as other regions of the world (Venkataraman, 2004). As per earlier discussion, individuals who often take bribes, serve to shield the new venture from otherwise legal influences, leading to "careful selection of which rules to follow and which to ignore" (Tsang, 1994). It, therefore, follows that:

\[ P8 - \text{National culture affects the regulatory stability of a region or a country.} \]

Conclusions and Implications

For many years now, the potential of entrepreneurship has been recognized and even exalted in most developed countries. Entrepreneurial activity is frequently associated with job creation, and therefore, economic development. With recent changes in the global social-political scene, many heads of state are turning to entrepreneurship as a potential remedy for developing countries - a vehicle for economic development. Economic development, however did not always accompany such attempts, suggesting an existence of a more complex relationship (Bruton & Rubanik, 1997; Peng & Shekshnia, 2001; Tsang, 1994).

Our paper combines the insights of the resource based view, cross-cultural entrepreneurship, Hofstede’s work, and entrepreneurial orientation to propose a framework - proposing a more complex relationship (Figure 1). In this framework, we promote the notion that the quality of entrepreneurship affects economic development (i.e., is a good predictor of the effect entrepreneurship will have on the national economic development). Further, we posit that entrepreneurial quality (defined as vision driven, innovative, and growth oriented entrepreneurship) is affected by the entrepreneurial orientation at the national level, the availability of an appropriate resource base, and the presence of regulatory stability. Further we argue that all three (EO, resource base and regulatory stability) are impacted by the unique aspects of the national culture (using dimensions defined by Hofstede).

These arguments are also intuitively appealing. Entrepreneurially oriented activity is usually more innovative and supportive of risk-taking than substance based (low-level) entrepreneurship. Because such entrepreneurship is vision driven, it has a greater potential for making a significant contribution to the economic development of the region. Recognizing that entrepreneurially oriented activity often involves significant risk-taking, an entrepreneur will likely attempt to minimize the ‘non-essential’ risk. In other
words, an entrepreneur will benefit from and prefer increased regulatory stability. As national regulatory systems, including judicial bodies, become more stable, same become more predictable and reliable, reducing the element of risk. Furthermore, recognizing that radical innovation and vision driven entrepreneurial activity, which often involves greater resource investments, is more likely to represent a long term engagement (Wiklund, 1999b), regulatory stability provides for a more stable operating environment. Finally, such long term activity also requires the development of a permanent resource base in terms of funding, infrastructure, and skilled labor supply. Recognizing that long term entrepreneurial activity involves a substantial investment, the presence of such a resource base is of paramount importance.

Finally, societal culture is found to significantly affect EO and the resource environment, as well as regulatory stability. For example, in a more collectivist society, where social capital may be very significant, it may be more important who the entrepreneur knows, rather than what the entrepreneur can do. This may prove to be a very unfavorable selection criterion when trying to conquer the threshold of innovation. When one is trying to access scarce resources and regulatory favors, social capital may play a similar role. Once multiple exceptions are made in the regulatory environment (due to the existence of social capital), the integrity of the regulatory environment itself comes into question.

Figure 1

The Conceptual Model

This framework has a number of limitations and shortcomings. Selection of variables and relationships are based on previous literature, rather than empirical evidence. Although such conceptual work is necessary, especially in developing fields, such as cross-cultural entrepreneurship, empirical support must be sought and is needed to further validate the proposed framework. Nevertheless, conceptual work is necessary as a guide for discussion, elaboration, and future quantitative examination.

Further research is also needed to establish a better understanding of the nature of the interrelationship of the presented variables. There is a need to establish measures by which these variables may be calculated and evaluated. More accurate and more complete measures the relationship of entrepreneurship and economic development are also needed, especially using composite measurement format.
This framework helps bridge understanding from different areas of study, making a further contribution to our knowledge of entrepreneurial contributions to economic development. First of all, this framework provides a better, more complete understanding of the ingredients needed for entrepreneurially fostered economic development. Second, this framework introduces the concept of EO, resource base and a stable regulatory environment as requirements of entrepreneurial quality. Therefore, we recognize that it is not only the issue of entrepreneurship, or business startups – a concept not clearly defined by extant research. Third, this paper demonstrates the importance of cultural constructs and their role in regional or national economic development. To a practitioner, this framework suggests a need to examine local culture, resource base, and regulatory stability before investing. To an academic, the framework extends the reach and applicability of the resource based view and the concept of entrepreneurial quality as a rent generating entity.

As developed nations continue to seek ways to support the expansion of the developing economies, it is recognized that there are limited resources available. This paper demonstrates that the quality of entrepreneurship rather than the quantity of entrepreneurial start-ups, should be used as an indication of the impact of entrepreneurial activity or growth. An examination of all three factors (entrepreneurial orientation, resource base and regulatory stability) is necessary to insure that a foreign investment is appropriate and will be used efficiently. Understanding of entrepreneurial quality may also be used to promote entrepreneurship within less developed regions of the developed countries, such as USA and Canada. Finally, this paper suggests that although “one bribe” may be seen as harmless, its effect on the regulatory stability of the region is long lasting. Consequently this paper also had political ramifications, in addition to the expected economic benefits.

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