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Politico-Economic Factors Associated with Interest in Starting a Business: A Multi-Country Study

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In this article, we study the constructs of perceived environmental munificence and carrying capacity as they relate to potential for starting a business in samples taken from thirteen Anglo-Saxon, East Asian, and South Asian countries. Seven politico-economic dimensions represent perceived munificence and carrying capacity: financing available, supportive government regulation, market opportunities, access to support services, supply of skilled labor, connections needed, and competitive conditions. Perceived market opportunities, supply of skilled labor, and supportive government regulation (negatively) relate most consistently to start-up feasibility and desirability in the full sample. In regional subsamples, the only dimensions to associate with both feasibility and desirability are market opportunities in Anglo-Saxon countries and supply of skilled labor in South Asia.

Reviewing the empirical literature on entrepreneurship, Wortman (1987) observed that “little research or even conceptualization of the environments for . . . entrepreneurship has been completed” (p. 265). Despite progress since his review, questions remain about environments conducive to entrepreneurship. The importance of this topic extends beyond academic relevance. Government officials have attempted to spur interest in entrepreneurship as a key to invigorating capitalist economies (Drucker, 1985; Reynolds, Storey, & Westhead, 1994). Academics have been urged to advance policy makers’ understanding by researching conditions and processes that encourage entrepreneurship (e.g., Hoy, 1997). A particular need exists for theory to conceptualize dimensions of this environment and hypothesize about significant predictors.

A further challenge is to identify environmental conditions that may vary in relevance across geographical boundaries. The first item on McDougall and Oviatt’s (1997) list of seven important questions the literature on international entrepreneurship needs to address is: “Do the social, individual, and economic conditions and processes that encourage the formation of new ventures differ across regions of the world, nations, and sub-

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national cultures?" (p. 301). In this article, we investigate whether perceptions of politico-economic resources impact interest in starting a business, and whether these perceptions vary by region of the world. We study these perceptions in East Asian, South Asian, and Anglo-Saxon countries.

Theoretical Perspectives on Features of the Politico-Economic Environment

Although country and regional rates of business formation have received extensive study (for a review, see Kirchhoff & Acs, 1997), politico-economic factors that influence interest in starting a business have received less attention. In the absence of an overarching theoretical framework, no widely accepted set of factors has emerged from the area's primary studies (Bruno & Tyebjee, 1982; Van de Ven, 1993; Birley & Westhead, 1993; Kolvereid & Obloj, 1994; Gnyawali & Fogel, 1994; and Kouriloff, 2000). Two theories with implications for this environment are resource dependence and population ecology. While objective environmental influences seem especially relevant when studying macro-level rates of start-up, we view perceptions as a mechanism that filters the impact of objective conditions on individual-level processes. We therefore apply a perceptual lens to connect these two theories of the politico-economic environment to interest in entrepreneurship.

Resource Dependence. The resource dependence approach (Pfeffer & Salancik, 1978; see also, Fligstein & Freeland, 1995) posits that organizations cannot generate sufficient internal resources to self-sustain, so they must look externally. In this approach, size is an important element of organizational power (Pfeffer & Salancik, 1978). While large firms control resources that permit them to resist external pressures, new, small, incipient organizations, with fewer resources, are more subject to environmental forces (Meznar & Nigh, 1995). Since external features shape firms' actions, environmental adaptation is key: strategic choices by decision makers to seek resources from environments marked by uncertainty affect ability to survive and thrive (e.g., Bruno & Tyebjee, 1982).

A resource dependence approach investigates the environmental resources an incipient organization must acquire if it is to develop. In focusing on strategic choice, this theory permits decision makers' perceptions to play an important role. In particular, perceptions of environmental munificence are likely to be highly relevant prior to firm formation. Evaluations of politico-economic resources should be a major element in potential entrepreneurs' assessment of how feasible it might be to start a business and how much they want to. As components of start-up interest, feasibility and desire should relate positively to perceptions of munificence.

Population Ecology. According to the population ecology approach, organizations that best fit environmental niches survive and thrive. The macro-level concept of environmental carrying capacity, represented by indicators such as ecological niches and population density, has been used to explain variation over time in rates of firm birth and death (e.g., Aldrich, 1990, 1999; Hannan & Carroll, 1992; Ingram & Baum, 1997). Though not citing population ecology theory specifically, studies conducted in this mode have found that factors such as country population growth (Reynolds et al., 1994) and regional share of labor force employed in smaller businesses (Fritsch, 1992) relate to firm formation rates.

Population ecology depicts interorganizational relations as a competitive joust for resources. Similar to resource dependence, it suggests that incipient organizations have little control over their environment. However, unlike resource dependence, it points to

the difficulty of a firm's competitive environment as determinate: the more competitive the environment, the less likely an incipient firm is to survive. Although population ecology theory focuses mainly on objective conditions related to the demand side of start-up (Aldrich, 1999; Romanelli, 1989), it has implications for the perceptual domain. In particular, perceptions of competitive conditions should affect interest in business start-up.

The Relationship between Environmental Dimensions and Potential to Start a Business

Borrowing from resource dependence and population ecology, Specht (1993) identifies environmental munificence and carrying capacity as critical predictors of new firm formation rates. She defines munificence as the degree of resource abundance in the environment and carrying capacity as the "number of organizations competing for the same resources in a niche" (i.e., fewer organizations equals higher capacity, p. 79). In a scheme that captures major dimensions in previous studies, Specht delineates five categories of munificence, economic, political, market, infrastructure, and social, while holding carrying capacity as a unitary dimension. She predicts that as environmental munificence and carrying capacity increase, rates of organizational formation will increase.

