Abstract

Despite the importance of policy effectiveness for stimulating entrepreneurship, to date, little research has focused on the framework conditions for Entrepreneurship promotion and small business development. This paper aims to extend prior research and propose a theoretical framework, drawing on Entrepreneurship theory, New Institutional Economics (NIE) theory, Regional Innovations Systems Theory (RIS) and Context Theories, which will allow a systematic analysis of country/regional and local existing systems for entrepreneurship support. Given the complexity of the existing socio-economic, political, environmental and legal systems of different societies we argue for a holistic and dynamic approach that understands entrepreneurship as a non-linear process. An illustrative case based on France context is offer as preliminary findings from an analysis of primary and secondary sources, collected from relevant public authorities.

Keywords: Entrepreneurship and Small Business Promotion, Public Policy, France

INTRODUCTION

The present economic crisis which has impacted our societies on a global level requires different ways of thinking, different ways of acting, and different ways of doing capitalism. Thus the challenges to our existing economic, social and political systems are numerous. Indeed while entrepreneurship is viewed as an ingredient to wealth creation and social justice (Van Praag and Versloot, 2007) a major paradox of the literature on entrepreneurship is that the process of opportunity recognition and exploitation (Kraus and Kauranen 2009) has been analyzed in a vacuum separate from the existing market structures: ‘Entrepreneurship’ as new venture creation: “the creation of organizations, the process by which new organizations come into existence” (Gartner, 1980; 1990) versus ‘Entrepreneurship’ as Venture development (Davidsson et al., 2006). Arguably, this has been detrimental to the understanding of the specificity of entrepreneurship and the necessary framework conditions for more and improved entrepreneurship in different contexts.

Furthermore, at country level, prior research (Audretsch, Grillo & Thurik, 2007; World Bank, 2006; Storey, 2003) shows that policy makers for formulating Entrepreneurship and small business policies are faced with a number of choices which may influence entrepreneurial process. In general, empirical evidence shows that “macro” policies are seen as more effective than “micro” policies in promoting entrepreneurship (OECD, 2007). In addition, there is a great variation of policy effectiveness between countries and according to economic circumstances even within the same country (Storey, 2008). This suggest that the ability of policy makers to design effective policies that favour the sustainability of entrepreneurship and small business development is therefore a key element with economic and social
decision-making processes and represent as such an important issue for researchers as well as policy makers.

Despite the importance of policy effectiveness for stimulating entrepreneurship, to date, little research has focused on the framework conditions for Entrepreneurship and small business development and even fewer studies are of a comparative nature, notable exceptions are, for instance Begley & Tan (2001) and OECD (2007). This paper proposes a theoretical framework drawing on Entrepreneurship theory, New Institutional Economics (NIE) theory, Regional Innovations Systems Theory (RIS) and Context Theories which will be tested in different European and non-European contexts. More specifically, given the complexity of the existing socio-economic, political, environmental and legal systems of different societies we argue for (i) a holistic and dynamic approach that understands entrepreneurship as a non-linear process and (ii) the importance of systematic comparative analysis of existent supports within countries. An illustrative case based on the France context is presented as preliminary result developed from primary and secondary sources, collected from relevant public authorities. The overall purpose of the research is to promote a more reflective and critical approach to entrepreneurship and small business support allowing mutual learning for better or more appropriate policy approaches in line with the changing economies and contextual factors of the target countries.

The remainder of the paper is structured as follows. In the next section, we review the literature that emphasizes the importance of a holistic theoretical approach and systematic analysis in small business policy and Entrepreneurship promotion research. We then propose a critical analysis of existing systems based on an illustrative case developed from France context. The final section concludes the paper by discussing implications for theory and practice.

**THEORETICAL BACKGROUND**

**THEORETICAL PERSPECTIVE FOR ENTREPRENEURSHIP**

One of the key problems in entrepreneurship research relates to the lack of consensus regarding a definition for entrepreneurship. In fact, many authors such as Gartner (1990), Bygrave & Hofer (1991), Cunningham & Lischeron (1991), Shane & Venkataraman (1990), Davidsson, Delmar & Wiklund (2002), Verstaeete (2003), and Fayolle (2005) have emphasised the lack of an agreed definition of entrepreneurship and what entrepreneurship constitutes as a field of research. Attempting to solve definitional problems Gartner (1988) undertook an analysis of a range of normative and empirical definitions to entrepreneurship. This ranged from economics (Schumpeter, 1934), psychology (McClelland, 1961) to examples of empirically derived definitions such as by Brockhaus, (1980).

