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The Ecosystem Perspective of Entrepreneurship in Local Economic Development

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Abstract
Pro-growth Local Economic Development is an approach recommended to developing countries fighting to eradicate widespread poverty in Southern Africa. Entrepreneurship is a key construct under pro-growth approaches. However, other studies found that its effectiveness is dependent on the stage of economic development of a country such that entrepreneurship does not effect economic growth in low income countries but in high income countries. Therefore the factors influencing productive entrepreneurships have been of interest to scholars to inform policy for the development of entrepreneurship which remains a key area of focus in national development plans of many developing countries. An analysis of literature was conducted on the ecosystem perspective of entrepreneurship and it revealed that entrepreneurship can influence economic growth when the requisite key resources and key stakeholders' functionality are developed in a balanced way. Local territories that adopt pro-growth approaches require: effective political, legal, regulatory and economic frameworks that enable higher pay offs from entrepreneurship; policies for the development of financial, physical, human, knowledge and natural capital as well as policies for attracting or supporting key stakeholders mainly the ambitious entrepreneurial class, who are able to develop productive growth oriented entrepreneurships. However, the ecosystem perspective focuses on exogenous factors to the concept. Entrepreneurship is a multidimensional concept with varying perspectives, activities and outputs that influence outcomes and impacts. The effects of this multidimensionality on the performance of entrepreneurship in low income and high income countries remain an area not covered in literature.
Keywords: Entrepreneurship, entrepreneurial ecosystem, local economic development, economic growth.

1. Introduction

Local Economic Development (LED) was the approach recommended for adoption in Southern Africa Development Community (SADC) by the meeting of local government ministers in 2014. Poverty is the number one challenge facing developing countries is Sub Saharan Africa (SSA) despite the success of the Millennium Development Goals (MDGs) in halving the number of extremely poor people in the world from 1959 million in 1990 to 702 million in 2015 (World Bank Group, 2016). Over 35.2 percent of the population in SSA live below the poverty threshold of $1.90 per day (World Bank Group, 2016) and in Malawi the poverty level is as high as 70.9 percent of the population (UNDP, 2016). There is urgent need for effective approaches to economic development in the SSA region if the ambitious goal of eradicating all forms of poverty in the world by 2030 through the Sustainable Development Goals (SDGs) (UN, 2015) is to be realised. Todaro and Smith (2009) assert that economic development is a multi-dimension process that involves major changes in social structures, popular attitudes and national institutions as well as acceleration of economic growth, reduction in inequality and eradication of poverty.

Governments of most developing countries in Southern Africa have pursued economic development through a succession of National Development Plans (NDPs) since the turn of the 21st century. For example Malawi has implemented a series of the Malawi Growth and Development Strategies (MGDS); MGDS I (2006-2011), MGDS II (2012-2016) and the MGDS III (2017-2022). Poverty over the same period has fluctuated from 52.4 percent in 2005, 50.7 percent in 2012 (IHS, 2012) to 70.9 percent in 2016 (UNDP, 2016) after the poverty threshold adjusted upwards from $1.25 per day that was based on the 2005 Price Power Parity (PPP) to $1.90 per day based on the 2015 PPP. Although implementation of NDPs has been affected by a myriad of challenges, in the end of it all, NDPs have not been effective in achieving sustainable economic development at national level in developing countries. Poverty is widespread in the rural communities where the larger proportion of the population lives. The rural communities have the greatest need for social security, food security, jobs and income to fight and eradicate poverty. That has been the basis for the recommendation for adoption of LED strategies. The SADC meeting of local government ministers in 2014 recommended that LED be adopted as an approach to development in the region and that LED be streamlined in the work of Local Government Administrations (LGAs) (Wekwete, 2014). LED is the collective behaviour of individuals, firms, organisations and the government to engage in programmes, projects and activities through appropriate and participative approaches in analysing, planning and implementing interventions that initiate and sustain socioeconomic development of a local area. It is perceived a better strategy for influencing the allocation and utilisation of resources in favour of the poor through direct investments in infrastructure and business development efforts in local communities (Bartik, 2003; Helmsing and Eghziabher, 2005; Wekwete, 2014).

LED initiatives can either be pro-poor or pro-growth (Yatta, 2015). Pro-poor initiatives are prevalent in community development programmes in developing countries where the focus is on the fight against HIV and AIDS, hunger and disease and social funds transfer to improve the social wellbeing of the poor people. However these initiatives do not lead to economic development (Yatta, 2015). Pro-growth initiatives emphasise on economic growth of the local area by directing attention at solving binding constraints that impede the operations of local businesses as well as attracting new outside investments into the local area (Crowe, 2008). Under the pro-growth strategies, entrepreneurship development is centrally placed. Entrepreneurship itself is a multidimensional concept which has been defined differently by scholars (Sheehan, 1950; Kirzner, 1973; Stevenson and Jarillo, 1990; Shane and Venkataraman, 2000; Gries and Naude, 2011; Berglund and Holmgren, 2013; Carlsson et al., 2013). Synthesising the various definitions and perspectives of entrepreneurship, one finds that entrepreneurship is essentially human behaviour involving activities and judgmental decisions undertaken purposively through a process of identifying, evaluating and exploiting opportunities for the creation of socioeconomic value either independently or in existing organisations under conditions of uncertainty.

Although Shane (2009) asserted that encouraging more start-ups is bad public policy, Nightingale and Coad (2014) rightly noted that start-ups are deeply embedded in most public policies. In Malawi establishment of small business ventures has been emphasised since the 1980s with women encouraged to engage in business related income generating activities (IGAs). Mwatsika (2015) observed that IGAs are prevalent in rural communities in Malawi and Agwu and Emit (2014) presented similar statistics that small and medium enterprises (SMEs) constitute over 90 percent of firms in Nigeria. However, most start-ups in developing countries fail and most SMEs die within five years (Agwu and Emit, 2014). SMEs do not make significant contributions towards economic development in low income countries as highlighted by the analysis conducted by Stam and van Stel (2009).

Enterprise development strategies have been implemented under NDPs with minimal effect on economic growth in developing countries. For example in Malawi, the MGDS I (2006-2011) had integrated rural development as a key area of developmental focus where establishment of rural growth centres was aimed at resuscitating the rural economies into potential engines of economic growth. Infrastructure developments, agro-processing, manufacturing and promotion of small business enterprises were some of the key projects aligned to create jobs and incomes in the rural communities (MGDS, 2006). Although no studies have been conducted yet to evaluate the impact of such programmes on local economic development, their contributions may be negligible on the basis of poverty prevalence in rural areas. Therefore how can entrepreneurship fail to make significant impact on economic growth under NDPs but do so under LED?

Entrepreneurship is about identifying, evaluating and exploiting opportunities to create new combinations that are responsible for economic growth (Shane and Venkataraman, 2000). The understanding of the concept from early theorists focused on the entrepreneur and new firm creation which did not provide further understanding of the factors that influence its effectiveness in economic development. The ecosystem perspective brings forth the consideration of a range of factors that affect effectiveness of entrepreneurship in particular contexts (Stam and Spigel, 2016; Mason and Brown, 2014; Isenberg, 2011). The assessment of the effectiveness of entrepreneurship therefore moved from individual level examination of the psychological factors and drivers (McClelland, 1961) to the environment in which entrepreneurship takes place. Various scholars (Baumol, 1990; Crowe, 2008; Sengupta, 2010; Thornton, Ribeiro-Soriano and Urbano, 2011; Acs, Audretsch and Lehmann, 2013; Autio, Pathak and Wennberg, 2013; Kwon, Heflin and Ruef, 2013) have discussed the effects of factors ranging from political and legal institutions, bureaucracy, social-cultural factors, knowledge spillover, local social capital, natural capital, entrepreneurship capital to microfinance on aggregate entrepreneurship behaviour in an economy.

It is for the fact that entrepreneurship is a key construct under LED but it does not make significant contributions to economic growth in low income countries as per Stam and van Stel (2009) study findings, that this analysis of literature was undertaken to reflect on the ecosystem perspective of entrepreneurship and LED. Stam and Spigel (2016) defined the entrepreneurial ecosystem as a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory. If entrepreneurship has failed to make significant impact on economic growth under NDPs, it will do the same if adopted under LED strategies as recommended by the local government ministers in SADC. If pro-growth LED approaches will have no chance of success, poverty elimination shall be an illusion in developing countries. Therefore this analysis aims to underscore the evolving perspective of the entrepreneurial ecosystem and areas of focus for the development of productive entrepreneurships that would feedback into pro growth LED strategy considerations.

In the article, the concept of LED is presented followed by the review of the concepts of entrepreneurship and entrepreneurial ecosystem. The implications of the entrepreneurial ecosystem perspective are discussed with a reflection on the development of productive entrepreneurships within LED before a highlight of areas requiring further studies and a conclusion is drawn.

2. The Concept of Local Economic Development

Local Economic Development (LED) stems from economic growth theories and models. Capital, land and labour were considered the basic factors of production in an economy by the early economic theorists Cantillon (1755) and Say (1816) etc. A highlight of economic growth models from Todaro and Smith (2009) includes the classic economic growth model by Harold-Domar (Ghatak, 2003) which considers investment in capital a prime mover of economic development, the structural change model (Lewis, 1954) considers the shift from traditional (agricultural) sector to industrial sector as a key source of economic growth. The neoclassical economic theorists (Bauer, 1984) advocated for free markets and elimination of government imposed distortions associated with protectionism, subsidies and public ownership counteracting the revolutionary Marxist theories built around socialism (Cohen, 1973). Then the new growth theories (Romer, 1986) emphasise on knowledge creation as a source of sustained economic growth. The growth models therefore theorise capital, land, labour and knowledge as the factors for economic growth and have therefore guided economic development in countries with policy shifts from the focus on investments in physical capital, human capital and new knowledge creation accordingly. The decentralisation and privatisation policies adopted globally followed the neoclassical theories in devolving and limiting government control. Whilst privatisation was about reducing government control of the industries and firms in an economy to allow free market operations, decentralisation was more of a political strategy designed to devolve government power to Local Government Administrations (LGAs) to enhance the provision of local public services to the greatest number of people (Yatta, 2015). The decentralisation policy gives more responsibilities to the LGAs for public service provision and mobilisation for LED.