Interpreting the implications of Specht's (1993) model for individual-level decision makers, we expect perceived environmental munificence and carrying capacity to relate to potential entrepreneurs' interest in starting a business (Birley & Westhead, 1993; Tsai, MacMillan, & Low, 1991). As presented in Figure 1, perceptions of the politico-economic environment exert more proximal influence on interest in starting a business than actual conditions. We posit that people are more likely to act when they perceive conditions as favorable whether or not these conditions are favorable objectively (Davidsson, 1991). Figure 1 also identifies the key perceived environmental resources and constraints, such as availability of financing, market opportunities, and infrastructure (the latter is represented by two resources, support services and skilled labor) that represent Specht's more abstract constructs and specifies two dimensions, perceived feasibility and desire, to represent interest in starting a business.

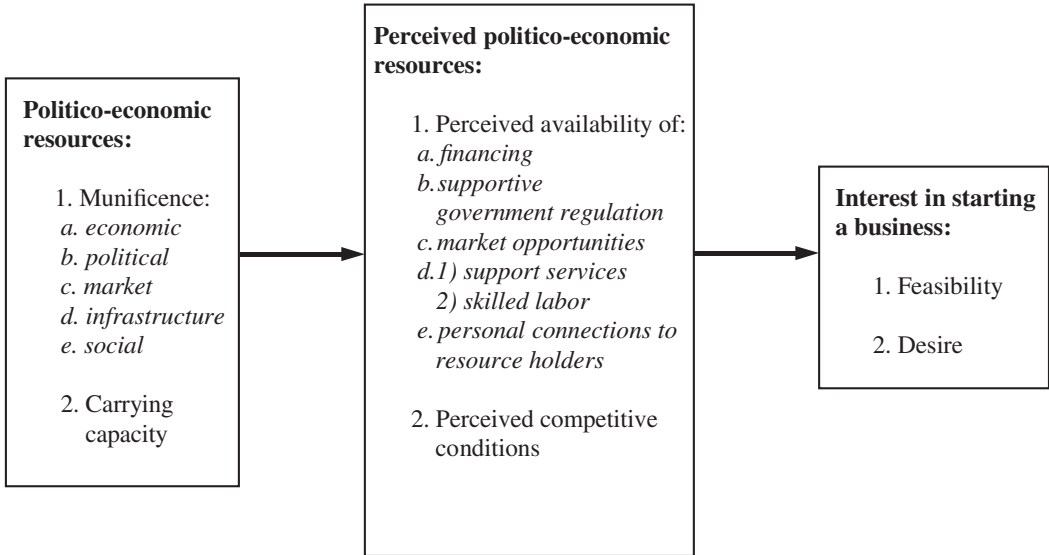
When examining interest, a critical question is: which resources must an individual perceive as available to rate feasibility and desire as high? The list presented in the middle box in Figure 1, based on Specht's types of resource munificence (see also, Reynolds et al., 2001), provides the basis for hypothesizing. Therefore,

- H1:** The greater the perceived availability of (a) financing, (b) supportive government regulation, (c) market opportunities, (d1) support services, (d2) skilled labor, and (e) personal connections to resource holders, the greater feasibility and desire should be.

Potential entrepreneurs' perceptions of environmental carrying capacity, in the form of competitive conditions, should affect their interest in starting a business. The high rates reported in the media of business failure, especially by smaller businesses, and the risks to family well-being from failure should make people acutely conscious of the environment's competitiveness. Perceived favorable conditions such as high barriers to entry, high demand for products or services the interested party plans to offer, many suppliers, and few competitors should enhance perceived opportunity (Davidsson, 1991; Porter, 1980). Perceived environmental opportunity is likely to play a role opposite to that of macro-economic indicators of competitiveness. While economists regard competitiveness as positive, those interested in starting a business are likely to view it as harmful to their

Figure 1

Model of the Relationship between Environmental Dimensions and Interest in Business Start-Up



chances for success. Instead, indicators of room for industry expansion should be perceived as favorable. When those interested in business start-up believe competitive conditions are favorable, they should show greater interest. Therefore,

H2: The greater the perceived favorableness of competitive conditions, the greater feasibility and desire should be.

Regional Differences in Interest in Starting a Business

In this article, we test for differences in politico-economic precursors to starting a business across Anglo-Saxon, East Asian, and South Asian regions. Before we test for such differences, we must determine whether people in each region recognize the same set of dimensions. In capitalist politico-economic systems, individuals seek the same resources, that is, capital, labor, markets, and technology, as well as favorable competitive conditions, in order to start a business. Thus, we expect a uniform set of politico-economic resources and competitive conditions, namely, those presented in Figure 1, to be perceived as relevant to business start-up across regions of the world. Hypothesis 3 differs from the null hypothesis because rather than an absence of statistical relationship, H3 requires that specific levels of statistical fit be achieved to receive support. Therefore,

H3: A uniform set of politico-economic resources and competitive conditions should be perceived as related to ability to start a business across Anglo-Saxon, East Asian, and South Asian country groupings.

Comparing Regions on Resources

We compare regional differences at two levels. First, we hypothesize about differences among regions in perceptions of how the politico-economic environment affects general ability to start a business. In a later section, we examine differences among regions on how perceptions of the politico-economic environment relate to individuals' judgments of their own feasibility and desirability to start a business. At the regional level, the question is whether specific politico-economic features are considered more helpful toward starting a business in one region versus another. Although H3 posits that a uniform set of perceived resources and competitive conditions should exist, we expect specific resources and conditions to show greater impact on perceived ability to start a business in some regions than others. Countries combine politico-economic resources differently to produce systems with distinctive characteristics (Whitley, 1992; Hamilton & Biggart, 1994). Concomitantly, rates of business formation vary across countries and regions (e.g., Reynolds et al., 2001).

