

THE NATIONAL ENTREPRENEURSHIP CONTEXT INDEX IN THE PERIOD 2018-2020: AN OVERVIEW

CĂTĂLIN GRĂDINARU

LECTURER, FACULTY OF ADMINISTRATION AND BUSINESS, UNIVERSITY OF BUCHAREST,

e-mail: catalin.gradinaru@faa.unibuc.ro

SORIN-GEORGE TOMA

PROFESSOR, FACULTY OF ADMINISTRATION AND BUSINESS, UNIVERSITY OF BUCHAREST,

e-mail: tomagsorin62@yahoo.com

ȘTEFAN CATANĂ

PHD, FACULTY OF ADMINISTRATION AND BUSINESS, UNIVERSITY OF BUCHAREST,

e-mail: catana.stefan90@yahoo.com

ZAINEA LOREDANA NICOLETA

PHD STUDENT, DOCTORAL SCHOOL OF MANAGEMENT - THE BUCHAREST UNIVERSITY OF ECONOMIC STUDIES,

e-mail: loredanamicoleta.zainea@gmail.com

Abstract

An important pillar of national development, entrepreneurship is defined by the context in which it exists. The specific situation of economies around the world can also be explained using the national entrepreneurship context as being one of the important criteria.

The aim of the paper is to present the evolution of the top ten countries in the world factoring in the new National Entrepreneurship Context Index (NECI) introduced by the Global Entrepreneurship Monitor (GEM) in the period 2018-2020. The research methodology used is quantitative and is based on the research of secondary data from sources such as articles and reports. The findings show a relatively intense competition amongst the top economies in the world and, referring to regions, the battle is still undisputed between Europe and North America with East and South Asia.

Keywords: *Entrepreneurship, National Entrepreneurship Context Index, country, Global Entrepreneurship Monitor, global economies.*

JEL classification: *F00, L26*

1. Introduction and context of the study

Entrepreneurship started to become a major part of the socio-economic development of each country ever since the First Industrial Revolution (Grădinaru et al., 2017). In the countries' pursuit of economic supremacy (Toma et al., 2017), trying to become the dominant superpower, entrepreneurship becomes a supporting pillar, “an engine for competitiveness” (Toma et al., 2016) as it is “supporting the general welfare” (Berigan and Irwin, 2011) of that respective economy and not only. It is one vibrant reason why an analysis of the national entrepreneurship context has become an important focal point for economists and other stakeholders as it is about the understanding of the “regulating influence” (Autio et al., 2014) and “uniqueness of context” (Kahiya, 2020).

The aim of the paper is to feature the evolution of the top ten economies in the world factoring in the new National Entrepreneurship Context Index (NECI) introduced by the Global

Entrepreneurship Monitor (GEM) in the period 2018-2020. The structure of the paper is as follows: the next section deals with literature review. The third section presents the research methodology, followed by results and discussion. The paper ends with conclusions.

2. Literature review

There are several studies in the literature that emphasize the role of context in entrepreneurship or the fact that entrepreneurship is contextualized (Morrison, 2006; Patriotta and Siegel, 2019). The national entrepreneurship context is essential to be understood, analyzed and used by authorities and experts in the field as it expresses the health of the entrepreneurial context within an economy. Thus, the entrepreneurial environment becomes easier to be improved because the pillars on which it is based are easier to be recognized and acted upon; a diagnose of the system can be done and “possible explanations for the differences in entrepreneurial activity” (Grundstén, 2004) between nations can be attributed to the entrepreneurial environment and its elements such as education (Marinescu et al., 2017). The Global Entrepreneurship Monitor’s National Entrepreneurship Context Index (NECI) is a great addition to the nowadays’ understanding of the entrepreneurial environment context. Nowadays, when analyzed, this environment is currently linked to the institutional theory used in entrepreneurship (theory that was originally focusing on how entities secure their positions by complying to the rules of the institutional environment) and is connected to entrepreneurship through the following three pillars: institutional setting, legitimacy and institutional entrepreneurship (Bruton et al., 2010). “Entrepreneurial context as a national-level characteristic” (Pilkova et al., 2014) plays, indeed, an important part in defining entrepreneurial competitiveness.

3. Research methodology

The research methodology is quantitative, based on secondary data, encompassing sources such as articles and reports (ranks). The authors have conducted the research using prestigious electronic databases (such as ResearchGate, Sage Journals or ScienceDirect) and used as the base element for their research the Global Entrepreneurship Monitor (GEM) where they have analyzed the National Entrepreneurship Context Index (NECI).