There are various definitions of the concept of LED. Fundamentally LED is a territory based economic development strategy whereby the private, public and non-governmental sectors and the local community partner to work collectively in programmes, projects and activities through appropriate participative approaches that involve analysing, planning and implementing interventions to initiate and sustain socioeconomic development of a local area or territory (Bartik, 2003; World Bank, 2003; Helmsing and Eghziabher, 2005; Yatta, 2015). Pro-growth LED strategies have been popular in the developed countries since the 1950s but are proliferating into the SSA region in the 21st century. Nonetheless, pro poor LED initiatives have been implemented in developing countries such as Malawi by a government agency in selected areas. Therefore, the call for adoption of LED in SADC member countries has a connotation of pro-growth LED initiatives. There is however a dearth of studies on the implementation of LED in SSA that represents a gap in knowledge on the effectiveness of LED in the local contexts of African countries.

2.1 Approaches to Local Economic Development

LED is an approach developed, managed and owned locally to stimulate economic development in the local area (Bartik, 2003; Yatta, 2015). In this context local would mean a region, city, municipality, town, district, village or other defined local jurisdiction. The purpose of LED is to stimulate economic development in the local jurisdiction and raise the local gross domestic production (GDP) and the living standards of the people (Bartik, 2003; World Bank, 2003).

LED initiatives have been prevalent in the developed countries (Helmsing, 2001a; 2001b) in areas faced with economic decline due to de-industrialisation, government conservation regulations or other that resulted in the closure of businesses and industries, leading to rising unemployment, social distress and general economic downturn. The purpose of LED in such circumstances has been to redistribute resources that would ignite economic development (Malliat, 1998) and stimulate endogenous growth by improving the efficiency of specific local resources, retaining existing businesses, promoting production systems, attracting exogenous growth and promoting high technology development. The aim of LED initiatives has been to stimulate economic development in the local area (Helmsing and Eghziabher, 2005).

As can be appreciated, LED strategies and initiatives are local context specific (Webster and Muller, 2000). Local communities across the globe are faced with challenges that require context specific solutions. For example the challenge of rising unemployment may come about differently in developed and developing countries. In a developed country's rural context, unemployment may rise due to closure of factories or industries caused by various economic, political and environmental factors or depletion of a resource base (Crowe, 2008), whereas in the developing country's rural context, unemployment may be a result of growing population, scarcity of farmland and non-existent of manufacturing industries. LED initiatives to resuscitate economic growth and create employment in these two scenarios would differ significantly because of differences in local contexts. LED strategies cannot be transplanted from one local community into another across space and time due to differences in local contexts. The key to developing effective LED initiatives is clear awareness of the local contexts (Webster and Muller, 2000) so that context specific LED strategies are developed to utilise local resources in stimulating economic development.

In rural communities in developing countries such as Malawi, there are more pro-poor initiatives that focus on the fight against HIV and AIDS, provision of water and sanitation, and prevention of hunger and disease than

pro growth initiatives which are perceived effective in economic development. Scholars distinguish further between two pro-growth LED strategies; industrial recruitment and self development (Crowe, 2008). Industrial recruitment involves efforts to attract firms and industries to relocate to the local area (Sharp, 2001) and provision of tax abatements, low interest loans and easy access to cheap land for infrastructure development are some of the efforts used to attract outside firms. Crowe (2008) asserts that industrial recruitment has been attractive in the cases where the LGA would like to create a large number of jobs in a relatively short time period. However, other scholars have considered industrial recruitment expensive when looking at the cost of new jobs (Loveridge, 1996), the degradation of the local environment (Pellow, 2002) and possibilities of increased population that bring its own challenges (Molotch, 1976). Alternatively, self development involves initiatives to grow from within (Crowe, 2008). Self development fosters local business and other entrepreneurship activities along with relying on the local resources to aid economic development from within the local area (Flora, Green, Gale, Schmidt and Flora, 1992). The institutions within the locality play a vital role in self development (Malliat, 1998). Institutions in the local area include firms, companies, trade associations, unions, political organisations, training and research organisations, community development organisations, faith based organisations and the local government administration (LGA). Localities with good concentration of organisations have advantages for initiating and implementing effective LED programmes holding other factors constant (Crowe, 2008).

The LGA is by virtue of the decentralisation policy responsible for among other issues the economic development of the local area, thereby has the mandate to mobilise for LED initiatives. LED initiatives should involve all relevant stakeholders in the locality who should collaborate to assess the local economy, possible opportunities as well as challenges and obstacles, formulate and implement practical action plans to realise economic development in the area (World Bank, 2003). The World Bank (2003) identifies five stages for LED which are presented as follows: (1) organising the effort which involves bringing the public, private and the community to work together in efforts to stimulate the local economy, (2) undertaking local economic assessment of demographics, economy, investment, infrastructure, location resources and social analysis to establish baselines, (3) formulating a LED strategy that includes the strategic intent, goals, outcomes, outputs and key activities and budgets with indicative sources of financing, (4) implementing the strategy where the activities and budgets are acted upon by the responsible stakeholders and project managers, and (5) reviewing the strategy through regular monitoring and evaluation to assess if activities and budgets are appropriately implemented, and if progress is been made towards the desired economic development in the local area.

2.2 Entrepreneurship in Local Economic Development

As it has been presented, the purpose of LED is to stimulate economic development in the local area and most LED initiatives in developed countries are pro-growth. Local areas want to stimulate investments, create jobs, increase incomes and eventually eliminate poverty. Therefore LED strategies have shifted towards expansion of businesses and promotion of entrepreneurship behaviour. Through self development initiatives, LED involves retention and growing of existing businesses, promoting entrepreneurship and business start-ups (Wekwete, 2014). Beer (2009) highlighted encouraging inward investment, fostering new innovations, nurturing creative environments, promoting start-ups, coordinating infrastructure investments and assisting small businesses to grow as some of the initiatives within LED strategies. Entrepreneurship is a key element within LED, therefore, when van Stel, Carree and Thurik (2005) found that effectiveness of entrepreneurship is dependent on the level of economic development of a country and Stam and van Stel (2009) further found that entrepreneurship does not contribute to economic development in low income countries but high income countries, it becomes a concern to LGA in developing countries who would like to adopt pro-growth LED strategies with a focus on entrepreneurship development. It becomes imperative therefore to review the interaction of the two concepts of LED and entrepreneurship and assess how entrepreneurship can be more productive in LED in developing countries.

3. The Concept of Entrepreneurship

The evolution of the concept of entrepreneurship is traced through Cantillon (1680-1734), Say (1762-1832) and Schumpeter (1883-1950) among the key classical and neoclassical economic theorists. Cantillon (1755) is considered the first economist to have used the word entrepreneur from a French verb ‘entreprendre’ which means to undertake (Kuratko and Hodgetts, 2007). In his conceptualisation, the discrepancies between supply and demand in an economy presented opportunities to alert individuals to purchase raw materials at certain prices in the present to sell at uncertain prices in the future with a hope for profit. The individuals who undertook such activities were called entrepreneurs (Cantillon, 1755) and were considered key agents in the economy who moved the markets towards the state of equilibrium. The conceptualisation advanced later by Kirzner (1973).

Say (1762-1832) advanced the conceptualisation of the entrepreneur to mean the coordinator of factors of production in the economy. Say (1816) described an entrepreneur as an individual who united all the means of production and who found in the value of the products, the establishment of the entire capital he employed and

the value of the wages, the interest and the rent which he paid as well as the profits belonging to himself. Schumpeter (1934) advanced further the conceptualisation of the entrepreneur and entrepreneurship with reference to economic growth in a country. Schumpeter (1934) considered that economic growth came from innovative change that manifested in new combinations that included: (1) the introduction of a new good that is one with which consumers are not yet familiar, or of a new quality of good; (2) the introduction of a new method of production that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially; (3) the opening of a new market; that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before; (4) the conquest of a new source of supply of raw materials or half manufactured goods, again irrespective of whether this source already exists or whether it has first to be created and (5) the carrying out of the new organisation of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position (1934, p.66). Schumpeter (1934) asserted that the carrying out of new combinations is called enterprise and the individuals whose function it is to carry them out are called entrepreneurs (p.74).

All other understandings and misunderstandings of the concept of entrepreneurship have originated from the conceptualisation of Cantillon (1755), Say (1816) and Schumpeter (1934) among the early economic theorists. In the eighteenth century, entrepreneurship was known as the function of organising and directing the factors of production (capital, land and labour) and bearing of risk of supplying capital, and the entrepreneur as any proprietor who undertook organisation, ownership and management of practically any business (Sheehan, 1950). Schumpeter (1934) refocused that conceptualisation to bring innovative change as a key construct. Notably Shane and Venkataraman (2000) then brought forth the highlight of the phases in the process of entrepreneurship to include identification, evaluation and exploitation of opportunities to create the new combinations thereby bringing opportunities as another key construct of interest within the entrepreneurship theory.

