DEVELOPMENT OF ENTREPRENEURSHIP IN ADVANCED ECONOMIES

Introduction. Nowadays, entrepreneurship promotion is regarded as one of the major factors shaping the market economy in every state. An entrepreneur is known to be a powerful engine of economic growth and social development as it stimulates productivity, competitiveness, innovation, gaining a profit thus more effectively satisfying people’s needs.

Advanced economies testify convincingly that economic prosperity rests upon economic freedom, self-sufficient production and enterprise. The latter is associated with such concepts as «dynamism», «initiative», «boldness», contributes to bringing new ideas into effect, hence promotes economic and social growth of a state.

Objectives of the paper. Due to the fact that much research has been done into the entrepreneurship development in developing countries leaving aside its state in advanced countries, the paper aims to study the main factors having a significant impact on entrepreneurship in better performing economies.

Results of the research. The term «entrepreneur» seems to have been introduced by R. Cantillon. In his opinion, the central component of the definition of the entrepreneur gravitates around risk assuming. J. Schumpeter adopted a different approach, underlying the role of innovation. Entrepreneurs are not only innovators and, therefore, agents of change, but also coordinators of production. He suggested that entrepreneurship occurs under five conditions of newness: new goods, new production methods, new markets, new sources of materials, or new organizations [1]. According to the Schumpeter’s view, the entrepreneurial process constitutes one of the key factors in the economic development of a region/country. On his turn, I. Kirzner stated that in economic development «the entrepreneur is to be seen as responding to opportunities rather than creating them; as capturing profit opportunities rather than generating them» [2: 74].

Other researchers adopted different approaches as follows:

«Entrepreneurship is a purposeful activity to initiate, maintain and develop a profit oriented business» [3: 65]. «Entrepreneurship is the set of behaviors that initiates and manages the reallocation of economic resources and whose purpose is value creation through those means» [4: 283].

The development of enterprise is determined by the economic situation of a country, the level of market relations as well as the factors influencing the success of private business:
- stability of the state economic and social policy;
- a positive society’s attitude toward small and medium-sized enterprises;
- tax incentives;
- entrepreneurial infrastructure;
- an efficient intellectual property protection system.

Unlike the state, the main function of which is to create equal terms for all entrepreneurs, entrepreneurship aspires to solve the main problem of success – effective competition.

Nowadays, competitiveness is directly linked to:
- the ability of an enterprise to finance technological aspects of production;
- scientific and technological advancements;
- the efficient use of resources essential for producing goods or providing services;
- the efficient staff management and other factors.

Small and medium-sized business in advanced economies is rapidly growing due to the comprehensive support from the state. On the other hand, small and medium-sized entrepreneurship contributes competitiveness and economic diversification; for example, the economic growth in Singapore, Israel and Poland is directly connected with the development of small business.

In Singapore, there are about 140000 small companies, which make up 90% of the country’s enterprises, employing the vast majority of people. Small business is increasingly developing mainly due to the absence of corruption in the state. Moreover, the government provides tax incentives in order to attract foreign investors since it is interested in small enterprises being competitive in the world market [5].

In Israel, nearly 55% of employed individuals work in small business mainly due to the efficient coordination of all the links taking part in small business, and the comprehensive support given to start-ups from the Israel Small and Medium Enterprises Authority. With ISMEA assistance, Small Business Development Centers were created to provide assistance in obtaining finance from one of the funds earmarked for small and medium enterprises, setting up new small business enterprises through consultations on a business plan and marketing management or expanding the operating ones in all sectors of economy. Unfortunately, unlike large corporations, small business in Israel does not get much support from the government in terms of tax incentives [5].

Around 70% of Poland’s GDP is produced by small and medium-sized enterprises that employ almost two-thirds of the working population of the state. Small and medium-size business is supported by the state through the Enterprise is Foremost Program, according to which the territory of Poland is divided into 14 separate economic zones. Enterprises that receive permission to operate within a zone get privileges from the government, such as tax incentives. Another form of the state aid is the creation of business-incubators, the primary objective of which is to provide small enterprises with shopfloors, offices, advice on finance, marketing and management. The mentioned above measures play a crucial role in giving an effective support to startups in both survival and development at the initial stage [3].
Conclusion. The research shows that the development of small and medium enterprises is directly related to the efficiency of the state to create favourable conditions for their development, and vice versa, an effective enterprise is the factor of economic development and growth. The correlation between social welfare and economic growth determines mutual responsibility of the state and enterprise. Creating a beneficial for both sides partnership between enterprises and the state, business liability to state and vice versa are the main features of the economically developed countries.

References