4. Results and discussion

The National Entrepreneurship Context Index (NECI) represents a measure of the ease of starting and developing a business introduced by the Global Entrepreneurship Monitor (GEM) in their 2018-2019 report and summarizes the assessment of entrepreneurship framework conditions into a single composite score of the ease of starting and developing a business (Bosma et al., 2020). The index is based on twelve pillars: entrepreneurial finance, government policies (support and relevance), government policies (taxes and bureaucracy), government entrepreneurship programs, entrepreneurial education at school stage, entrepreneurial education at post-school stage, research and development (R&D) transfer, commercial and legal infrastructure, internal market dynamics, internal market burdens, physical infrastructure and cultural and social norms. The National Entrepreneurship Context Index rankings are based on the scores of the analyzed economies out of 10 points (a score closer to value 10 implies a better position of the respective economy on the rank) and the 2019 methodology was slightly refined (Bosma and Kelley, 2019).

Even though that traditionally one would refer to a “top 10”, the authors incorporated an 11th economy for the 2018-2019 ranking, as France (10th position) and China (11th position) have the same overall score of 5.6 even though there are differences between them when

factoring in the 12 components belonging to this index.

An overview of the two ranks created using the National Entrepreneurship Context Index criteria (belonging to the 2018-2019 and 2019-2020 Global Entrepreneurship Monitor reports) - even though there are a total of 54 economies analyzed - shows that there are noticeable differences between them, as follows: there are 12 new economies that have reported data for 2019 (Armenia, Australia, Belarus, Ecuador, Jordan, North Macedonia, Norway, Oman, Pakistan, Paraguay, Portugal and South Africa), replacing other twelve economies from 2018 (Angola, Argentina, Austria, Dominican Republic, France, Kazakhstan, Lebanon, Mozambique, Peru, Sudan, Turkey and Uruguay).

In the 2018-2019 report, the NECI (table no. 1) places Qatar as the leader, with a NECI score of 6.7 out of 10, the follower being Indonesia. A remark is to be done concerning the gaps for the first three economies as the difference between them is of only 0.1 points, sequentially. The overall gap between the leader of the rank and the 10th (and, respectively, 11th) is quite significant: 1.1 points.

Table no. 1 The world's best economies according to the GEM 2018-2019 report (using the NECI criteria)

No.	Economy	Region	Score (out of 10)
1.	Qatar	Middle East and Africa	6.7
2.	Indonesia	East and South Asia	6.6
3.	Netherlands	Europe and North America	6.5
4.	Taiwan	East and South Asia	6.3
5.	India	East and South Asia	6.2
6.	United States	Europe and North America	6.0
7.	United Arab Emirates	Middle East and Africa	5.9
8.	Luxembourg	Europe and North America	5.7
9.	Switzerland	Europe and North America	5.7
10-11.	France & China	Europe and North America / East and South Asia	5.6

Source: The 2018-2019 Global Entrepreneurship Monitor Report

Taking into account the regional criteria (figure 1), the economies from Europe and North America region are dominating the rank (a total of five out of eleven - factoring in the fact that the 10th and 11th ranked economies score the same), followed by East and South Asia (with four economies) and Middle East and Africa (with two economies, one of which is the leader).

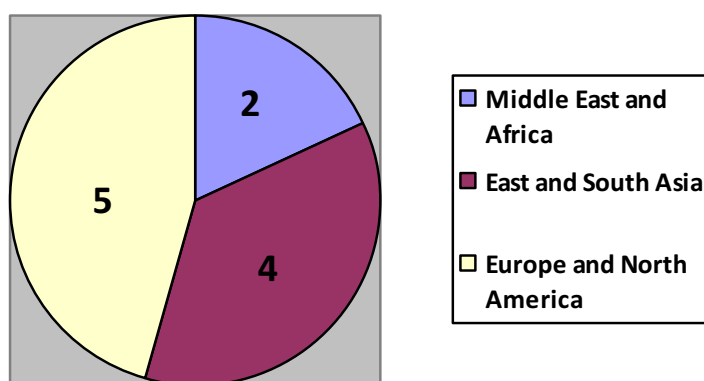


Figure no.1. The NECI index by region in the period 2018-2019

Source: Author's contribution

For 2019-2020, the NECI (table no. 2) places Switzerland as the leader (replacing the former 2018-2019 leader, Qatar, now on the 3rd place), with a NECI score of 6.06 out of 10. The

world's first two economies are separated by only 0.02 points, proving that the Netherlands are a worthy adversary for Switzerland. Continuing along the rank, a relatively intense competition between the economies unfolds. The difference between the leader and the occupant of the 10th place is not that significant: 0.75 (much lower than the 1.1 points from the 2018-2019 situation, suggesting that the competition - favorable for the national entrepreneurial context - between the economies has intensified significantly).