The concept of entrepreneurship has therefore been studied from various scholarly perspectives; economics, sociology, psychology, anthropology, business, marketing, finance, geography, history etc to advance its understanding. Studies of entrepreneurship had focused on the traits/characteristics of the entrepreneur, the motivations and drivers of entrepreneurship, the processes involved in the creation of new combinations and of common interest being new ventures creation. Recently scholars have focused on the contexts within which entrepreneurship takes place (McClelland, 1961; Baumol, 1990; Shane and Venkataraman, 2000; Crowe, 2008; Sengupta, 2010; Thornton et al., 2011; Acs et al., 2013; Haltiwanger, Jarmin and Miranda, 2013; Lee and Xin, 2015). As a multidimensional concept, entrepreneurship has been defined differently by scholars depending on their standpoints. Entrepreneurship is perceived a key phenomenon responsible for economic growth and the entrepreneur as the prime agent of economic change who pulls together the factors of production; capital, land, labour and knowledge to create socioeconomic value responsible for the dynamism of nations.

In Figure 1, I pull together the perspectives of the concept of entrepreneurship. Entrepreneurship takes place at individual or firm level, Circle A in Figure 1. The effectiveness of entrepreneurship, although determined by individual competencies, motivations and process engagement, it is largely influenced by market/industry factors, availability of key resources and key stakeholders constituting the micro-environment circle B as well as the performance of the forces of change in the macro-environment, Circle C. Through Figure 1 it is highlighted that entrepreneurship is a human behaviour undertaken by an individual(s), independently or in existing organisation(s), with clear motive(s) and driver(s) and requisite competencies (Shane and Venkataraman, 2000; Schumpeter, 1934; Kirzner, 1973; McClelland, 1961). The behaviour is undertaken through a process that involves activities and judgmental decision making in identifying, evaluating and exploiting opportunities (Shane and Venkataraman, 2000) to create socioeconomic value i.e. the new combinations (new products/services, new methods of production, new sources of supplies, new markets and new organisations) that are responsible for outcomes that bring forth economic growth (Schumpeter, 1934). Entrepreneurship is experienced when socioeconomic value has been created and the individual(s) who successfully create socioeconomic value are called entrepreneur(s) at that point. Schumpeter (1934) asserted that individual(s) immediately lose that status when they get down managing what they have created.

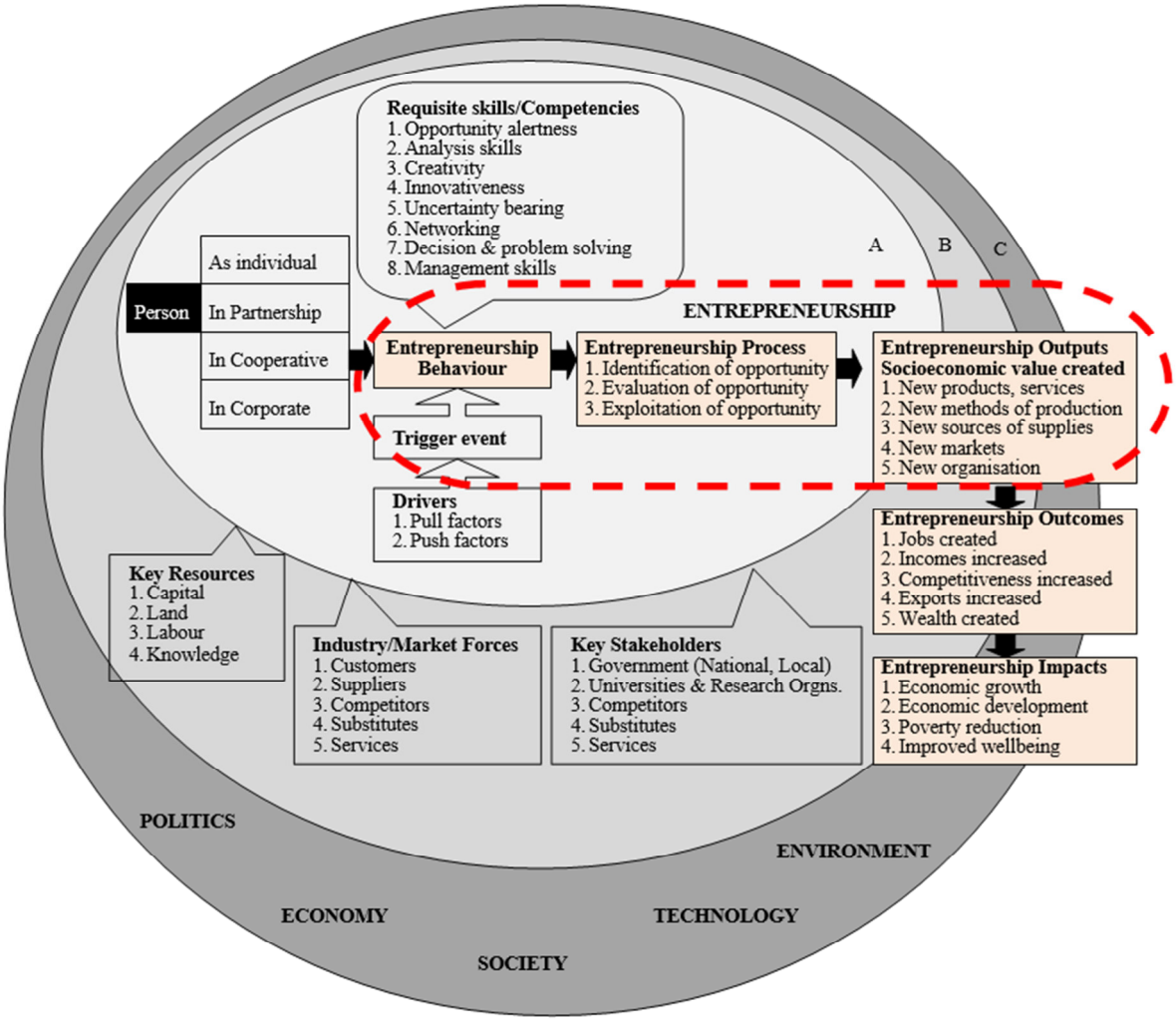

Figure 1: Concept of Entrepreneurship
Source: Author's Analysis

All other variations of the concept of entrepreneurship are explained within the discussion of Figure 1. Individual(s) who independently engage in entrepreneurship behaviour and successfully create(s) socioeconomic value are called entrepreneur(s) and the resultant phenomenon is entrepreneurship whereas the individual(s) who engage in entrepreneurship behaviour successfully but within existing organisation(s) is/are referred to as intrapreneur(s) (Baron and Shane, 2008), denoting entrepreneur(s) inside existing organisation(s). From the outside, the entrepreneurship behaviour is attributed to the organisation and it is referred to as corporate entrepreneurship, denoting the creation of socioeconomic value by a corporate organisation. Other scholars have referred corporate entrepreneurship as originating from top management of the organisation and intrapreneurship as originating from rank and file employees' entrepreneurship behaviour. However, that does not refine the understanding of corporate entrepreneurship nor differentiate significantly between corporate entrepreneurship from intrapreneurship.

Based on the drivers of entrepreneurship behaviour, we have in literature necessity motivated entrepreneurship (NME) (Bell, 2013) to denote entrepreneurship from the behaviour that is forced upon the individual because of unfavourable circumstances, and opportunity motivated entrepreneurship (OME) referring to entrepreneurship from behaviour that is a result of the individual being attracted by existence of opportunities in the economy that are either underexploited or unexploited at all (Bell, 2013). If we understand entrepreneurship as creation of new combinations, then the major difference between these two variants are the drivers of the entrepreneurship behaviour. In OME the opportunity is perceived in advance to follow through with entrepreneurship behaviour whereas in NME, the individual is pushed to seek to recognise, discover or create an opportunity because of circumstances. Although NME are common among the poor and uneducated people, highly educated and rich people may also be forced into entrepreneurship because of circumstances (Smallbone and Welter, 2001, p.255). What would make entrepreneurship subsistence or transformational (Schoar, 2010) is the type of opportunity exploited not the driver/motivation or the reasons for engaging in

entrepreneurship behaviour. The notion presented in literature by Schoar (2010) and Bell (2013) that OME are transformational and NME are subsistence may be misleading because the effects of entrepreneurship would depend on the opportunity recognised, discovered or created and how it has been exploited.

The outputs of the entrepreneurship process, in Figure 1, are the five manifestations of innovative change conceived by Schumpeter (1934), however, new venture creation is the commonly perceived output of entrepreneurship. Furthermore, entrepreneurship behaviour whether necessity motivated or opportunity motivated is driven by the desire to maximise profits upon the successful creation of the socioeconomic value. There is on the other hand entrepreneurship behaviour driven by the desire to create socioeconomic value for social benefit and not for maximisation of profit. This is termed social entrepreneurship (Borzaga, Galera and Nogales, 2008; Gawell, 2013). It is the motive of creating new combinations for social benefit that differentiates social entrepreneurship from the traditional profit oriented entrepreneurship. This is a variant of entrepreneurship that requires more comparative studies on the individual drivers, motives, key competencies, entrepreneurship processes and its effects on economic growth and poverty reduction.

From the condensed perspective presented in Figure 1, entrepreneurship can be defined as human behaviour involving activities and judgmental decisions undertaken through a process of identifying, evaluating and exploiting opportunities for the creation of socioeconomic value either independently or in existing organisations under conditions of uncertainty. Entrepreneurship is pursued to stimulate economic growth but it has returned mixed results across countries and regions (Stam and van Stel, 2009; Zaki and Rashid, 2016). Much as the understanding of the concept has varied with implications on the initiatives implemented, the quest to grasp entrepreneurship performance has shifted scholars' attention towards the environmental contexts within which entrepreneurship takes place. Therefore Circles B and C in Figure 1 represent the business environments which are the focus of discussion in the following subsection.

