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Resumen

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El fenómeno de la creación de empresas ha alcanzado un creciente interés tanto en el ámbito económico y social como académico y científico, siendo la base material del crecimiento y el empleo. La Nueva Economía Institucional proporciona un marco adecuado para el estudio de este fenómeno, considerando el papel de las instituciones en general (formal e informal) en la decisión efectiva de crear una nueva empresa. El objetivo de este trabajo es analizar la creación de nuevas empresas en el caso de diez países de la Unión Europea en el período 2000-2010, desarrollando un enfoque cualitativo y cuantitativo del papel de los factores institucionales (acceso al crédito, demanda doméstica, programas gubernamentales, barreras del mercado, duración del procedimientos y ausencia de corrupción).

Palabras clave

Creación de Empresas, Nueva Economía Institucional, Factores Explicativos, Unión Europea.

Abstract

The phenomenon of business creation has reached a growing interest both in the economic and social field as academic and scientific level, being the material basis of growth and employment. The New Institutional Economics provides an appropriate framework to the study of this phenomenon, considering the role of institutions in general (formal and informal) in the effective decision of creating a new firm. This paper aims at analysing the new firm creation in the case of ten countries of the European Union in the period 2000-2010, developing a qualitative and quantitative approach to the role of institutional factors (access to credit, domestic demand, government programs, market barriers, duration of procedure, and freedom from corruption).

Keywords

Business Creation, New Institutional Economics, Explanatory factors, European Union,

The phenomenon of business creation has acquired, in recent decades, a growth in importance from the economic and social view, as well as from scholars and scientists perspective. This is largely due to the new favourable effects, in particular, small and medium enterprises generate both in terms of production and employment. Furthermore, business creation is considered a source of innovation, stimulating the evolution of the industry and the creation of new jobs and income (Carree & Thurik, 1998). So it has become a central component in the development strategies of the countries, driven by the knowledge economy, communication technologies or the opening of new markets, among other factors (Stough, 2009).

At this point it is appropriate to differentiate the entrepreneurship from the business creation; even though the two are linked should not be considered similar. Thus Wennekers & Thurik (1999) explain by pointing out that entrepreneurship is an attitude based on resources rather than opportunities and the creation of a business can be a vehicle for both the entrepreneurs who introduce new products/processes that revolutionize industry (concept of Schumpeterian entrepreneur) and for individuals who simply want to start their own business as a livelihood.

Based on the above, in this paper the phenomenon of business creation is approached from a theoretical and applied view. The central aim is to analyse the phenomenon, approaching the main explanatory factors, taking as an analytical framework the case of ten countries of the European Union (Germany, Denmark, Spain, Finland, France, Netherlands, Italy, Portugal, United Kingdom and Sweden), which were selected according to a double criterion of statistical availability and diversity. From a temporal perspective, the analysis covers the period 2000-2010.

This study is structured into four sections, and the introduction and conclusions. In the first section a review of the literature, which emphasizes the New Institutional Economics, is performed. Secondly, trends in business creation in the countries of the European Union are

analysed. The third section provides the framework for the formulation of research questions and hypotheses approach. Finally, in the fourth section the results of the qualitative and quantitative analysis of econometric type in relation to the identification of the main factors are analysed. The statistics used are from databases of Eurostat, Global Entrepreneurship Monitor and Worldwide Governance Indicators.

Institutional perspective on the study of business creation

The problematic of business creation is not only an issue of social, economic or political interest but also has acquired an increasing importance in the academic and scientific fields. Although the phenomenon under study is based on the behaviour of individual agents in this paper is addressed from an aggregate perspective, it comes to observe the role of environmental conditions, both economic and institutional perspective. In this sense, when a phenomenon like business creation is analysed the macroeconomic context must be present; to the extent it raises expectations. That is why the behaviour of aggregate demand is crucial when explaining the economic and social dynamics. This has been treated extensively in the literature in general, being the Keynesian stream (Keynes, 2006) and its subsequent ramifications (Keynesians, post-Keynesians), which have paid more attention. Based on this recognition of the role of demand is considered that business creation decisions are carried out under the influence of the general macroeconomic context and the characteristics of aggregate demand in particular.

Regardless of the macroeconomic context, is especially relevant the role of the institutional environment. Proofs of this are the numerous contributions on business creation from an institutional perspective. In this sense, the new institutional economics, adapted from

the theoretical work of Douglass North (1990, 2005) provides a rich framework for analysing this phenomenon.

The new institutional approach, developed from the 80s with its main representatives Williamson (1985, 2010) and North (1990), assumes that companies are no longer individualistic components, as Schumpeter conceived when he introduced the innovative entrepreneur. These are immersed in an environment where the institutional component influences them, establishing a dependency relationship between system elements, that is to say, companies have become more individualistic entities institutionalists (Caballero, 2001).

