

Research Article

## **Promoting Entrepreneurship And Social Development Through Sociocultural And Economic Factors**

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### **Abstract**

The study looked at entrepreneurship promotion from the perspectives of sociocultural and economic factors. The study was specific on establishing the relationship between both general and social entrepreneurship and sustainable development. And secondly, the formation of new initiatives that support the emergence of new economic agents in the economy. The study adopted a qualitative methodology that used 10 OECD countries as cases in point. The findings revealed a positive relationship between both types of entrepreneurship on sustainable development. Also, both groups of factors are positively related to the two types of entrepreneurship analyzed, but the sociocultural factor shows a greater impact than the economic one. The study concluded through recommendations that policies aimed at promoting human capital, employment, and investment aid would favour more social entrepreneurship, whereas those that increase innovation and improve institutions and are aimed at reducing corruption and making the market freer and more effective would have a greater impact on general entrepreneurship.

**Keywords:** Entrepreneurship, Sociocultural, Economic, Policies, Institutions.

### **Introduction**

Entrepreneurship has been examined from a variety of angles in recent decades. One strategy is to examine how entrepreneurship may affect economic growth in light of the advantages that more economic growth brings to employment and societal well-being, particularly during times of crisis. Numerous studies have focused on this (e.g., Audretsch & Keilbach, 2004a, 2004b; Audretsch, 2005; Alpkhan, Bulut, Gunday, Ulusoy, & Kilic, 2010). These evaluations concluded that entrepreneurship and economic growth are closely related. To stimulate growth, the policymaker can therefore combine the entrepreneurial element with more established ones like public spending and taxes.

Because of this, there is interest in determining the variables that might influence entrepreneurship and the best ways to encourage these variables and so promote economic growth. Various factors have been considered, with special attention on innovations (e.g., Galindo & Méndez, 2013, 2014; Ferreira, Fernandes, & Ratten, 2017; Mazzarol & Reboud, 2017; Schmitz, Urbano, Dandolini, de Souza, & Guerrero, 2017; Betts, Laud, & Kretinin, 2018; Malerba & McKelvey, 2019; Medeiros, Marques, Galvão, & Braga, 2020), institutions (Acemoglu &, 2019; Nasiri & Hamelin, 2018) and other aspects, even considering the feedback effects in the analysis. These factors, among others, may show how entrepreneurship may benefit from economic growth (Galindo & Méndez, 2014).

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According to these findings, entrepreneurship and economic growth are closely related. Therefore, in addition to the conventional factors like public spending, taxation, etc., the political decision-maker has another option to promote growth. Determining what variables would influence entrepreneurship and, consequently, what would be the most effective courses of action to encourage this factor and, as a result, encourage it through economic growth, has become of interest. Concern over adopting measures to address present issues without jeopardising the condition of future generations is growing as a result of the alarming environmental state of many nations. This has led to a reevaluation of the goal to be reached, a rise in the focus on sustainable development, and the formation of new initiatives that support the emergence of new economic agents in the economy—in our instance, social entrepreneurship.

Thus, sustainable development has become the essential objective of political decision-makers. And, from this new perspective, it is important to know, as happened in the case of economic growth, the factors that influence said development. In this sense, contributions arise that consider social entrepreneurship as a new factor to consider in changing the objective of economic growth for sustainable development (Johnson & Schaltegger, 2019; Schaltegger, Hörisch, & Loorbach, 2020) to avoid compromising the situation of future generations through current policies designed to achieve present-day well-being.

Therefore, taking the previous comments into account, one of the first questions to consider is the relationship between both general and social entrepreneurship and sustainable development. But it is also interesting to ascertain the factors that can stimulate both types of entrepreneurship, as this would help in designing appropriate measures to promote sustainable development through business activity. In this case, unlike the analyses that have been carried out, the main factors are going to be grouped into two main categories: sociocultural and economic. This choice is essential since both the social and cultural and the economic environment influence entrepreneurial activity. Therefore, it is important to determine the relationship of these factors with each of the types of entrepreneurship considered and show the relevance in each of the cases.

Therefore, the objective of this paper is to conduct a double empirical analysis. Firstly, to analyze the relationship between both general entrepreneurship and social entrepreneurship and sustainable development and, secondly, to study the relationship of sociocultural and economic factors with both types of entrepreneurship. The empirical analysis proposes a structural equation modelling with partial least squares, allowing the introduction of latent variables and the estimation of multiple relationships, thus improving upon multivariate techniques that can only examine one relationship at a time (Barclay, Higgins, & Thompson, 1995; Chin, Marcolin, & Newsted, 2003).