In studying perceptions of resource availability, two elements are essential: 1) whether a resource is considered important for ability to start a business in a particular politico-economic system and 2) whether it is considered scarce or abundant. Either scarcity or abundance can accent dependence, scarcity by emphasizing lack of a resource and abundance its ready availability. Forces that bring particular resources to prominence should affect perceptions.

Regional groupings tend to share similar socio-cultural (Ronen & Shenkar, 1985) and politico-economic (Cummings, 1984) characteristics. In the following section, we present hypotheses regarding regional variation in perceived ability to start a business based on the perceived availability of financing, supportive government regulation, market opportunities, support services for business, supply of skilled labor, and personal connections.

Availability of Financing. When we collected data for this study just prior to the Asian economic crisis, East Asian countries were flourishing as inflow of investment boomed, capital spending surged, and the cost of capital was low (*Economist*, 1998). In the 1990–1997 period, \$355 billion in foreign private capital poured into Thailand, Indonesia, Malaysia, the Philippines, and South Korea (Clifford & Engardio, 1999). This prosperity produced abundant financial resources to fund entrepreneurial ventures. At the same time, East Asian governments such as Singapore and South Korea responded to complaints that banks and government grants favored large companies by expanding funds for new ventures (e.g., Hock, 1996; Wilkinson, 1996). These conditions accented dependence on financing as a vital resource for starting a business. Since no comparable developments took place in Anglo-Saxon and South Asian countries, perceptions should not have been affected. Therefore,

H4: In assessing a person's ability to start a business during the studied period, availability of financing should be perceived as more helpful in East Asian than Anglo-Saxon or South Asian countries.

Supportive Government Regulation. Government regulation in the economic sphere garners especially negative reviews from those interested in developing new businesses (Gnyawali & Fogel, 1994). "Red-tape" in such forms as procedural requirements, licensing, inspections, and compliance discourages business start-up. Governments in each of the three regions in our study have adopted different approaches to regulating business. While Anglo-Saxon governments have shown a more hands-off approach, East Asian

governments have steered a middle course, the “visible hand” of state capitalism (Hock, 1996; Numazaki, 1991), partnering with key industrial sectors to optimize conditions for successful business operations. By comparison, governmental bureaucracies in South Asian countries have exercised active control over business (e.g., Kumar & Thacker-Kumar, 1996).

These regional differences are manifest in the Index of Economic Freedom assembled annually by the Heritage Foundation and Wall Street Journal to measure government involvement in economies (e.g., Holmes, Johnson, & Kirkpatrick, 1997). The Index consistently groups most Anglo-Saxon countries as “free,” East Asian countries as “mostly free,” and South Asian countries as “mostly unfree.” Although people in Anglo-Saxon and East Asian countries should regard government regulation as somewhat of a hindrance, those in South Asia should see government control as a major impediment. Therefore,

H5: In assessing a person’s ability to start a business during the studied period, supportive government regulation should be perceived as less helpful in South Asian than East Asian and Anglo-Saxon countries.

Market Opportunities. The lesser involvement by Anglo-Saxon governments depicted in the previous section highlights dependence on market forces (Whitley, 1992). Their position as “free” on the Index of Economic Freedom indicates relatively open markets, which scholars have identified as seedbeds for entrepreneurship (e.g., Marsden, 1987). Such freedom should encourage individuals in these countries to perceive greater market opportunities. Therefore,

H6: In assessing a person’s ability to start a business during the studied period, market opportunities should be perceived as more helpful in Anglo-Saxon than East or South Asian countries.

Supportive Infrastructure: Access to Support Services. Two significant infrastructural resources are business-related supports and skilled labor. Anglo-Saxon countries have accented business-related supports to stimulate entrepreneurship. Along with physical infrastructure, they have offered educational supports such as training programs and university education, as well as provided information on areas like marketing, taxation, export, and financing (Morris, 1998). Similarly, East Asian countries have invested heavily in expanding physical and educational resources (Wilkinson, 1994; Verma, Kochan, & Lansbury, 1995). In South Asian countries, neither the physical nor social infrastructure is in place (Khalilzadeh-Shirazi & Zaghera, 1994; Javalgi & Talluri, 1996). Anglo-Saxon and East Asian systems of support should encourage interest in business start-up (Scott, 1995). Therefore,

H7: In assessing a person’s ability to start a business during the studied period, access to support services for business should be perceived as more helpful in Anglo-Saxon and East Asian than South Asian countries.

Supportive Infrastructure: Supply of Skilled Labor. New business ventures depend on a supply of skilled labor for success. The Human Development Index compiled by the United Nations Development Program measures a country’s health status, workforce preparation, and standard of living. In a recent index of 173 countries (lower scores indicating higher development), Anglo-Saxon countries averaged 8, East Asian 62, and South Asian 119. When we collected the data for this study, Anglo-Saxon countries showed

educated workforces with the requisite skills as East Asian countries sought to upgrade workforce skills to catch up with their high growth rates (Hock, 1996). In contrast, low levels of education, literacy, and per capita investment in education led to a scarcity of skilled workers in South Asian countries. This scarcity should impede chances to start a new business. Therefore,

H8: In assessing a person's ability to start a business during the studied period, availability of skilled labor should be perceived as more helpful in Anglo-Saxon and East Asian than South Asian countries.