4. The Environment for Effective Entrepreneurship

There are questions that boggle the minds of entrepreneurship scholars which individual and firm level analyses have not been forthcoming with answers. The entrepreneur is the attention of analysis because he is the creator of new combinations responsible for economic growth. But why are opportunities and entrepreneurship activities of productive nature more prevalent and successful in other countries or societies than others? Why does entrepreneurship not effect economic growth in low income countries but high income countries according to Stam and van Stel's (2009) findings? Differences in demographics (age, sex, lifestyle, education, occupation, competencies) and entrepreneurship intention model factors (attitudes, subjective norms, perceived behavioural control, perceived desirability, perceived feasibility and propensity to act) have not been adequate to provide responses. Therefore the attention of analyses has focused to the broader context that is referred to as the entrepreneurial ecosystem (Mason and Brown, 2014; Stam and Spigel, 2016; Isenberg, 2011). The ecosystem perspective provides an opportunity to examine the factors that are perceived to have direct or indirect effect on entrepreneurship in particular contexts. It is acknowledged that Van de Ven (1993) developed the concept of an entrepreneurship environment in order to try to explain the influence regional and social factors had over the entrepreneurship process, a concept covered by Moore (1993) as entrepreneurial ecosystem in his influential article in the Harvard Business Review (Mason and Brown, 2014).

There are several definitions of entrepreneurial ecosystem. Mason and Brown (2014) defined the entrepreneurial ecosystem as a set of interconnected actors (both potential and existing), entrepreneurial organisations (e.g. firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (e.g. the business birth rate, number of high growth firms, level of blockbuster entrepreneurship, number of serial entrepreneurs, degree of sell out mentality within the firms and the levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment. Spigel (2015) on the other hand defined entrepreneurial ecosystem as a combination of social, political, economic and cultural elements within the region that supports the development and growth of innovative start-ups and encourage nascent entrepreneurs and other actors to take the risk of starting, funding and otherwise assisting high risk ventures. Stam and Spigel (2016) simplified the definition of entrepreneurial ecosystem further to a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory.

Thompson, Peteraf, Gamble and Strickland III (2012) divide the business environment into the microenvironment; that includes industrial and market forces, and the macro-environment that includes the forces of change (political, economical, societal, technological, legal, and environmental). The concept of entrepreneurial ecosystem is built around the recognition of this business environment that is supportive to entrepreneurship. The definition by Mason and Brown (2014) highlights the factors within the microenvironment; the set of actors, organisations, institutions and entrepreneurship processes that affect entrepreneurship whereas Spigel (2015) focuses on the macro-environmental forces that include social, political, economic and cultural factors which he narrows down to cultural attributes (supportive culture and histories of entrepreneurship), social

attributes (networks, worker talent, mentors and role models, investment capital) and material attributes (policies, universities, infrastructure, open markets and supportive services). Isenberg (2011) highlights six domains within his model of entrepreneurial ecosystem. These include policy, finance, culture, supports, human capital and markets which are factors within both the micro and macro environments of business. The analysis of the entrepreneurial ecosystem in literature covers both the micro and macro level factors that affect productive entrepreneurship according to the focus of the scholar.

Various studies analysed the effects the business environment has on entrepreneurship from the political, legal and economic perspective (Baumol, 1990; Coyne and Leeson, 2004), socio-cultural perspective (Autio et al., 2013; Thornton et al., 2011; Kwon et al., 2013; Sengupta, 2010), natural environment perspective (Crowe, 2008), and technology perspective (Saxenian, 1978). Through Figure 1, the macro and micro-environmental forces and factors as constituting the entrepreneurial ecosystem are presented. The analysis categorises the micro environmental factors into key resources, key stakeholders and industry/market factors that are perceived to affect entrepreneurship directly in a particular locality and the macro environmental forces that affect entrepreneurship directly and indirectly.

4.1The Macro-environmental Factors Affecting Entrepreneurship

The macro-environmental factors affect entrepreneurship at aggregate level directly or indirectly. These are the factors that cannot be influenced by the entrepreneurs or entrepreneurship development programmes but they provide the collective influence on entrepreneurship behaviour and the performance of entrepreneurship in an economy. The macro environmental forces include political, legal and regulatory, economic, societal, ecological and technological factors, circle C Figure 1. These factors are discussed in turn.

4.1.1Political, Legal, Regulatory Factors

Political, legal and regulatory institutions direct how business and entrepreneurship activities are conducted in an economy. Of interest in explaining the factors are the discussions by Baumol (1990) and Coyne and Leeson (2004) on the effects of political and legal frameworks and how changes in these affect the allocation of entrepreneurship behaviour towards productive, unproductive or destructive activities.

Baumol (1993) defined productive entrepreneurship as any entrepreneurial activities that contribute directly or indirectly to the net output of the economy or to the capacity to produce additional output (p.30). Since entrepreneurship is the creation of new combinations that bring economic growth, productive entrepreneurship is the creation of new combinations that positively benefit the entrepreneur and the economy and unproductive entrepreneurship is the creation of new combinations that positively benefits the entrepreneur but harms or negatively affects the economy. The illustrative example is the creation of a new software technology by an individual which helps to improve tracking of retail sales in supermarkets as productive entrepreneurial activity whereas development of a software technology to steal shoppers banking details from supermarkets for onward fraudulent practices is unproductive entrepreneurial activity that may benefit the individual but harm the economy.

Baumol (1990) recognised that individuals' behaviour is motivated by reward allocation and entrepreneurship behaviour is usually directed towards activities with higher payoffs. He asserted that the prime determinant of entrepreneurship behaviour in an economy at any particular time is the prevailing rules of the game that govern pay off of one entrepreneurial activity relative to another. He provided historical accounts of situations across time and space that provided higher pay-offs away from entrepreneurship and thereby determined the level of entrepreneurship behaviour in the economy. Coyne and Leeson (2004) supported the line of reasoning with their noting that lack of entrepreneurship in an economy is due to lack of profit opportunities tied to activities that yield economic growth. The political, legal and regulatory frameworks and institutions structure the rules of the game in an economy. If the rules of the game support entrepreneurship with higher payoffs, more individuals would direct their behaviour towards productive entrepreneurship. Countries with poor or weak political, legal and regulatory frameworks provide higher payoffs in unproductive entrepreneurship and/or unproductive activities such as corruption, bribery and evasive behaviour (Coyne and Leeson, 2004). Corruption harms the economy. It increases business transaction costs, shuts down entrepreneurship opportunities, puts off ambitious entrepreneurs and creates unfavourable environment for business that harms the economy.

Fostering productive entrepreneurship therefore requires a strong political, legal and regulatory framework that supports entrepreneurship. This is one of the areas creating differences between developed and developing countries, in favourability of the environment to create productive entrepreneurships.

4.1.2Societal Factors

Under societal factors, culture is considered an important factor that affects economic behaviour positively or negatively. Culture is related to the ways in which societies organise social behaviour and knowledge (Hall, 1973). Hofstede (1980) defined culture as a set of shared values, beliefs and expected behaviour, the collective programming of the mind that distinguishes the members of one category of people from another and their

respective responses to their environments. Societal culture builds the shared values and norms over time and in the entrepreneurship intention models the societal norms shape the subjective norms that affect entrepreneurial intentions and behaviour. The values, norms, behaviours and relationships in turn influence the level of societal networking and social capital. It is argued that entrepreneurship behaviour is embedded in social context (Aldrich and Zimmer, 1986) and is influenced by culture. Culture varies within and across nations, communities and ethnicities and can be strongly embedded in indigenous communities (Mwatsika, 2015). According to Guiso, Sapienza and Zingale (2006) culture affects economic behaviour through individual centric, collective and societal mechanisms. The individual centric mechanisms operate through cognition, belief, values and individuals' needs and motivations. These mechanisms affect how individuals recognise third person opportunities for entrepreneurship and how they evaluate the feasibility and desirability of the pursuit of those opportunities by themselves (McMullen and Shepherd, 2006). Cultural differences result into differences in societal values, norms, behaviours, relationships and level of social capital.

Thornton et al. (2011) highlight four dimensions of cultural differences across societies to include (1) uncertainty avoidance which represents preference for certainty and discomfort with unstructured or ambiguous situations, (2) individualism which is preference for acting in the interest of one's self and immediate family, distinct from collectivism which is acting in the interest of a larger group, (3) masculinity which is a belief in materialism and decisiveness rather that service and intuition and (4) power distance which represents the acceptance of inequality in position and authority between people. Entrepreneurship is hypothesised to be facilitated by cultures that are high in individualism, high in masculinity, low in uncertainty avoidance and low in power distance (Thornton et al., 2011).

Of other greater interest in societal factors is the social capital which is presumed necessary for entrepreneurship behaviour (Thornton et al., 2011). Bourdieu and Wacquant (1992) defined social capital as the sum of the resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalised relationships of mutual acquaintance and recognition. Similarly, Portes (1999) defined social capital as the tangible and virtual resources that facilitate actors attainment of goals and that accrue to actors through social structure (Thornton et al., 2011) whereas Burt (1992) simply referred social capital to a set of resources embedded in relationships. Maskell (2000) argued that social capital refers to the values and beliefs that citizens share in their everyday dealings which give meaning and provide design for all sort of the rules. These definitions demonstrate that social capital manifests in potential resources through existence of strong social networks. Sengupta (2010) classified social capital into three forms that provide support, reference and goodwill. In societies with social capital, individuals can acquire financial capital, customers, good employees, build reputations and generate innovative ideas for solving business problems (Anderson and Jack, 2002). Fukuyama (1995) considered that this social capital arises from prevalence of a culture of integrity (honesty and trustworthiness) in a society embodied in the smallest and most basic social group, the family, as well as the largest of all groups, the nation and in all groups in between (Kwon et al., 2013). Delhey, Newton and Welzel (2011) referred social capital trust to trust beyond the people one knows to those people one has never met.