The approach suggested by North supposes an approach to the process of influence of institutions -norms, rules, practices and standards that influence individual and collective behaviour- on business creation. Under this view, the institutions appear such as strong and deep aspects within social structures. Literature also studies some of the conditions imposed by the environment when it comes to starting a business or undertake. Thus Gnyawali & Fogel (1994) identify diverse dimensions under which arises an economic activity, such as policies and procedures of governance, socio-economic factors, entrepreneurial and business skills, and financial assistance for business and non-financial assistance. According to the statement by North (1990) these aspects correspond to the formal institutional factors, while culture and social behaviours correspond to the informal factors (Álvarez & Urbano, 2011).

From this perspective, the institutional framework plays an important role, providing incentives and/or barriers that motivate and/or prevent individuals to carry out their aspirations. Institutions are in itself a human creation that reduce uncertainty, evolve and are altered by social dynamics. Consequently, institutions are developed as the cumulative learning process of mankind, which happens over time and is transmitted from generation to generation. In other words, institutions are cumulative and path dependence with respect to standards or rules governing the present and influence the future of a society (North, 1999).

It should be noted that systems where institutions are internalized must define and articulate the components and characteristics to foster and encourage entrepreneurship and consequently economic development. In this sense, has been gathering steam the tendency of design actions -by public entities- to encourage entrepreneurship, entrepreneurial climate and the creation of a more innovative and proactive society that takes advantage of the opportunities in the system (European Commission, 2011, 2012). Thereby entrepreneurs perceive the support and endorsement of a system, increasing their prospects of staying in the market.

Moreover, among the formal factors are measures of overall support and impact assessment of programs to encourage business creation. This, not to mention that there are also specific support measures such as services and economic and non-economic programs of assistance for new entrepreneurs, such as access to finance that appears to play an important role in determining the enterprise. In this regard, Petersen & Rajan (1994) have observed few decades ago that small and young firms face credit rationing, particularly in areas of new and high technology because they suffer from liquidity constraints. This is confirmed by the European Commission (2012) that if in fact there is already a high-risk aversion by banks, it is even greater when it comes to finance activities that involve a high degree of innovation, because it is difficult and uncertain for banks calculating future benefits of the project¹. Following the European experience in particular, both entrepreneurs and small and medium entrepreneurs agree that obtaining financing is the major impediment after the official procedures (Henrekson y Stenkula, 2010). It follows that policies designed by the government should be more oriented to facilitate access to financing. Although, governments cannot intervene directly on private banks, they can stimulate it through fiscal tax policy. In addition, governments can encourage venture capital agencies controlled by the state and/or collaborate with private actors inside the very financial sector.

Finally, as informal factors are considered sociocultural components in general that may affect business creation, as the culture that influences entrepreneurship through social recognition or promoting certain positive attitudes towards the creation of a new firm (Fernández, Liñán & Santos, 2009), or societal attitudes (perceived desirability and feasibility and intention of individuals) towards business creation. Also, governance indices of a given society (regulatory quality, political stability, control of corruption, among others), constitute components that influence over the economic activity. The reason is that these indices are related to individual's confidence on the economic system, so that a low level of confidence adversely affects the terms of trade that agents can establish within that system. In this sense, Minondo (2005) notes that institutions can help create wealth while protecting the property and rights of the whole society. Therefore, the existence of corruption or the perception of inadequate market regulation transmits instability to the potential entrepreneurs and actual entrepreneurs, thereby reducing levels of economic activity in environments that do not have the necessary conditions to generate confidence. Instead, contexts with an efficient and stable regulatory quality, but mostly free of corruption will encourage the entry of new firms, due to there will be dispute resolution mechanisms, costs will be reduced (Álvarez & Urbano, 2009), the return of investment would approximate the expected and flow of information between the parties would be facilitated.

Methodologys

In order to make some progress in understanding the phenomenon of business creation, an explanatory model that considers a variety of institutional factors is proposed in this section. In this sense, it has been considered a number of variables that try to capture different dimensions of the phenomenon under study, as the importance of domestic demand in particular, as well as other institutional factors related to financing (access to credit), public policies, barriers to market entry or the absence of corruption, among others.