Personal Connections. Guanxi's role as a contributor to success in China has been well documented (e.g., Hwang, 1987; Yeung & Tung, 1996). A frequent element of guanxi, personal connections that lead to favoritism, has been reported as essential to obtaining valued resources in East and South Asia (e.g., Redding, 1990; Hamilton, Zeile, & Kim, 1990). For example, East Asia's late 1990s economic difficulties have been attributed to pervasive crony capitalism (*Economist*, 1998). In South Asia, people have depended on personal connections for access to India's "license raj" system, where favored companies received exclusive government authorization to produce yearly quotas of a product (*Economist*, 1994; Javalgi & Talluri, 1996). Dependencies from that practice still endured at the time of data collection as India took halting steps to unshackle its economy. The rule of law limits the role such connections play in Anglo-Saxon countries (e.g., Kagona, Alonaka, Sakakibara, & Okumara, 1985; Lodge, 1987). Access to network connections as a means to assemble resources should loom large in the minds of Asians as relevant to starting a business. Therefore,

H9: In assessing a person's ability to start a business during the studied period, personal connections should be perceived as more helpful in East and South Asian than Anglo-Saxon countries.

Comparing Regions on Competitive Environments

Our emphasis on the importance of perceptions applies also to assessment of the competitive environment. Government production quotas minimized concern for internal competitors in South Asia while duties as high as 400 percent on imports limited external competition (*Economist*, 1994; Javalgi & Talluri, 1996). These policies increased carrying capacity enough to reduce the importance of competitors. For Anglo-Saxons and East Asians, however, attempts to free up markets and privatize public enterprises made intensity of competition a major concern (Holmes, Johnson, & Kirkpatrick, 1997). Therefore,

H10: In assessing a person's ability to start a business during the studied period, competitive conditions should be perceived as more helpful in South Asian than Anglo-Saxon and East Asian countries.

Comparing Individuals within and across Regions

In the previous hypotheses, we examined perceptions of how the politico-economic environment affects general ability to start a business in one region versus another. In this section, we ask whether perceptions of the politico-economic environment for entrepreneurship differentially associate with individuals' assessments of their own feasibility and desire to start a business in one region versus another. At issue is whether the

precursors of individuals' start-up decisions are universal versus region-specific. The argument for universalism maintains that the same elements are needed to start a business no matter where an individual is located, so perceptions of the politico-economic environment should have similar relationships to feasibility and desirability regardless of region. The argument for region-specificity posits that differences in politico-economic systems should make particular politico-economic resources more relevant in one region versus another. Therefore, the resources that relate best to individuals' reported feasibility and desire should differ across regions. For example, if their countries have heavier government regulation, South Asians should pay more attention than individuals of other regions to regulation in assessing their feasibility or desire to start a business.

Since little work has been conducted along these lines, we frame this part of the analysis with a question rather than hypotheses. Specifically, we ask whether the same politico-economic dimensions hypothesized to relate to feasibility and desire in the total sample will also relate in the regional subsamples (the universalist position) or whether different dimensions will relate in each region (the region-specific position). In the ensuing analysis, we first identify politico-economic dimensions that relate to feasibility and desirability in the overall sample. We then test for cross-regional differences in dimensions believed to help or hinder potential entrepreneurs. Finally, we connect politico-economic dimensions with judgments of feasibility and desirability within and across Anglo-Saxon, East Asian, and South Asian country groupings.

Methodology

Sample

The sample was derived from thirteen countries in three regional groupings: Anglo-Saxon heritage: Australia, Canada, New Zealand, and the United States; East Asian: Indonesia, Korea, the Philippines, Singapore, Taiwan, and Thailand; and South Asian: Bangladesh, India, and Sri Lanka. These capitalist countries represent different degrees of economic development. Data collection, which took place from September of 1995 to the end of 1996, prior to the mid-1997 start of East Asia's economic problems, generated a total of 1558 respondents, with single-country samples ranging in size from 81 to 176.

We sought respondents who were familiar with the business environment in their own country. We also wanted a similar demographic profile across countries. Our choice of MBA participants, and preference for part-timers in particular, controlled for education level, limited age range, and focused occupational status on aspiring or actual professional and managerial employees. In addition, it targeted a group that was interested in business, familiar with the business environment, and likely to have members interested in starting a business. In response to a question on intent to start a business in the future, 77 percent of the respondents answered above neutral on a seven-point scale and 45 percent agreed or strongly agreed. Finally, although studies in developed economies have located representative samples of respondents (e.g., Alsos & Kolvereid, 1998; Reynolds & Miller, 1992), in several of the developing countries in the study such a task would have been monumental, if not impossible.

The first two authors asked academics with research experience in each country to collect 100–150 responses from MBA participants. Respondents completed a questionnaire on the politico-economic environment for business in their country and their level of interest in starting a business. We used an English-language version in countries where English was the primary language of business and/or graduate business education:

Table 1

Demographic Characteristics of the Country Samples

	Age	% Men	% Married	Yrs Work	# of Rs ^a
Australia	31.1	70	46	9.5	122 (94)
Bangladesh	27.7	86	24	3.1	134 (134)
Canada	29.9	55	32	6.9	84 (76)
India	22.6	44	4	.2	81 (75)
Indonesia	33.1	83	55	8.8	176 (164)
Korea	29.3	42	41	7.7	118 (118)
New Zealand	34.1	75	54	12.5	112 (106)
Philippines	27.6	48	26	5.9	105 (105)
Singapore	31.8	80	65	7.7	154 (133)
Sri Lanka	34.4	86	68	10.4	109 (105)
Taiwan	26.4	65	46	2.2	94 (93)
Thailand	28.6	45	22	6.1	151 (149)
U.S.A.	30.1	64	30	8.7	118 (98)

^aNumber of citizens is in parentheses.