Prevalence of trustworthiness in a society is perceived that it reduces the transactional costs associated with creating contracts and monitoring compliance (Knack and Keefer, 1997). Sengupta (2010) asserts that trust reduces the time entrepreneurs devote to monitoring possible malfeasance by partners, employees and suppliers and devote more time to innovations of new products or processes or activities that grow the business. Trust also helps nascent entrepreneurs to overcome a lack of recognisability and/or a well defined reputation. Social trust further influences the interconnectedness of firms through referrals and free flow of information as individuals and organisations can only refer those they trust will not disappoint with the referral. Therefore social trust and social capital exist at individual and firm levels in the society. In most developing countries, trustworthiness of individuals and small firms is very low. That combined with information asymmetry, it gives financial institutions difficulties to assess the creditworthiness of new and small businesses. As a result access to credit is frequently denied to even potentially ambitious and productive entrepreneurs and small ventures. Lack of trust further prevents individuals from forming partnerships that pool scarce resources (capital, skills and knowledge) together for investment in projects that have critical mass for growth for fear of being cheated. Therefore many people in developing countries prefer to go it alone in small ventures that cannot access formal financing and their efforts usually die prematurely.

This review shows that societal factors create an environment where entrepreneurship behaviour can flourish and studies further link national culture to national innovative output or new business creation as well as characteristics of individual entrepreneurs. Societal capital impacts growth by assisting in the accumulation of human capital, financial development through effects of collective trust and social norms and by facilitating networking between firms which results in the creation and diffusion of business and technology innovations (Chou, 2006). Social capital accumulates in the society overtime through processes of interaction and learning, as an unintended and even unanticipated consequence of economic activity as people interact in the society.

Political and legal frameworks however, enforce a culture of trustworthiness through appropriate and effective redress processes and procedures.

4.1.3Natural Environment

The natural environment is complex. It consists of plants, trees, animals, microbes, water, air and land which represent the natural resource base that supports economic activities of a particular society. There is a natural interdependence between the natural environment and the society. While human behaviour directly or indirectly affects the environment, the environment in turn affects human behaviour and societal functions.

Some communities especially rural communities have their economies built around the natural environment i.e. agriculture, manufacturing, fishing, forestry, tourism and mining. In such circumstances, the pro-growth LED strategies would further depend on the natural environment; available natural resource base and the economic or entrepreneurship usage that it can accommodate. The human behaviour interaction with the natural resource base determines the resultant effect the natural environment has on societal functions. Depletion of the natural resources or degradation thereof due to technological advances or other human behaviour deteriorates the resource base and threatens the survival of the very societies that depend on the natural environment. In such a scenario, productivity declines, industries close, jobs are lost and the economic downturn sets in affecting entrepreneurship behaviour. Crowe (2008) discussed how the natural circumscription which is the ability of the society to expand its land can affect industrial recruitment or self development strategies under LED.

The natural environment is a significant factor within the entrepreneurial ecosystem because it determines the natural capital available upon which entrepreneurship behaviour can draw opportunities and resources for pursuing the opportunities discovered or created. The natural environment affects entrepreneurship or other economic activities directly and indirectly.

4.1.4 The Economic Factors

Several studies have linked entrepreneurship to economic growth (Nitu-Antonie, Feder and Munteanu, 2017; Lee and Xin, 2015; Erken, Donselaar and Thurik, 2014; Chen, 2014; Decker, Haltiwanger, Jarmin and Miranda, 2014) and few others found that effectiveness of entrepreneurship is dependent on level of economic development (van Stel et al., 2005; Stam and van Stel, 2009; Zaki and Rashid, 2016). The World Bank classification shows that countries differ in the level of economic development even within the same categories. Countries differ in Gross Domestic Production (GDP) per capita, existence and density of economic institutions and frameworks, and composition of the informal and formal economic sectors. They further differ in broad economic objectives for managing inflation, taxation, employment creation and economic growth; policies for infrastructure development and provision of public services and policies for improving the business environment.

Developed countries have higher GDP per capita. They have developed economic institutions and frameworks and smaller informal business sectors than developing countries. Developed countries have higher investment focus in infrastructure that improves or provides the best physical connectivity (roads/rail/air transportation, schools, hospitals etc), electronic connectivity (information and communications technology (ICT), cellular and broadband services), knowledge creation and exchange (knowledge networks, universities, human resource development) and economic connectivity (improved business climate, finance, markets, business retentions and expansion, technology transfer and developed real estate). Capital markets are well developed whereby a variety of financing modalities are available and accessible such as venture capital, angel finance, equity and debt finance and well developed public financial markets. The culmination of these factors is an entrenchment of free enterprise society. Lack of most of these economic factors in developing countries creates entry barriers to entrepreneurship and the imperfect markets determine the prevalence of the informal business sector which does not contribute significantly to economic development. In developing countries for example, the informal business sector contributed over 39 percent of GDP compared to around 12 percent of GDP in OECD countries (Enste and Schneider, 2000).

Economic factors determine the performance of markets for goods and finance, availability of physical infrastructure, knowledge, development of human resources and the environment that affect entrepreneurship behaviour. The level of economic development presents opportunities, resources for their exploitation and the general climate where entrepreneurship behaviour is supported. Differences in economic factors affect entrepreneurship as it is asserted by Naude (2013) that entrepreneurship in countries in early stages of economic development contributes less to economic development. That means there is more productive entrepreneurship in developed countries than developing countries and the level of economic development is one of the reasons for the differences. There is a two way relationship in that economic development affects entrepreneurship and entrepreneurship affects economic growth and development.

4.1.5Technological Factors

According to Thompson et al. (2012) technological factors include the pace of technological change and technical developments that have the potential for wide-ranging effects on society. Governments, institutions and individuals are involved in creating new knowledge as well as controlling the use of technologies in economies. Technology does affect the birth of new industries and opening up of new markets. The higher level of

technological development in a country is a manifestation of investment policy and capacity for creativity and innovativeness which are competencies for entrepreneurship. Investments in R&D and new knowledge creation lead to knowledge spillover as conceptualised by Audretsch and Keilbach (2007) and Acs et al. (2013) and more entrepreneurship activities as people try to figure out new uses of the technologies developed or how societal challenges can be solved by the existing technologies. Therefore differences in technological development between countries affect the types and value of entrepreneurships pursued. Baumol's (1990) discussion showed that technological advancements affected economic activities where other conditions that determine the rules of the game were right.

The macro environmental factors discussed (political, legal, and regulatory, societal, natural environment, economical and technological) affect entrepreneurship directly and indirectly to varying degrees over space and time and scholars have attributed them as the key differentiating factors between developed and developing countries in the performance and effectiveness of entrepreneurship.

4.2The Micro-environmental Factors Affecting Entrepreneurship

The microenvironment of business comprises the individuals, institutions, organisations, resources and factors that directly influence entrepreneurship in an economy. The micro-environmental factors have been categorised in Figure 1 circle B, into key stakeholders of entrepreneurship, the key resources for entrepreneurship and the market and industry factors that influence entrepreneurship. The functionality of factors within the microenvironment is directly and indirectly influenced by the macro environmental factors discussed earlier.

4.2.1The Key Stakeholders of Entrepreneurship

The key stakeholders of entrepreneurship include the government (national, regional or local), universities and research organisations, the business sector firms and organisations (that include small, medium and large enterprises, financial institutions and organisations, trade associations and unions), the public sector organisations (governmental and non governmental agencies and organisations, community development organisations), the entrepreneurs (nascent entrepreneurs, new business owner managers, established and successful business owner managers) and the general community, see Figure 1. The functionality of the key stakeholders directly affects entrepreneurship behaviour in an economy.

The stakeholders are necessary for the performance of the entrepreneurial ecosystem because of the various activities and functions they do play to stimulate, support and sustain entrepreneurship (Mwatsika, 2015). Stimulatory activities arouse interest in entrepreneurship and motivate individuals towards entrepreneurship behaviour, whereas the supportive activities encourage and reinforce entrepreneurship behaviour in an economy. The sustaining activities ensure successful and sustainable entrepreneurship behaviour that positively contributes towards economic development.

Theorists of entrepreneurial ecosystem recognise the government at national, regional or local level as the key stakeholder in the entrepreneurial ecosystem. As highlighted in the discussion by Baumol (1990), individuals' behaviour is directed towards activities with higher payoffs relative to another. The political, legal and economic frameworks and institutions in an economy create rules of the game that determine payoffs between productive, unproductive and evasive activities (Coyne and Leeson, 2004). The government influences the rules of the game through enactment of laws, policies and institutions. Government policies that are aimed at encouraging innovation and investment through favourable tax and interest incentives can present higher payoffs in entrepreneurship and stimulate entrepreneurship behaviour. The government can support entrepreneurship through development of infrastructure (roads, rail, air, water, health, education, markets and business) to create an environment that is supportive to entrepreneurship behaviour. The government can further support entrepreneurship through financial grants for key research and development in key sectors and programmes that eventually create spillover effects of knowledge, or support creation of global production networks that improve performance in key economic sectors. Bilateral and multilateral trade agreements, that help to open up markets for raw materials, goods, services and technology transfer to the economy and institutional developments that support entrepreneurship are other sustaining activities the government can engage in to enhance the entrepreneurial ecosystem. The government becomes a key player because in most cases public sector investment is usually the critical element which stimulates private sector investments into a particular local economy.

Universities and research organisations are considered another key set of stakeholders in the entrepreneurial ecosystem (Saxenian, 1978). Universities stimulate entrepreneurship through human capital development in specialised areas like engineering, biotechnology, physics, chemistry etc. Universities are thorough beds for the creation of new knowledge that enriches the knowledge base in the economy. They further engage in entrepreneurship stimulation through provision of entrepreneurship education and training, business plan competitions, student entrepreneurship pitches, innovation competitions and various other initiatives that stimulate creative minds and promote entrepreneurship. Among the supportive activities, universities would support student, nascent entrepreneurs through access to workshops, laboratories, workspaces and libraries that

are a rich source of information and knowledge necessary during the different stages of the entrepreneurship process.