Specifically, an explanatory model of the annual birth rate of enterprises (CREAEMP) from six explanatory variables is proposed:

$$CREAEMP_{it} = \beta_0 + \beta_1.DEMAND_{it} + \beta_2.CREDIT_{it} + \beta_3.PROGOB_{it} + \beta_4.BARMER_{it} + \beta_5.TIME_{it} + \beta_6.CORRUP_{it}$$

Where:

CREAEMP_{it}: Annual rate of business creation in the country i in year t

DEMAND_{it}: Domestic Demand in relation to Gross Domestic Product (GDP) of country i in year t

CREDIT_{it}: Domestic credit provided by the banking sector in relation to GDP for country i in year t

PROGOB_{it}: Rating of programs supported by the Government of the country i in year t

BARMER_{it}: Assessment of Barriers to entry to the market of country i in year t

TIME_{it}: Number of days in the process of opening a business in country i in year t

CORRUP_{it}: Freedom of corruption in country i in year t

Although availability statistics for these variables are large in general it has been necessary, prior to the econometric estimation, accomplish a method of reconstruction of the data sets available, in order to be able to have a balanced and homogeneous sample character from spatially and temporally² perspective

Results

We have followed two alternative estimation methods. In the first case, we have opted for the simplest method for the treatment of panel data, which consists of model estimation considering neither the spatial dimension, nor the temporal dimension of the data, i.e., taking into account data grouped or combined (*pooled*). For econometric contrasting it has proceeded by the method of estimation of Ordinary Least Squares (OLS), then has been applied a correction procedure of heteroscedasticity. From the point of view of the validity econometric model, it should be noted the regression residuals obtained has normality and all p-values associated with the contrast of individual significance are less than 0.05, so that rejects the null hypothesis that coefficients of the explanatory variables are zero, with a confidence level of 95%. Moreover, the signs of the estimated coefficients are consistent with the starting hypothesis raised. Likewise, the p-value associated with the ANOVA contrast is also less than 0.05, so we can reject the null hypothesis that all regressors are null simultaneously, with a confidence level of 95%. In addition, as noted, once detected the presence of heteroscedasticity in the model, we have proceeded to correct³ it. Finally, it should also be noted that both the coefficient of determination (R²) as the corrected one are relatively high, so the adjustment accounts for a significant portion of the observed variability in the rate of business creation. The results of both estimates are presented in Table 1 (Model estimated by OLS) and Table 2 (Model estimated heteroscedasticity corrected).

Table 1 Estimation by combined MCO (*pooled OLS*) explanatory model of annual rate of business creation for ten countries of the Europeanⁱ Union in the period 2000-2010

Dependent variable: CREAEMP

| | Coef | Stand. Dev | Std t | P Value | |
|--------------|----------|------------|-------------------|----------|-----|
| DEMAND | 0,24917 | 0,037528 | 6,6395 | <0,00001 | *** |
| CREDIT | 0,02640 | 0,003556 | 7,4243 | <0,00001 | *** |
| PROGOB | 1,25548 | 0,402649 | 3,1181 | 0,00236 | *** |
| BARMER | 1,53819 | 0,567183 | 2,7120 | 0,00784 | *** |
| TIME | -0,01854 | 0,005636 | -3,2888 | 0,00138 | *** |
| CORRUP | 0,03790 | 0,013528 | 2,8016 | 0,00608 | *** |
| Const | -28,6001 | 4,49019 | -6,3695 | <0,00001 | *** |
| <hr/> | | | | | |
| R-square | 0,66 | | Adjusted R-square | 0,64 | |
| Observations | 110 | | | | |

⁽ⁱ⁾ Germany, Denmark, Spain, Finland, France, Holland, Italy, Portugal, United Kingdom and Sweden

Source: Based on data from Eurostat, World Bank, Global Entrepreneurship Monitor (GEM), Economic Freedom Index

Table 2 Estimation with heteroscedasticity correction of the explanatory model of annual rate of business creation for ten countries of the Europeanⁱ Union in the period 2000-2010

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Dependent variable: CREAEMP

| | Coef | Stand. Dev | Std t | P Value | |
|--------------|----------|------------|-------------------|----------|----|
| DEMAND | 0,28127 | 0,024164 | 11,6404 | <0,00001 | ** |
| CREDIT | 0,02847 | 0,002015 | 14,1326 | <0,00001 | ** |
| PROGOB | 0,74702 | 0,221043 | 3,3795 | 0,00103 | ** |
| BARMER | 0,78147 | 0,265289 | 2,9457 | 0,00398 | ** |
| TIME | -0,00992 | 0,003661 | -2,7105 | 0,00787 | ** |
| CORRUP | 0,05635 | 0,006702 | 8,4077 | <0,00001 | ** |
| Const | -30,0444 | 2,93075 | -10,2514 | <0,00001 | ** |
| R-square | 0,85 | | Adjusted R-square | 0,84 | |
| Observations | 110 | | | | |

⁽ⁱ⁾ Germany, Denmark, Spain, Finland, France, Holland, Italy, Portugal, United Kingdom and Sweden. Source: Based on data from Eurostat, World Bank, Global Entrepreneurship Monitor (GEM), Economic Freedom Index