Australia, Bangladesh, Canada, India, New Zealand, the Philippines, Singapore, Sri Lanka, and the United States. We also used it in Thailand because the MBA program required English proficiency for admission and was taught in English. Using back translation, which was then checked by bi-linguals employed by the first two authors, research partners and bi-lingual colleagues translated the questionnaire into Bahasa Indonesia, Korean, and Chinese. Respondents who were not citizens of the country were excluded from further analysis. Overall, the average respondent was thirty years old and had seven years of work experience, 67 percent were male, and 40 percent were married. Table 1 presents the demographic characteristics of respondents in each country.

Measures

The questionnaire contained items derived mainly from the literature on politico-economic factors, supplemented by items that arose in discussions with colleagues in Singapore and Indonesia. The latter discussions led us to include the “connections to resource holders” dimension in the study. Conceiving the 0 to 10 scale in semantic differential terms with “hinders extremely” and “helps extremely” as the endpoints, we asked respondents, “Based on your view of current conditions here, please indicate the extent to which each factor affects a person’s ability to start a business.” A complete list of items is available from the first author.

We entered the 51 politico-economic items into exploratory factor analyses (EFA) using principal components analysis with orthogonal rotation. Examination of eigenvalues and the scree plot supported a seven-factor solution with 39 items. Confirmatory factor analysis then tested this factor structure’s ability to reproduce in the regional subgroupings. Since initial fit indicators (CFI, NNFI, IFI, RNI, NFI2, and RMSEA) showed results below accepted standards, we relied primarily on modification indices at this early stage of scale development to eliminate items until acceptable fit was achieved. The

resulting 29-item solution retained the same seven factors that originally appeared in the EFA. All fit indices for the total sample as well as the East Asian and Anglo-Saxon subsamples fell within the .91–.93 range with RMSEAs of .05–.06. Indices for South Asia ranged from .85–.87 with an RMSEA of .07. Since the South Asian indices were slightly below the usual .90 standard, we regard results for this region as more tentative.

We computed summated indices from the same items in each factor across the total sample and within each region. The seven indices (with the range of reliabilities listed in parentheses) were: access to financing (.74–.85), supportive government regulation (.62–.75), market opportunities (.66–.70), support services (.85–.90), supply of skilled labor (.85–.89), personal connections (.88–.94), and competitive conditions (.75–.82). These scales nicely represent the conceptual dimensions of perceived munificence and carrying capacity discussed previously: access to financing, supportive government regulation, market opportunities, and personal connections represent economic, political, market, and social munificence, respectively. Support services and supply of skilled labor represent two types of infrastructure munificence. Competitive conditions represents perceived carrying capacity.

Since Figure 1 depicts objective environmental dimensions as influencing subjective indicators and the factors are based on responses from MBAs, the question arises whether their perceptions associated with actual environmental conditions in each country. We sought to check this question by computing mean scores on each summated index for each country studied, then correlating these country-level variables with indicators from independent sources that might be expected to relate. While acknowledging the danger of ecological fallacy, we believe that correlations of mean country scores based on the seven politico-economic indices with country-level indicators generated independently signify a connection between respondent perceptions and actual country conditions. We used Spearman's rho to compare rank orderings of scores on variables. Validation indicators came from the *World Competitiveness Yearbook 1996*, supplemented by the *World Development Indicators 1996* and Hofstede (1980). Along with objective statistics, the WCY presented a worldwide opinion poll of how business people assessed their country's competitiveness. Since the WCY did not include Bangladesh or Sri Lanka and we could not rank them on each indicator used, most correlations were based on 11 countries. The results are presented in Table 2. These results supported our belief that a relationship existed between perceived and objective politico-economic environmental conditions in the sample.

We measured the dependent variables of feasibility and desire through multi-item scales developed for this project. Feasibility involves beliefs about ability to perform specific tasks effectively and to completion. Due to its similarity with self-efficacy (Bandura, 1986), we adopted the methodology used by self-efficacy researchers (e.g., Lee & Bobko, 1994). We asked respondents first to indicate whether they believed they could perform each of seven tasks. For each task answered "yes," we asked them to indicate "how confident you are that you can perform the activity" on a semantic differential-type 0 to 10 scale, with "completely lack confidence" at one pole and "have complete confidence" at the other. This confidence indicator was used as the measure of feasibility. Respondents who answered "no" were scored "0" on the confidence dimension for that task unless they had indicated a different score themselves. The seven tasks were: "develop a good concept on which to start a business," "raise enough funds to start a business," "find enough skilled employees to start and run a business," "find the right technology with which to start a business," "develop enough familiarity with a prospective market to start a business," "locate enough customers to buy your product or service," and "have enough knowledge and skill to develop a business."

Table 2

Correlations of Country-Level Measures from the Current Study with WCY 1996 and WDI 1996 Indicators[#]

Measures from Current Study	Indicators from WCY 1996 and WDI 1996	Correlation
Availability of financing	“Venture capital is readily available.”	.46
	“Fiscal policy encourages entrepreneurial activity.”	.37
Supportive government regulation	Government competitiveness policies	.76
	“Bureaucracy does not hinder economic development.”	.76
Market opportunities	Domestic savings rate	-.42
	Strength of domestic economy competition*	-.58
Support service infrastructure	GNP	.67
	Road density	.62
	Telephone lines per 1000	.46
Supply of labor	Unemployment rate	.60
	“Skilled labor is easy to get.”	.58
Personal connections	Group-oriented collectivism	.35
	Relationship-oriented femininity	.46
Competitive conditions (favorable)	Strength of domestic economy competition*	-.56
	“Values of society support competitiveness.”	-.45

[#] WCY 1996 = *World Competitiveness Yearbook 1996*; WDI = *World Development Indicators 1996*.