The private sector organisations that include small, medium and large firms and organisations, financing institutions and organisations, trade associations and unions play a critical role in stimulating entrepreneurship in the ecosystem (Mason and Brown, 2014). Networking events, conferences on business and entrepreneurship, research and development activities and initiatives, human resource development programmes in the workplace, awards for entrepreneurship and innovation developments, favourable interest rates, availability and accessible range of financing are all examples of stimulatory activities various stakeholders in this category engage in. The private sector organisations further support entrepreneurship through value chain linkages and development, corporate venture support, market networking between the small and large firms and various financing instruments that meet the needs of nascent entrepreneurs and new business owner managers for different entrepreneurship programmes. Entrepreneurship is sustained through human development, investments in technology, linkages and networking between small and large firms that ensures that knowledge spillover and entrepreneurship behaviour is enhanced (Mason and Brown, 2014).

Of importance among the private sector firms are the blockbuster entrepreneurships which Mason and Brown (2014) defined as firms that have grown to an exceptional size and have created significant wealth for their founders, investors, senior management and employees. Large and successful organisations anchor the entrepreneurial ecosystem. They create a pool of wealthy individuals some of whom recycle back as entrepreneurs, others become advisors of start-up firms, mentors of nascent entrepreneurs, or others set up venture capital firms or become angel financiers whereas the large firms become more of breeding ground for entrepreneurs because of their huge resources that make funds available for training and R&D activities. The knowledge created ends up spilling over through entrepreneurial activities of well trained managers who quit their jobs to create their own start-ups (Mason and Brown, 2014; Stam and Spigel, 2016).

The public sector organisations provide various support activities in the entrepreneurial ecosystem. They highlight challenges that require innovative solutions for sustainability of the communities, mobilise resources for pro-poor initiatives such as support for youth and women empowerment through enterprise development and lobby for government policies and support towards entrepreneurship in marginalised areas (Mason and Brown, 2014).

The entrepreneurs on the other hand are the focal point of the entrepreneurial ecosystem. Progressive ecosystems have successful entrepreneurs in good numbers, who are visible, accessible, committed to the development of entrepreneurship in the area and well connected (Mason and Brown, 2014). The entrepreneurs in an ecosystem could be categorised as recycled entrepreneurs, those that recycle their fortune in further entrepreneurship behaviour, the serial entrepreneurs, those who go on to establish multiple successful ventures in the economy, the failed entrepreneurs those whose entrepreneurship adventures failed but accumulated vast wealth of experience in the process. Failed entrepreneurs have knowledge about pitfalls in the entrepreneurship process and would become advisors or mentors in entrepreneurship development programmes (Mason and Brown, 2014). The other categories of entrepreneurs are the nascent entrepreneurs and new business owners/managers. Nascent entrepreneurs are those individuals who are actively involved in setting up a business they will own or co-own and the business has not paid salaries, wages or any other payments to the owner for more than 3 months. Whereas a new business owner/manager is an individual who currently, alone or with others, owns and manages an operating business that has paid salaries or other payments to the owner for more than 3 months but not more than 42 months (Stam, 2013).

These various stakeholders of entrepreneurship in the ecosystem are responsible for existence of effective entrepreneurship. They are responsible for the provision of policy, development and provision of key resources (human capital, financial capital, physical capital, knowledge capital and natural capital) as well as creation of networks that enhance entrepreneurship behaviour.

4.2.2Key Resources for Entrepreneurship

In Figure 1, Circle B, capital, land, labour and knowledge are the key resources highlighted as necessary for productive entrepreneurship in the economy. The early economic theorists (Cantillon, Say, Schumpeter etc) considered capital, land and labour as the key factors of production which entrepreneurs coordinate and combine to produce goods and services. The new growth theorists (Romer, 1986) added knowledge creation as a source of sustainable growth. Therefore capital, land, labour and knowledge are presented as the key resources for entrepreneurship within the entrepreneurial ecosystem.

Capital resources can be split into financial and physical infrastructure or built capital. Access to financial capital is the widely cited critical ingredient for entrepreneurship. Rural communities for example cite unavailability of appropriate financing and lack of access to credit due to stringent collateral requirements by financial institutions as a major challenge affecting entrepreneurship behaviour (Mwatsika, 2015). In developed countries and where entrepreneurial ecosystems flourish, one is likely to find various financing modalities that suit the requirements of nascent entrepreneurs and new business owners/managers at different stages of

enterprise lifecycle. Financing available include venture capital, equity finance, angel finance, debt equity and well established public finance markets. Policy that makes financing to be there at the right time and in the right form to meet the needs for entrepreneurship would be appropriate for pro growth LED and performance of the entrepreneurial ecosystem (Mason and Brown, 2014; Stam and Spigel, 2016).

The physical infrastructure or built capital is the other form of capital resources necessary for entrepreneurship. Built capital provides the connectivity which is necessary for entrepreneurship activities. Roads, rail and air transport, schools, and health facilities etc provide the physical connectivity; information and communications technology, internet and cellular broadband services provide the electronic connectivity necessary for knowledge networking and other economic connectivity. Environments that support entrepreneurship have quality physical infrastructure developed over time that helps efficient connectivity for effective entrepreneurship behaviour. The government and the private sector firms and organisations play an important role in the development and provision of capital (financial and built). Therefore pro-growth LED initiatives with a focus on entrepreneurship would require an assessment of capital available in the local area, its accessibility and condition for its further development and maintenance to support entrepreneurship development (Mason and Brown, 2014).

Land is the second set of the key resources necessary for economic production and entrepreneurship. Land is referred to as the natural capital that comprises air, water, flora and fauna. Ostrom (2000) defined natural capital as the available complex array of the biophysical resources that surround a particular community. Natural capital has been found to be positively related to entrepreneurship behaviour in many country level studies (Stephens and Partridge, 2011). Natural capital may form the basis of industrial and entrepreneurship activities when the natural resources have the direct use for example in agriculture, timber, mining, fishing; or non material venturing in the form of providing aesthetic values and recreation (Millennium Ecosystem Assessment, 2005). In other instances, natural capital can be the attraction of immigrants to the area who bring financial resources to engage in entrepreneurship activities using the physical or aesthetic natural resources. Crowe (2008) considered circumscription which is the ability of the society to expand its land as one of the determinants of strategy selection for LED between industrial recruitment and self development. Natural capital is therefore a key resource for consideration in LED and entrepreneurship development.

Labour as a resource refers to human capital which Burt (1992) defined as the range of valuable skills and knowledge a person has accumulated overtime. Well developed human capital is the source of entrepreneurs. It is appreciated that accumulation of knowledge improves the condition of the individual and that when opportunities exist individuals with higher level of human capital are able to identify and develop them. Skilled and qualified individuals are responsible for the discovery and creation of entrepreneurship opportunities. Therefore investment to increase levels of education attainment and other forms of skills enhance the potential growth of entrepreneurs (Markley and Low, 2012) through the accumulation of tacit (know-how) and explicit knowledge. Within the entrepreneurship intention models (Ajzen, 1991; Shapero, 1982), human capital affects self efficacy and propensity to act which influences entrepreneurial intentions and behaviour.

Lastly, new knowledge is considered the source of innovative change that brings economic growth. In the new growth model, Romer (1986) linked the technological change to production of knowledge. Investment in knowledge creation would therefore bring sustainable economic growth. Policy implication of the new growth model was investment in new knowledge creation to which Griliches (1992) presumed spills over automatically into the economy upon its production. However, Audretsch and Keilbach (2007) and Acs et al. (2013) developed the Knowledge Spillover Theory of Entrepreneurship (KSTE) which acknowledges that knowledge created in an organisation is an important source of entrepreneurship opportunities. However, not all knowledge produced is perceived valuable by the incumbent organisations and there exists knowledge filters that prevent knowledge spillover. As a result most of the knowledge created may not get economic use. It is then the entrepreneurial individuals within the incumbent organisations or within the knowledge networks that independently, through new venture creation, commercialise the knowledge which otherwise would have remained uncommercialised. In this process, entrepreneurship becomes the conduit of knowledge spillover. The context with more new knowledge creation generates more entrepreneurship opportunities and thereby more entrepreneurship behaviour. Knowledge capital becomes an important resource for entrepreneurship necessary to be cultivated within the entrepreneurial ecosystem (Acs et al., 2013).

As can be observed from the analysis of key resources for entrepreneurship, the resources are complimentary for effective entrepreneurship. Entrepreneurship development requires a balanced focus in the development of capital resources (finance and physical infrastructure), human capital (know-how, skills and abilities), land (natural capital) and the knowledge capital base. Quality human resource is necessary for the creation of new knowledge, and acts as the conduit of knowledge spillover through entrepreneurship. Success of such entrepreneurship behaviour will depend on the quality, availability and access to finance, supporting physical infrastructure, skilled labour, natural resource base and generation of further new knowledge. Therefore entrepreneurship behaviour and production of new combinations would thrive in the environment that has a good

balance of quality and accessible entrepreneurship resources. It can be further observed that the macro environmental factors and the key stakeholders of entrepreneurship directly and indirectly influence the availability and accessibility of the key resources for entrepreneurship.