## **Theoretical analysis**

### **Entrepreneurship and social entrepreneurship**

Entrepreneurship has had positive effects on economic growth, and this relationship has been analyzed thoroughly in recent decades (e.g., Audretsch & Keilbach, 2004a, 2004b; Audretsch, 2005; Alpkhan et al., 2010; Acs et al., 2012; Méndez-Picazo et al., 2012; Nissan et al., 2012; Castaño et al., 2016; Doran et al., 2018; Stoica et al., 2020). This positive relationship is due mainly to the activities of entrepreneurs regarding, for example, the development of new products, the search for new markets, and the introduction of innovations, which have positive effects on economic growth, which, in turn, has positive effects on job creation and social well-being. Given this possibility of stimulating economic growth through entrepreneurial activity, the specialized literature has also focused on determining the factors that can stimulate entrepreneurship to design appropriate economic policy. Furthermore, the increasing interest in environmental problems suffered by economies has led to attention being paid to other variables and objectives that take these problems into account. For this reason, the objective of economic growth gives way to the objective of “sustainable development,” which refers to the attempt to achieve economic development that will satisfy current needs without

compromising the situation of future generations (UN, 1987). This implies, among other issues, the alteration of traditional business practices that are considered environmentally unsustainable, replacing them with others that are environmentally sustainable, thus reducing environmental damage. Therefore, the term sustainable development implies the use of non-renewable resources in such a way as to make them viable and usable by future generations.

As in the case of economic growth, entrepreneurial activity could develop activities that respect the environment and, therefore, it could also be a stimulating factor for sustainable development.

Consideration of environmental problems has led to the emergence of other activities and other ways of operating by economic agents. The concept of social entrepreneurship has arisen and has been considered gradually in analyses (Middermann, Kratzer, & Perner, 2020). Though different definitions of social entrepreneurship have been offered (Dees, 1998; Hockerts, 2017; Light, 2006, 2009; Mair & Martí, 2006), from the perspective of this paper, we can consider it in general terms as a process involving opportunities and actions that try to solve social and environmental problems by searching for innovative solutions (Brooks, 2009; Méndez-Picazo, Ribeiro-Soriano, & Galindo-Martín, 2015; Miller, Grimes, McMullen, & Vogus, 2012; Miska, Stahl, & Mendenhall, 2013; Nga & Shamuganathan, 2010).

As in the case of general entrepreneurship, social entrepreneurship has a positive effect on sustainable development through its related activities, facilitating job creation, and, thus, increasing the aggregate demand of the economy that will stimulate economic growth.

In enhancing sustainable development, both general (Doran & Ryan, 2016; Liao, 2018) and social entrepreneurship play an important role (Johnson & Schaltegger, 2019). Both are interested in achieving the objective of sustainable development, as environmental responsibility represents a good business opportunity and will allow entrepreneurs to access new markets, improve their image with stakeholders, and differentiate their products (Ambec & Lanoie, 2008). In short, general and social entrepreneurship have a positive relationship with sustainable development. For this reason, it is interesting to determine the factors that influence both types of entrepreneurship. In this sense, different factors, such as institutions (Acemoglu & Robinson, 2008; Acemoglu, 2003; Acs et al., 2018; Bosma et al., 2018; Boudreaux et al., 2019; De Beule, Klein, & Verwaal, 2019; Diab & Metwally, 2019; Urbano, Aparicio, & Audretsch, 2019; Elert & Henrekson, 2017; Galindo-Martín et al., 2019), education, and social climate have been considered. From the perspective of this paper, the different factors are grouped into two categories: sociocultural and economic.

### **Sociocultural factors**

Regarding sociocultural factors, it must be considered that the social environment is of great importance in stimulating entrepreneurial activity, basically from two perspectives. From the institutional perspective, without efficient institutions that try to protect property rights, few economic agents would be interested in developing an entrepreneurial activity. The institutions oversee establishing the rules of the game by which this activity will be carried out. If these rules are either not clear or involve a delay in decision-making, due to excessive bureaucracy, for example, entrepreneurial activity will be affected negatively. For this reason, some studies indicate that the structure of institutions influences the type of entrepreneurship existing in society (Baumol, 1990; Boettke & Coyne, 2003; Gregori, Wdowiak, Schwarz, & Holzmann, 2019; Sobel, 2008), whereas other papers indicate that such structure may discourage entrepreneurial activity (Baumol, 1990; Johnson, Kaufmann, & Shleifer, 1997; Hall & Sobel, 2008). The structure of institutions can be divided into two large groups: formal and informal. Formal institutions are characterized by having a very strong cultural component (North, 1990), which is what encourages entrepreneurs to carry out their activities. For this reason, the rules designed by this type of institution are aimed at increasing economic freedom (Powell & Rodet, 2012), and reducing corruption would have a positive effect on

entrepreneurship (Anokhin & Schulze, 2009; Avnimelech, Zelekha, & Sharabi, 2014; Berdiev & Saunoris, 2018; Cherrier, Goswami, & Ray, 2018; Zhang, 2019).