* Although market opportunities and competitive conditions share a criterion, an intercorrelation of .10 between them supports their discriminant validity.

We measured desirability of starting a business with a four-item scale: “I would love to start my own business,” “A major dream in my life is to start a business of my own,” “To initiate a new business venture would give me much satisfaction,” and “My ultimate goal in my working life is to develop and run my own company.” Response options ranged from “strongly disagree” to “strongly agree” on a seven-point scale.

Exploratory factor analysis of the 11 items used to construct the dependent variables showed a two-factor solution as the best fit: all seven feasibility items loaded cleanly on the first factor and the four desirability items loaded cleanly on the second. The same structure was found in the total sample and regional subsamples. Coefficient alphas for summated scales based on the items in each factor ranged from .84–.89 for feasibility and .89–.93 for desire in the total sample and three subsamples.

Demographic items in the questionnaire measured age, sex, marital status, and years worked. To control for the influence of experience with business ownership and important role models (Scherer, Adams, Carley, & Wiebe, 1989), we also included questions on whether the respondent, a parent, or a relative ever owned a business and whether the respondent ever worked in a company with fewer than 100 employees. Age and years of work experience correlated .91; of the two, only age is used in subsequent analyses.

Statistics

We used four methods to test the ability of politico-economic indices to relate to interest in entrepreneurship. To test Hs 1 and 2, we regressed feasibility and desire on the demographic, role model, and perceived politico-economic measures entered at steps

one through three, respectively. To test H3, we referenced the fit indices in the CFAs presented previously. To test Hs 4 through 10, we used analysis of variance to compare regional mean scores for each index, employing the Scheffe statistic, the most stringent test of significance in ANOVA. Finally, to investigate the universalist versus region-specific question, we took two steps. Initially, we ran regressions similar to those testing Hs 1 and 2 except within regional subsamples. Then we compared the estimated magnitude of regression coefficients in one subsample with coefficients for the same variable in each other subsample (Hardy, 1993).

Results

Regressions for the Full Sample

Table 3 presents means, standard deviations, and correlations for the variables in the sample. Regressions are shown in each dependent variable's first column in Table 4. Among the politico-economic variables, market opportunities, supply of skilled labor, and supportive government regulation (the latter negatively) related to both feasibility and desirability. In addition, support services and competitive conditions related to feasibility; personal connections related to desirability. Among the demographic and role model variables, being male and having owned a business associated with both dependents. Having worked in a company with fewer than 100 employees and being single associated with feasibility; being younger and having a parent or relative who owned a business associated with desirability.

Table 3

Means, Standard Deviations, and Correlations for the Study's Variables^a

	m.	sd	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Age	30.6	6.60															
2. Sex	1.32	.47	-.21														
3. Marital status	1.56	.50	-.55	.18													
4. Self own	1.22	.58	.20	-.14	-.12												
5. Parent own	1.60	.87	-.15	.09	.15	.02											
6. Relative own	2.18	.97	-.06	-.01	.01	.04	.33										
7. Under 100	1.52	.50	.05	.00	.04	.18	.05	.00									
8. Financing	5.83	2.04	-.12	.06	.09	-.04	.03	.04	-.06								
9. Govt. reg.	3.93	1.44	.07	-.05	-.05	.01	-.05	.00	-.03	.25							
10. Market opps.	6.68	1.85	-.03	.05	.05	.02	.02	.00	.08	.41	.19						
11. Support servs.	6.35	1.62	-.08	.05	.05	-.02	.03	.02	.00	.55	.24	.37					
12. Skilled labor	6.02	1.97	-.13	.08	.11	-.03	.05	.03	.05	.50	.23	.53	.53				
13. Connections	5.35	2.22	-.02	.00	.04	.04	.07	.04	.00	.30	.24	.36	.27	.27			
14. Compet. cond.	4.49	1.99	-.05	-.04	.03	.07	.03	.01	.10	.08	.27	.10	.12	.13	.13		
15. Feasibility	6.39	1.90	.02	-.14	.03	.12	.04	.07	.15	.12	.03	.15	.21	.08	.17	.13	
16. Desire	5.48	1.39	-.07	-.12	.05	.15	.11	.10	.05	.04	-.05	.05	.13	.09	.10	.06	.34

N = 1221. $r = .05, p < .05$; $r = .07, p < .01$; $r = .09, p < .001$.

^aDecimal points are omitted from the correlations. Sex (m = 1, f = 2), marital status (married = 1, single = 2), and worked in company with under 100 employees (no = 1, yes = 2) are dichotomous. Self own, parent own, and relative own a business are 3-point (1 = never owned, 2 = owned in the past, 3 = presently own). All politico-economic variables and feasibility use 11-point scales (0–10), desire uses a 7-point scale (1–7).