Table no. 2 The world's best economies according to the GEM 2019-2020 report (using the NECI criteria)

No.	Economy	Region	Score (out of 10)
1.	Switzerland	Europe and North America	6.06
2.	Netherlands	Europe and North America	6.04
3.	Qatar	Middle East and Africa	5.91
4.	China	Asia & Pacific	5.89
5.	United Arab Emirates	Middle East and Africa	5.84
6.	India	Asia & Pacific	5.8
7.	Taiwan	Asia & Pacific	5.73
8.	Indonesia	Asia & Pacific	5.69
9.	Norway	Europe and North America	5.52
10.	United States	Europe and North America	5.31

Source: The 2019-2020 Global Entrepreneurship Monitor Report

The rank is split in terms of region (figure 2) between Europe and North America and Asia & Pacific (each with four economies) and is followed by Middle East and Africa (with two economies).

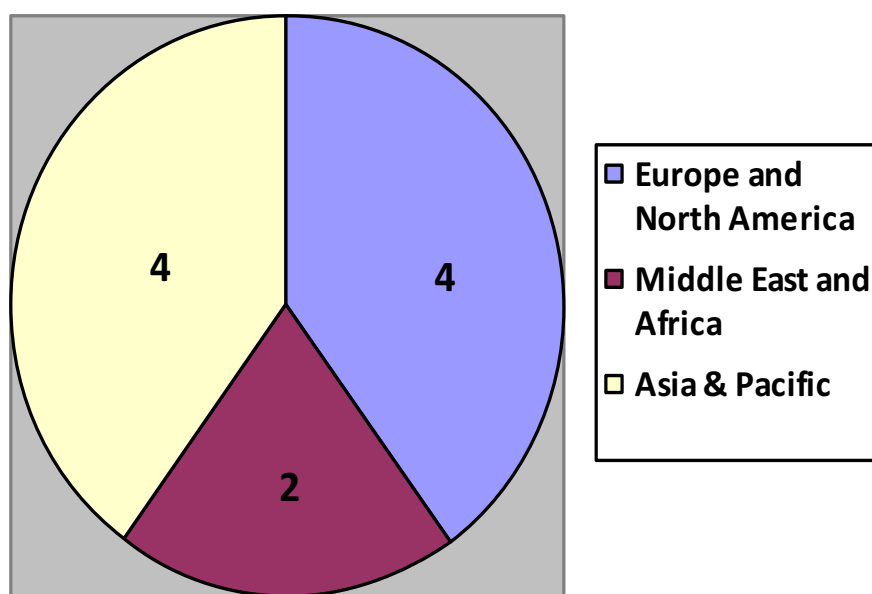


Figure no.2. The NECI index by region in the period 2019-2020

Source: Author's contribution

Between the two ranks, a more thorough approach of the 2019-2020 rank is noticeable when compared to the situation from the 2018-2019 report. The scores seem to be more precise due to the slighter changed methodology. Continuing with the analysis of the economies, the following are to be mentioned: nine of the economies are part of both top eleven ranks (China, India, Indonesia, Netherlands, Qatar, Switzerland, Taiwan, United Arab Emirates and United States); France did not report data for the 2019-2020 situation; Luxembourg fell from the 8th position to the 13th place in the 2019-2020 report; Norway has just entered the most recent rank,

landing straight on the 9th spot.

5. Conclusions

The paper shows that the index provides useful insights as to whether entrepreneurship can be favoured and, under right conditions, efficiently stimulated by the national context. The income group of the respective economies suggests a link to flourishing entrepreneurship, as it seems that high-income economies land better on the ranks. Good national conditions, besides facilitating the transition from business idea to an established business, may also stimulate intense competition and, thus, lead to job development and better businesses built on better skilled employees. Further research could be conducted by linking the situation highlighted using NECI criteria to Total early-stage Entrepreneurial Activity (TEA), income groups or to other rankings as provided by the Ease of Doing Business Rating, Starting a Business Rating (both provided by the World Bank), Global Competitiveness Rank and Income Group Average (the latter two conducted by the World Economic Forum). An intensive analysis may also be done on the lever of each of the twelve specific pillars on which NECI is built.

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