4.2.3Market and Industry Factors

From the conceptualisation in Figure 1, entrepreneurship can be undertaken by individuals either independently or within existing firms and organisations. Entrepreneurship undertaken by individuals in existing organisations is attributed to the firm as intrapreneurship (Baron and Shane, 2008) or corporate entrepreneurship (Burgelman, 1983). The individual or firm level entrepreneurship performance is influenced directly or indirectly by the industry and market forces. Michael Porter's Five Forces model provides competitive rivalry, power of suppliers, power of buyers, threats of new entrants and substitute products/services as the key market factors that influence competitive strategies and profitability of industries. The same forces affect entrepreneurial behaviour of individuals and firms since they determine existence of opportunities, drive for their recognition and exploitation. Competitiveness of firms in the industry and economic sectors differ. Competitive rivalry is a key force within Porter's five forces model which denotes the level of rivalry among firms in the industry that affect the profitability of the industry. It is the competitive rivalry that determines the strategies and resource allocation to the creation of competitive advantage. Firms in industries and sectors where rivalry is strong, competition goes beyond sales promotions and heavy advertising to new products development and rapid introduction of next generation products. As a result, firms in such industries allocate more resources to creation of new knowledge, innovation and entrepreneurial behaviour to create new combinations that give the firms competitive advantage in the market. Some of the new knowledge that is created ends up spilling over through new venture creation by entrepreneurial employees or through corporate spinoffs thereby influencing economic growth even further.

The existence of customers/buyers with sound purchasing power and willingness to test new provisions, provide a favourable condition for innovative behaviour in the industry. Firms are able to create and test new innovations that meet the needs and wants of the market in new ways with the possibility of successful innovations rewarding the firms with higher profits. In this way, the purchasing power of customers drives firms to be creative and innovative in providing new combinations.

On the other hand, availability of raw materials and supplies as well as technical competencies for production of a range of new combinations at favourable costs, allows firms to experiment with new combinations. Whereas the availability of substitute products/services pushes firms to improve and engage in strategies that differentiate their offerings to beat off both competition and substitutes. This is a condition within which entrepreneurship behaviour prevails in the industry. A vibrant business community that supports entrepreneurship behaviour is further characterised with professional services that range from legal, accounting, insurance, business consulting and real estate which specialise in meeting the unique needs of start-ups and scale-ups at appropriate prices (Mason and Brown, 2014).

As can be appreciated, the industry and market forces provided by Michael Porter's Five Forces model influence entrepreneurship behaviour of firms in determining the competitive strategies for creating socioeconomic value profitably. Although entrepreneurship behaviour is prevalent in existing firms that contributes significantly to economic growth, entrepreneurship studies and measurement of entrepreneurship focus on new venture creations and their effects on economic growth. Thereby neglecting entrepreneurship in existing firms and how market and industry forces affect firms in various economic sectors.

In our conceptualisation, an entrepreneurial ecosystem is the environment which supports productive entrepreneurship. It comprises the macro-environmental factors (political, legal and regulatory factors, societal factors, the natural environment, economic factors and technological factors) and the micro environmental factors (the key stakeholder functions, key resources and market/industry factors). Isenberg (2011) in his model of entrepreneurial ecosystem covers both macro and micro environmental factors; policy, finance, culture, supports, human capital and markets with the emphasis on micro environmental factors. Spigel (2015) highlights macroenvironmental factors; social, political, economic and cultural elements which are further grouped into three categories of cultural, social and material attributes within which microenvironment level factors are included. Whereas Stam and Spigel (2016) provide several factors that include formal institutions, culture, physical infrastructure and demand on the one level which provide networks, leadership, finance, talent, knowledge and support services to entrepreneurship activities in the ecosystem. These conceptualisations of the entrepreneurial ecosystem cover both macro and micro environmental factors to varying degrees of emphasis by the scholars.

It is evident however that both macro and micro environmental factors influence directly and indirectly entrepreneurship in a particular economy as depicted in Figure 1. The political, legal, regulatory and economic frameworks and structures create the rules of the game that determine the payoffs of economic activities thereby influencing individuals' allocation of entrepreneurship behaviour towards either productive, unproductive or destructive (evasive) activities (Baumol, 1990; Coyne and Leeson, 2004). The society's culture determines the behaviour and societal capital which affect entrepreneurship positively or negatively. The natural environment

supports entrepreneurship directly by providing the natural resource base and becoming the basis for economic growth strategies. The natural environment may also attract migrants into the area who bring with them resources and orientation towards entrepreneurship. The level of economic development has a direct influence on the resources available in the ecosystem and the performance of entrepreneurship. Capital, land, labour and knowledge are the key resources for effective entrepreneurship in the ecosystem and the functions of the key stakeholders of entrepreneurship determine the level of development, provision and access to the resources and thereby affect the ecosystem directly and indirectly. Entrepreneurship takes place both at individual and firm levels. Firm level entrepreneurship is further affected by the market/industry forces provided by Michael Porter in his five forces model. All the forces and factors reviewed within the macro and micro environments affect the functionality of the entrepreneurial ecosystem.

The study of the entrepreneurial ecosystem is necessary to understand the factors that determine or influence productive entrepreneurship. The analysis at the entrepreneur level; entrepreneurs' characteristics, motivations, entrepreneurship behaviour, entrepreneurship processes and outputs do not provide more insight into the differences in entrepreneurship behaviour between localities. Now that developing countries especially in the SADC region are recommending adoption of LED as a key strategy for economic growth and fighting of poverty at the local level, a mixture of pro-poor and pro-growth strategies will be inevitable. Entrepreneurship will be one of the key areas for development. However, studies by Stam and van Stel (2009) found that entrepreneurship does not contribute to economic growth in poor countries supported by observations by Mwatsika (2015). That makes the understanding of pertinent factors that affect the performance of entrepreneurship become imperative if entrepreneurship has to play a positive role in LED programmes. In the next section we look at the implications of the entrepreneurial ecosystem perspective on LED.

5. Implications of Entrepreneurial Ecosystem on LED

LED is a territory based economic development strategy whereby the private, public and non-governmental sectors and the local communities partner to work collectively in programmes, projects and activities through appropriate participative approaches that involve analysing, planning and implementing interventions to initiate and sustain socioeconomic development of a local area or territory (Bartik, 2003; World Bank, 2003; Helmsing and Eghziabher, 2005; Yatta, 2015). Entrepreneurship development is one of the pro-growth initiatives under LED. We define entrepreneurship as human behaviour involving activities and judgmental decisions undertaken through a process of identifying, evaluating and exploiting opportunities for the creation of socioeconomic value either independently or in existing organisations under conditions of uncertainty. Entrepreneurship behaviour prevails in environments which are supportive of entrepreneurship referred to as entrepreneurial ecosystems. Stam and Spigel (2016) defined an entrepreneurial ecosystem as a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory.

Pro-growth LED strategies focus on stimulating economic development, raising the local gross domestic production and improving the living standards of the people in the locality (Bartik, 2003; World Bank, 2003). Therefore most LED initiatives concentrate on improving performance of businesses in the localities and supporting new start-ups to create jobs and competitiveness of firms. Amongst the strategies undertaken to pursue business growth are the creation of industrial districts, clusters, growth centres, regional innovation systems and entrepreneurship development.

Industrial districts involve pooling labour and firms into a particular locality to enhance production, knowledge spillover, coordination, competitiveness and industrialisation (Becattini, 1990), whereas clusters are a collection of the same and complementary industries that are concentrated into a locality to enhance synergistic effects and facilitate growth (Porter, 1998). Growth centres on the other hand are localities perceived to possess requisite advantages that with specifically targeted investments can ignite socioeconomic development of the local territories. Cooke et al. (1997) referred regional innovation systems to networks and institutions linking knowledge producing hubs such as universities and public research laboratories within a region to innovative firms. Whilst these approaches focus on the businesses, firms and industries, entrepreneurship development focuses on individuals who would like to start or expand existing productive businesses (Mwatsika, 2015). Entrepreneurship behaviour cuts across industrial districts, clusters, growth centres and regional innovation systems. Productive entrepreneurship behaviour is the basis for successful pro-growth LED strategies.

The entrepreneurial ecosystem supports productive entrepreneurship and is similar to the concepts of industrial districts, clusters, growth centres and regional innovation systems for its focus on the external environments which affect businesses and entrepreneurship (Stam and Spigel, 2016). As such to develop productive entrepreneurships within LED, attention must be directed to understanding the entrepreneurial ecosystem. Despite the entrepreneurial ecosystem being a new area of research focus, a number of studies highlight the development of entrepreneurial ecosystems. Mark and Mayer (2016) explored early entrepreneurial successes in Phoenix, Arizona; Spigel (2015) studied entrepreneurship ecosystems in Waterloo and Calgary, Canada and Saxenian (1978) provided an account of interlocking place based elements that created the

conditions for the growth of Silicon Valley, California into one of the world's most successful entrepreneurial ecosystem. From these studies, it can be appreciated that entrepreneurial ecosystems anchor productive entrepreneurships and are location specific. Although Saxenian (1978) provided a detailed account of events in Silicon Valley, it is still difficult to comprehend the web of stimulating forces that pull various factors and institutions to concentrate into a particular locality and gel into a network that provides the requisite resources, the spirit and environment for entrepreneurship. That makes entrepreneurial ecosystems difficult to replicate.

Researchers have nonetheless provided insight into how entrepreneurial ecosystems can be created. In OECD, the understanding of entrepreneurial ecosystems focuses on the ecosystems that support High Growth Firms (HGFs) because study findings have shown that HGFs are the most productive entrepreneurships in an economy (Parsley and Halabinsky, 2008).

5.1Developing an Entrepreneurial Ecosystem

An entrepreneurial ecosystem is not just the concentration of factors and institutions in a locality but the functionality and networking of resources, institutions and factors that nurture and grow entrepreneurship behaviour which manifests in creation of socioeconomic value (Mason and Brown, 2014). On account of how successful entrepreneurial ecosystems such as Silicon Valley came into being (Saxenian, 1978), it is impossible to have a nine point guideline for setting up an entrepreneurial ecosystem. From the analysis in the previous section, an entrepreneurial ecosystem requires a concentration of key resources and functionality of key stakeholders that stimulate, support and sustain entrepreneurship behaviour under favourable macro-environmental factors (political, legal, economic, socio-cultural, technological and physical environment).