Table 4

Regressions of Feasibility and Desire on the Environmental Variables[#]

	Feasibility				Desire			
	T [@]	AS	EA	SA	T	AS	EA	SA
Age	.03	.06	.00	.03	-.09**	-.13** ^{ef}	.02 ^c	.06 ^f
Sex	-.15**	-.16**	-.15**	-.02	-.14**	-.22** ^{gh}	-.11** ^{gg}	-.03 ^h
Marital status	.08*	.10	.06	.02	.03	.12** ^{ij}	.01 ⁱ	.08
ΔR ²	.03**	.03**	.02**	.00	.03**	.07**	.01	.01
Self own	.08**	.15**	.04	.06	.14**	.17**	.13**	.17*
Parent own	.02	.04	.03	.05	.08**	.08	.09*	.11
Relative own	.05	.02	.06	.11	.06*	-.03 ^j	.10** ^{kl}	.00
Fewer than 100	.13**	.08	.16** ^a	.04 ^a	.04	.16** ^k	.06 ^k	.06
ΔR ²	.03**	.03**	.04**	.02	.04**	.06**	.05**	.05*
Financing	.00	-.08 ^b	.09 ^{bc}	-.12 ^c	-.04	-.10	-.02	-.15
Govt. regulate	-.06*	-.02	-.06	.00	-.09**	-.03	-.09*	.04
Market opps.	.14**	.15*	.13*	.15	.12**	.17** ^l	.07 ^l	.16
Support servs.	.08*	.15** ^d	.06	.04 ^d	-.02	.11 ^m	-.07 ^m	.01
Skilled labor	.09**	.06	.05	.20*	.09*	.03	.12*	.18*
Connections	.00	.06	-.02	.04	.07*	.02	.06	.17*
Compet. Cond.	.08**	.06	.06	.13	.02	.03	.08 ⁿ	-.12 ⁿ
ΔR ²	.06**	.08**	.06**	.10**	.03**	.05**	.03**	-.09**
F =	11.50*	5.0**	5.6**	1.8*	8.5**	6.5**	4.3**	2.3**
Total R ²	.12	.14	.12	.12	.09	.18	.10	.14
N =	1221	433	585	203	1221	433	585	203

* $p < .05$; ** $p < .01$. [#] Coefficients in the table are standardized betas.^{a,b,c,...} Indicate pairs of coefficients that differ significantly from each other. [@] T = Total sample, AS = Anglo-Saxon, EA = East Asia, SA = South Asia.

Fit Indices

Indices presented in the Measures section showed poor fit using the items identified by EFA. A reduced set of items showed acceptable fit for East Asian and Anglo-Saxon subsamples while falling a little short of the .90 threshold for South Asia.

Cross-Regional Comparisons of Means

As Table 5 shows, East Asians scored higher than Anglo-Saxons or South Asians on financing available and personal connections. Anglo-Saxons and East Asians evaluated supportive government regulation, support services, and supply of skilled labor as more helpful than South Asians. Anglo-Saxons evaluated market opportunities as better than South Asians; East Asians were in between and did not differ significantly from either. Finally, no differences appeared across regions in perceived competitive conditions.

Regressions within Subsamples

The results for the regional subgroups are presented in columns two through four for each dependent variable in Table 4. Among Anglo-Saxons, perceived market

Table 5
 Analysis of Variance of Differences in Means among Politico-Economic Variables across Regions[#]

	Access to financing	Government regulation	Market opportunities	Support services	Skilled labor	Personal connections	Competitive conditions
	1*	2	1	2	1	2	1
AS	5.61		4.19	6.49	6.09	5.19	4.58
EA	6.10		4.00	6.44	6.07		4.37
SA	5.48	3.19	6.68 6.41	5.73	5.69	4.79	4.59
Results for Hs 4 to 10	Support for H4	Support for H5	Partial support for H6	Support for H7	Support for H8	Partial support for H9	No support for H10

[#] AS = Anglo-Saxon, EA = East Asian, SA = South Asian.

* "1" = subset 1, "2" = subset 2. For each variable, the means in subset 1 do not differ significantly from each other, but they differ significantly from the means in subset 2.

opportunities and support services related to feasibility and market opportunities to desirability. In East Asia, market opportunities related to feasibility and supportive government regulation (negatively) as well as supply of skilled labor to desirability. In South Asia, supply of skilled labor related to both and personal connections to desirability.

Among the demographic and role model variables in the Anglo-Saxon subsample, being male and having owned a business related to feasibility and being younger, male, and single, as well as having owned a business and worked in a company with fewer than 100 employees, related to desirability. In East Asia, being male and having worked in a company with fewer than 100 employees related to feasibility and being male, and self-, parent-, and relative-owned business related to desirability. In South Asia, only the self-owned business with desirability relationship was significant.

Coefficient Differences

Finally, we tested the magnitude of the regression coefficients in each subsample against their counterparts in the other subsamples. Superscript letters in Table 4 indicate pairs of coefficients that differ significantly from each other. Given the stringency of the test when applied to smaller coefficient sizes and our desire to avoid prematurely ruling out possible differences at this early stage of research on the topic, a significance level of .10 was used. Among the relationships found, perceived access to financing related more positively to feasibility in East Asia than in either Anglo-Saxon or South Asian countries. Market opportunities related more positively to desire in Anglo-Saxon than East Asian countries. Support services related more positively to feasibility in Anglo-Saxon than South Asian countries; it related more positively to desire in Anglo-Saxon than East Asian countries. Competitive conditions related more negatively to desire in East Asia than South Asia.

Among demographic and role model variables, work experience in a smaller company related more positively to feasibility in East Asia than South Asia and more positively to desire in Anglo-Saxon countries than East Asia. Youth and being male related more positively to desire in Anglo-Saxon than either East or South Asian countries. Being single related more positively to desire in Anglo-Saxon than East Asian countries. Having a relative as a smaller business owner related more positively to desire in East Asian than Anglo-Saxon countries.