In this group, the role of education and skills improvement must also be considered (Gavron, Cowling, Holtham, & Westall, 1998; Reynolds, Hay, & Camp, 2000), as a higher educational level makes it easier for individuals to favour the introduction of and desire for innovations and to make more efficient use of the different instruments and tools necessary to carry out their activity by allowing entrepreneurs to identify the market opportunities that may arise (Barreneche García, 2013; Portuguese Castro, Ross Scheede, & Gómez Zermeño, 2019; Rashid, 2019). In this case, the variable to consider would be schooling, as a proxy variable for education and human capital.

### **Economic factors**

The second group of factors to consider are economic. In this area, different variables could stimulate entrepreneurial activity, both general and social. The first factor is the fiscal policy designed by the government. In general, government activity can stimulate entrepreneurship (Audretsch & Link, 2019; Audretsch, 2003) by correcting failures that can occur in markets due to either external shocks or misallocation of resources. Therefore, the government can stimulate entrepreneurial activity through its spending policies (McMullen, Bagby, & Palich, 2008; Gnyawali & Fogel, 1994), for example, by improving income distribution and investing in education and R&D. These two possibilities are considered in the model estimated in the following section. Investment in education has been included as a sociocultural factor, since, as indicated, what is intended is that entrepreneurs use the different instruments more efficiently to conduct their activities and can better identify the opportunities offered by markets.

Regarding income distribution, its importance lies in the fact that an adequate social climate is generated that facilitates economic activity, which supposes an additional incentive to stimulate entrepreneurship, both general and social (Galindo Martin, Méndez Picazo, & Alfaro Navarro, 2010; Castaño et al., 2016). Government measures can also stimulate entrepreneurship indirectly through employment policy. A reduction in unemployment is a stimulus to demand in the market and, therefore, a greater quantity of already produced are demanded and new products can be offered. This provides the possibility of increasing the production of activities in development and also provides new possibilities and market niches that would stimulate the appearance of new entrepreneurs. For this reason, a positive relationship between employment and general and social entrepreneurship is expected.

However, there are also detractors of government policies, considering that public measures can allow non-productive entrepreneurs to continue operating in the market, which would negatively affect economic growth (Campbell & Mitchell, 2012).

The other two economic factors to consider are investment spending and research and development (R&D). As already indicated, both variables allow entrepreneurs to be more competitive and, especially, to be able to create and implement technology that is less harmful to the environment, even prompting other entrepreneurs to include these advances in their production processes (Amorós, Poblete, & Mandakovic, 2019, Urbano et al., 2019b, Duguet, 2004; Yun, Kwon, & Choi, 2019).

Considering all these theoretical aspects, the model to be estimated in the following section includes two groups of sociocultural and economic factors. Both factors have a positive relationship with general entrepreneurship and social entrepreneurship. The sociocultural variables considered are corruption, economic freedom, schooling, and human capital. The variables considered as economic factors are income distribution, employment, spending on fixed capital, and spending on R&D. Finally, both types of entrepreneurship have a positive relationship with sustainable development.

## Conclusions and discussion

Entrepreneurship is one of the variables chosen to analyze the factors that stimulate economic growth. Increased awareness of environmental problems has led to an alteration in the objective to be achieved, introducing an analysis of the effects of entrepreneurship on sustainable development. In this area, the role of the social entrepreneur in this relationship has also been considered.

Due to the positive relationship between both types of entrepreneurship on sustainable development, it is important to try to find out who has the greatest impact on sustainable development and what the factors are that stimulate this entrepreneurial activity by grouping these factors into two main groups: sociocultural and economic. To achieve this objective, a qualitative analysis has been carried out for the case of 15 OECD countries that shows the following results: Both types of entrepreneurial activity, general and social, stimulate sustainable development, although the impact of general entrepreneurship is greater than that of social entrepreneurship. From this perspective, measures aimed at stimulating entrepreneurial activity would indirectly favour the achievement of greater sustainable development.

Taking this result into account, it is necessary to consider the role played by the factors in favouring entrepreneurship. The results obtained show that both groups of factors are positively related to the two types of entrepreneurship analyzed, but the sociocultural factor shows a greater impact than the economic one. Faced with this common result, it should be noted that the weight of the indicators is different depending on the type of entrepreneur. In the case of general entrepreneurship, the proper functioning of institutions and the control of corruption show a greater effect, and in the case of social entrepreneurship the control of corruption and measures aimed at education and health have a higher effect. This implies that in both cases, measures aimed at controlling and improving the behaviour of institutions aimed at reducing corruption would have a beneficial effect.

Regarding economic factors, spending on gross fixed capital training and employment has a greater effect on social entrepreneurship, whereas R&D and unemployment show a high impact on general entrepreneurship. Income distribution shows a similar effect in both cases.

Therefore, public sector actions aimed at stimulating entrepreneurship can have different effects on both types of entrepreneurship. Policies aimed at promoting human capital, employment, and investment aid would favour more social entrepreneurship, whereas those that increase innovation and improve institutions and are aimed at reducing corruption and making the market freer and more effective would have a greater impact on general entrepreneurship. On the other hand, redistributive policies aimed at improving income distribution would have a similar impact on both types of entrepreneurship.

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