Entrepreneurial ecosystems are known to have developed based on location specific assets. Mason and Brown (2014) give examples of Oxford in UK whose innovative industries developed around the world class University of Oxford, strategic location in London with closer proximity to Heathrow airport and a unique cluster of UK government laboratories. Similarly, Solent region of England's aircraft industry arose out of the established boat building industry in the region and the Swiss medical technology ecosystem is premised to have developed out of the background of precision skills developed by the watch industry. To lead in the development of the entrepreneurial ecosystem under LED in developing countries, most LGAs would have challenges in identifying strategic assets (key resources) specific to the localities upon which to develop entrepreneurship as per examples given by Mason and Brown (2014). Most local communities in developing countries such as Malawi are undeveloped. There are no manufacturing industries, low levels of education and no skills development but widespread and deep poverty levels where most economic activities are income generating activities at informal, micro and small scale (Mwatsika, 2015). The strategic resource available, land (natural capital) upon which transformational entrepreneurships could be based, is under stress from population growth and degradation from unsustainable subsistence activities. Therefore LGAs require policy guidance to identify the strategic resources (assets) that would be the basis for pro growth LED and attracting entrepreneurial individuals and firms to the localities. Eventually firms set up around the strategic resources would grow to anchor the growth and expansion of the entrepreneurial ecosystem.

Secondly, LGAs would need to attract key stakeholder organisations both private and public revolving around the key assets and intended strategic firms to provide resources and services support. Figure 1 shows that an effective entrepreneurship environment requires the coordinated functionality of private sector (small, medium and large firms, financial institutions, trade associations and unions etc), public sector (governmental and non governmental agencies, education and research institutions, community development organisations and associations etc) and the community of entrepreneurs. All the key stakeholders can be attracted to the locality and some grown locally if the rules of the game are right.

Policy to attract and grow key stakeholders should be supported by policy to grow key resources that support entrepreneurship in the ecosystem. Capital (financial and built), human capital, natural capital and knowledge capital should be attracted into the locality as well as be grown locally. Successful entrepreneurial ecosystems have well developed physical infrastructure that has been developed over time; visible, accessible and dense financial resources that meet the specific requirements of entrepreneurs and the industries; well educated and skilled human resource that is able to identify, discover and create opportunities and exploit them; the knowledge capital that is generated around the strategic resources, and key skills that transcend to creation of new combinations and industries (Saxenian, 1978).

Obviously the requirements are large for pulling together the key stakeholders and key resources within a locality, as such entrepreneurial ecosystems have developed over an expansive period to time. Nonetheless, there is sustained commitment for their creation from the stakeholders (institutions and individuals) providing leadership in different facets. The efforts to develop an ecosystem where entrepreneurship flourishes must be supported by favourable macro-environmental performance. Political, legal, economic frameworks and institutions must be effective and efficient. Political and legal frameworks must support property rights and rule of the law. Policy incentives that attract investors through favourable taxation, lower interest rates and policy

directed at the growth of infrastructure to provide physical, electronic, knowledge and economic connectivity must be in place (Mason and Brown, 2014, Stam and Spigel, 2016, Saxenian, 1978, Wekwete, 2014).

Mason and Brown's (2014) assertion that there must be large anchoring firms, presence of the entrepreneurial recycling, information rich environment, effective culture, availability of finance, access to markets and various support services in an entrepreneurial ecosystem reflects a fully developed ecosystem. To have such well functioning entrepreneurial ecosystem in a locality is a painstaking process that would require commitment from LED stakeholders over the long run.

5.2Implications for LED Policy

Local community contexts in developing countries such as Malawi are characterised by widespread poverty, unemployment, low education, no skills and prevalence of informal micro income generating activities. LED strategies to stimulate economic development would therefore inevitably involve both pro-poor and pro-growth strategies. Of all the economic growth models available in literature (see Todaro and Smith, 2009), none provides the surest means to achieving economic development. Application and performance of a growth approach would much depend on the context of the territory. For example, the Harrod-Domar model (Ghatak, 2003) encourages investment in capital, the Structural change model (Lewis, 1954) emphasises on shifting from traditional (agricultural) sector to industrial sector to achieve economic growth. New classical growth models (Bauer, 1984) advocate free market economies while the new growth models (Romer, 1986) emphasise on creation of knowledge as a source of sustainable economic growth. LED is the development and application of these models at local level by local actors to stimulate economic development. Obviously there is progression in thinking provided by the economic growth models. The context of the local territory with only subsistence agriculture would obviously need capital investment in traditional industries (e.g. commercial farming) and development of their natural capital (i.e. Harrod-Domar approach) over a period of time until diminishing marginal returns to progressively move towards shifting focus to the industrial sector (Structural change model). Well developed industries would enable the territory to open up and compete in free global markets (neoclassical approach). Without a well developed industry base, free market approach would lead to struggle and eventual death of local industries or shifting towards the trade economy because local industries cannot cope with competition from technologically advanced firms from developed countries. Upon achieving diminishing returns in industries, new growth models (new knowledge creation) become a viable approach to increase innovativeness and competitiveness of industries. Although we do not suggest a linear consideration and application of economic growth approaches, a territory would not engage in new growth models when there is nothing on the ground but just natural capital.

Despite a proposed combination of pro-poor and pro-growth strategies in LED, more pro-growth strategies should be prioritised with development of entrepreneurship as a key driver of economic growth. It would be imperative for LED initiators to have a clear understanding of entrepreneurship and conceptualise productive entrepreneurship that can be emphasised in the local territory based on the location specific assets. Productive entrepreneurship flourishes in specific entrepreneurial ecosystems whose creation should be the focus of LED.

To create an entrepreneurial ecosystem within LED, attention would be on creation of policies that attract key stakeholders and key resources to compliment the location specific assets in developing and supporting productive entrepreneurships. LED policy should focus on balanced efforts. Efforts to stimulate entrepreneurship must focus on all capital development; financial, physical infrastructure, human, knowledge and natural resources. Policy should further focus on attracting key stakeholders to the local territory especially the entrepreneurial class who would be able to set up firms to exploit the resources being mobilised into the local territory (Stam and Spigel, 2016). Only ambitious entrepreneurships should be encouraged as we are aware that encouraging more start-ups is bad public policy (Shane, 2009). Mason and Brown (2014) assert that increasing the number of new businesses has little effect on economic growth since extremely few firms achieve significant growth. It is based on the recognition that not every individual can be a successful entrepreneur that the attention be focused on ambitious entrepreneurs who seek to establish HGFs with potential to create jobs and competitiveness of firms and transform the local communities.

LED initiatives that have entrepreneurship development as a key approach to economic development must focus on developing an entrepreneurial ecosystem where productive entrepreneurships will flourish although piecemeal initiatives are likely to fail.

6. Conclusion

Poverty and unemployment remain the key challenges in developing countries that may not be eradicated by 2030 if adequate efforts are not undertaken in the next decade. NDPs have been pursued with limited effectiveness to reduce poverty and LED approaches have been recommended for adoption across countries in SADC region. LED is a territory based economic development strategy which involves the private, public and communities working together in programmes and projects to improve socioeconomic wellbeing of the local

communities. Although LED initiatives have been undertaken in most developed countries with a pro-growth focus, most LED initiatives in developing countries are pro-poor, few and far apart in communities. There is therefore a need for a shift towards pro-growth LED initiatives where entrepreneurship development is a key construct.

Entrepreneurship is human behaviour involving activities and judgmental decisions undertaken through a process of identifying, evaluating, and exploiting opportunities to create socioeconomic value either independently or in existing organisations under conditions of uncertainty. Entrepreneurship development is the aggregate process of stimulating, supporting and sustaining entrepreneurship. For effectiveness of entrepreneurship development, productive entrepreneurships must be encouraged. Baumol (1993) defined productive entrepreneurship as any entrepreneurship activities that contribute directly or indirectly to net output of the economy or to the capacity to produce additional output. Productive entrepreneurship flourishes in specific entrepreneurial ecosystems. Stam and Spigel (2016) defined entrepreneurial ecosystems as a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory. Therefore LED initiatives that consider entrepreneurship development must understand productive entrepreneurships feasible in their local context and the requisite ecosystem necessary so that efforts must be directed towards the creation of the entrepreneurial ecosystem that supports and sustains productive entrepreneurships.

There are no nine point guidelines for the development of an entrepreneurial ecosystem. However, balanced efforts are necessary to develop or attract key stakeholders and key resources to the local territory. Policy should focus on strengthening the political, legal, regulatory and economic frameworks so that rules of the game provide high payoffs from productive entrepreneurships thereby supporting allocation of behaviour towards productive activities. The policy should further focus on the development of key resources in the local territory. Productive entrepreneurship would require physical infrastructure (e.g. for transportation, telecommunication and internet connectivity, health and education), human capital, financial capital, knowledge capital and natural capital. Piecemeal initiatives in the development of the requisites for entrepreneurial ecosystem are likely to fail productive entrepreneurship. Therefore the micro and macro environmental factors must be progressively developed in a balanced way to stimulate, support and sustain entrepreneurship if productive entrepreneurships are to be created to benefit the local economies.

It is imperative that LED strategies and economic growth approaches adopted suit the context of the local territory or community. However, in this analysis, the entrepreneurial ecosystem covers exogenous factors to the concept of entrepreneurship. Entrepreneurship itself is a multidimensional concept that lacks a commonly agreed theory and definition. It is necessary to study the effects of the multidimensionality of the concept on the activities and outputs if that could be the first point of departure in the differences in the effectiveness of entrepreneurship between low income and high income countries.

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