The results support Hs 1b, 1c, and 1e for both feasibility and desire, 1d for feasibility, and 1f for desire. Only H1a completely lacked support. H2 received support for feasibility but not desire. After the number of items was reduced from the original EFA, H3 was supported most strongly for the East Asian and Anglo-Saxon subsamples. The bottom row of Table 5 indicates strong or partial support for Hs 4 through 9 and none for H10. The diversity of results in the subsample regressions and coefficient comparisons prevents neat summarization. Differences existed in the dimensions that related to feasibility and desire in each region. Hints of regional trends are found in market opportunities' relationships with both feasibility and desire in Anglo-Saxon countries and its significantly higher coefficient with desire than East Asians. Also, skilled labor is clearly relevant to South Asians and support services show a stronger relationship to feasibility in Anglo-Saxon than South Asian countries and to desire in Anglo-Saxon than East Asian countries. However, these trends are very tentative. Overall, enough distinct relationships exist in the regional regressions to question the universalist position but not enough to strongly support the region-specific one.

Discussion

In the full sample regressions, perceived market opportunities, skilled labor, and supportive government regulation (the latter negatively) related to feasibility and desire. CFA fit indices revealed greater item consistency in East Asian and Anglo-Saxon than South Asian countries. The question arises whether a modestly different set of politico-economic factors govern ability to start a business in South Asia. The cross-regional differences in mean score comparisons were largely consistent with those hypothesized. Since arguments for these hypotheses were based primarily on objective politico-economic conditions, the results provide further evidence for a connection between objective environmental conditions and subjective assessments. The regional regressions and coefficient comparisons offered flashes of explanatory potential tempered by inconsistency. Personal connections, a construct overlooked in Western models, did not produce emphatic results. Though its performance here was equivocal, it may deserve continued testing, especially in studies on entrepreneurship in Asia.

Dimensions not measured in this study may relate to interest in business start-up. Variables ranging from population density to social networks to individual psychological tendencies have received attention. At the societal level, socio-cultural values have related to interest levels (Begley & Tan, 2001). Objective factors such as stage of economic development, career opportunity structures, or government involvement in the economy may come into play. Among additional limitations in the study, the monomethod data collection techniques employed and need to translate the questionnaire into multiple languages may have affected responses. Although it is uncertain whether MBAs' entrepreneurial perceptions parallel those in the society at large, correlations of their mean country scores on the perceived politico-economic indices with objective measures from independent sources tend to support the connection depicted in Figure 1. Further, MBAs provide the viewpoint of potential future business leaders. Finally, although lower scores on fit indices have been accepted in published work (e.g., Hult, Ketchen, & Nichols, 2002), we view results based on the South Asian factor structure as more tentative than the others.

Implications for Research and Practice

Several previous attempts to determine politico-economic dimensions relevant to entrepreneurship have been atheoretical in approach. In this article, we used resource dependence and population ecology theories to provide the conceptual framework to identify politico-economic characteristics perceived as relevant to interest in starting a business. The factors that emerged empirically reflected the constructs of munificence and carrying capacity suggested by Specht's (1993) interpretation of the theories. In addition, they showed similarity across regional groupings that differed in stage of economic development, geographic location, and cultural background. Combined with previous research, this study's results present a set of seven politico-economic factors that can be employed in future studies.

We argued that the helpfulness of politico-economic dimensions in each region differed due to its unique configuration of economic factors, political system, and government involvement in business, and history. The differentiated manner in which six of the seven dimensions were evaluated in comparisons of means across regions supported this argument. Inconsistencies in some findings, especially in the regional regressions, indicate the need for more refined analysis. For example, the direction of supportive

government regulation's relationships with feasibility and desire in the full sample and with desire in East Asia is surprising: as favorableness increases, interest in starting a business decreases. Government regulatory efforts to encourage entrepreneurship appear to have the reverse effect. Perhaps state capitalism is viewed as favoring larger businesses over smaller (e.g., Little, 1987). Governments that support entrepreneurship may also support larger businesses, thus indirectly hampering business start-ups by making careers in larger businesses more attractive. Reversing causality, countries straining to increase entrepreneurship may resort to activist but artificial means.

In contrast to earlier work on start-ups, scholars more recently have focused on the nascent or gestation stage (e.g., Alsos & Kolvereid, 1998; Delmar & Davidsson, 2000). The present study extends back even earlier by attending to the pre-nascent stage. At this stage, individuals have not yet reached the point of planning to start a business but rather are assessing their level of interest in doing so. In this vein, we argue that nascency is reached only after individuals have put considerable thought into entrepreneurship possibilities. At the pre-nascent stage, their question is not how but whether to start a business.

The model presented in Figure 1 posits perceptions as filtering the impact of objective environmental conditions on interest in business start-up. Although subjective and objective measures correlate in this study, the model has not yet been tested systematically.

If supported by further research, this study's results have implications for policy makers. In the total sample, market opportunities, skilled labor, and supportive government regulation (the latter negatively) associated with individuals' interest in starting a business. Apparently, the most effective activities for governments are to facilitate dynamic markets, develop workforce skills, and stand back. At the same time, since differences are apparent among regions, approaches that work in one place may not work in others. Skilled labor, for example, may be of greater concern in South Asia than the other regions studied. To spur interest in entrepreneurship, policy makers should benefit from tailoring their approaches to the characteristics of their country.

Although coefficient sizes here are generally small, scholars caution against dismissing such relationships prematurely (e.g., Abelson, 1995; Fichman, 1999). In some areas even small effects have large implications. For example, in medical research a modest treatment-health outcome relationship may still help many people. In the present case, even variables that explain a modest portion of variance may be of interest to policy makers. A one percent difference in business start-up activity could involve tens or hundreds of thousands of people and contribute significantly to economic development.

The purpose of the present work was to study perceptions of the politico-economic environment in several countries as a context that frames perspectives on starting a business. Eventually, scholars may integrate discoveries of relevant macro-level societal structures and institutions, intermediate-level local markets and conditions, and micro-level decision making processes and psychological tendencies to create a more comprehensive view of the entrepreneurial domain.

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