In reference with the explanatory variables, all of which generally show behaviour in line with expectations, reaching an acceptable level of statistical significance. It deserves to be highlighted in particular the high level of significance showed by the variables related to credit (CREDIT) and demand (DEMAND), which reflect a positive effect on business demography. In this regard the importance of access to credit is reflected as a key factor in explaining the dynamics business of the whole ten European countries considered. This result reveals a positive influence on access to finance over business creation, reaffirming the need for action to help facilitate access to credit, especially for small and medium enterprises, which generally face greater financial difficulties. Regarding to domestic demand, the results

highlight the importance of the internal market as a point of reference in determining market expectations. It is important to say that most of the companies created in Europe are small and are mostly oriented from the beginning to the domestic market.

In regards to the other analysed factors may also express some thoughts to be considered in the design of policies for entrepreneurship and business creation. At a more general level, government assistance through the entrepreneurial support programs established by the government (PROGOB) is seen as an important factor to stimulate business creation. According to this result, programs of economic and non-economic support carried out by governments, together with effective policies to promote entrepreneurship, show a positive effect on the generation of new activities. One possible reason is that people perceive through these policies a climate of confidence in the economic system and feel in a certain way more motivated to start a business.

Meanwhile, the behaviour of the variable on the internal market barriers (BARMER) aims, among other things, to a necessary reduction of regulatory barriers that affect the market and impede the creation of new companies. Furthermore, the result in terms of the negative impact of the time required for the launch of a new company (TIME) also stresses the relevance of further progress in regard to the simplification of administrative process during the creation of new enterprises.

Finally, it should be highlighted the behaviour of the variable relative to freedom from corruption (CORRUP), whose positive influence on business creation has been reflected in the estimation of the econometric model and reveals the positive impact that emerges from a climate free (absent) of corruption.

Concluding remarks

The phenomenon of business creation has been gaining increasing interest in recent decades, not only in the political and economic field but also in the scientific and academic. The very context of global crisis has intensified this concern according to the key role this phenomenon plays in terms of increasing levels of production and employment. Proof of this is the increasing emphasis that the European institutions are putting in the promotion of entrepreneurship and business creation.

Theoretically, the New Institutional Economics provides a suitable framework for the study of this phenomenon, considering the role of institutions, both formal and informal, in the process of execution of the decision to start a business. In this sense are increasingly numerous investigations dealing with the study of this phenomenon from this perspective, which not only help to explain the emergence of entrepreneurial attitudes (most of the literature focuses on this aspect), but also their materialization in the form of creation of new enterprises; latter aspect is the focus of this study.

From a general view, it was possible to observe how business creation in European countries has greater dynamism in service activities than in the industrial sector, in line with the stage of development that characterizes postindustrial European economies. Among other factors, this may be because there are lower barriers to entry in this sector since the establishment of service companies involves, as a rule, less investment in fixed capital compared to industrial enterprises. Additionally, the maturation period of service activities is usually less than that characterizes most of the industrial activities, which typically involve greater inertia along its life cycle.

From the perspective of the explanatory factors discussed in this paper and have a close influence with business creation, are factors relating to the macroeconomic level, as

domestic demand (positive influence) and others of institutional nature, such as access to credit (positive influence), public support programs (positive influence), access to markets (positive influence), administrative processing of new business initiatives –time in days- (negative influence) and freedom from corruption (positive influence).

These results draw some notes as a reflection on some of the strategic lines of action and pose new challenges. A certain correspondence between the results obtained in this paper and some of the strategic priorities designed within the Community Government level (access to finance, administrative simplification...) can be seen, while it is also necessary to note the strong contradiction that characterizes the current European political context which is reflected in the pervasiveness of macroeconomic adjustment measures and austerity policies that have affected very significantly to domestic demand in many countries. According to the observed trends, it is not unreasonable to point out the possibility that this may be nullified or greatly being opposed to the supposedly virtuous effects of the other drivers of institutional nature. In fact, it was observed a slowdown in business creation in a large number of countries during the crisis stage. In this context, new challenges suggest strengthening aspects that are not being covered sufficiently, such as issues related with the macroeconomic environment. It seems clear that, without a parallel strategic action oriented macroeconomic recovery (via stimulation of demand); it will be more difficult to visualize the favourable effects of other institutional measures.

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Notas a pie de página

¹ The lack of specialized technical staff in evaluating entrepreneurial and innovative projects is a serious obstacle behind this increased risk aversion by financial institutions.

² In this regard, it has been covered the statistical gaps observed in some of the variables for specific countries and years for which the criteria followed was an extrapolation of the data corresponding to the nearest year data not available or, where appropriate, the average contiguous values.

³ This correction was performed by the method based on the method of Generalized Least Squares (GLS) Feasible.