Gartner advocated two different approaches to definitions: the behavioural approach and the traditional trait approach. Whereas the first is concerned with the “primary phenomenon of entrepreneurship – the creation of organizations, the process by which new organizations come into existence” (Gartner 1988, p. 11) the latter is based on the assumption that once we have established who the entrepreneur is then we will know what entrepreneurship is about. He concluded that much research in the entrepreneurship field has centred on the person of the entrepreneur aiming to identify traits that differentiate entrepreneurs from non-entrepreneurs. This has, however, neither resulted in a definition of the term entrepreneur nor lead to a better understanding of entrepreneurship.

Fayolle (2005) was equally concerned with providing a definition of the term entrepreneurship. He particularly emphasised the importance of entrepreneurship as a developmental process when he suggested: *Entrepreneurship concerns essentially the emergence and transformation of human organisations. It is not just about the reasons of this emergence, rejoining economists, sociologists, political scientists but is also interested in the way we can conceive and construct new activities or new organisations* (p. 40) (own translation).

In addition, Fayolle suggested four perspectives of viewing entrepreneurship: as a phenomenon, as a process, as a field that unites methods and specialised research and as a way of thinking. Fayolle’s definition includes the idea of “emergence”, which goes back to Gartner (1988, p. 11) who proposed that entrepreneurship is simply “the creation of organizations, the process by which new organizations come into existence”. Gartner’s definition encompasses all newly created organisations and activities and emphasises the importance of process.

In comparison, for Bruyat (1993, 2001) entrepreneurship is about the relationship between the individual and the value creation aspect of entrepreneurship. He suggested the following: *“The scientific object studied in the field of entrepreneurship is the dialog between the individual and the creation of value”* (own translation) (Bruyat 1993, p. 57). Bruyat’s conceptualisation is interesting as it suggests that new value is created in terms of more or less intense change in the environment directly concerned by the entrepreneurial process (Verstraete & Fayolle 2005). Bruyat’s theoretical developments are based...
on Gartner (1985) who viewed entrepreneurship as a system involving four key ingredients: the individual, the enterprise, the process and the environment.

Davidsson, Delmar & Wiklund (2006, pp21-38), examining contemporary discourse on the meaning of ‘entrepreneurship’ identified two major views of entrepreneurship: entrepreneurship as creation of new organization and entrepreneurship as creation of new economic activity. From this perspective, these authors argued that without any consideration of growth, entrepreneurship is reduced to a dichotomous empirical variable whose content does not fully reflect any of these definitions. According to them, most start-ups never create much of an organization and new activities are no doubt undertaken within existing organizations, adding to their size. Davidsson, Delmar and Wiklund put out the importance of the growth of firm or organization that is not clearly integrated when entrepreneurship is viewed as new venture creation (Gartner 1988). More oriented in the definition of entrepreneurship as new economic activity, Davidsson, Delmar & Wiklund suggested that the core interest in entrepreneurship is the emergence and growth of specific new activities. This perspective is central in current debate regarding the role of Policy makers emphasized by the seminal work of Shane (2009) who is also the Winner of the Global Award for Entrepreneurship Research.

In summary, these definitions highlight the importance of entrepreneurship as a process which results in the creating of an enterprise and the ‘becoming of an entrepreneur’, in short we are talking about a developmental, not necessarily non-linear process. At the heart of the process, following Bruyat is the act of value creation from opportunity exploitation, as a result of the interaction between the individual and his/her environment, which favours a systemic approach to the environment. Based on this literature we suggest the following hypotheses:

**H1a:** existing business support for entrepreneurship and small business promotes entrepreneurship as static points in time not as a process

**H1b:** existing business support policies treat entrepreneurship as a linear process and neglect the reality of the ‘becoming’ of the entrepreneur

**H2:** existing business support policies do not consider the relationship between the individual, value creation and process

**H3:** existing business support for entrepreneurship and small business does not consider the post-creation process

**H4:** existing business support policies provide piece meal, short-term action packets but do not take a systemic/holistic approach to entrepreneurship involving the individual, the enterprise, the environment and the process involving pre- and post start-up activities

### NEW INSTITUTIONAL ECONOMICS (NIE)

NIE has its roots in Ronald Coase's work (1987), which made the crucial connection between institutions, transaction costs, and neo-classical theory (Lahti 2010). The Coase Theorem established that without transaction costs alternative institutions can equivalently internalize conflicts and externalities. The neo-classical model of efficient markets only works when it is costless to transact. Only under the conditions of costless bargaining (perfect competition) will the different actors reach the solution that maximizes aggregate income/profit regardless of the institutional arrangements. Therefore, comparative institutional analysis (Demsetz, 1967, 1969; Aoki, 2001) is required to make recommendations about efficient internalization of externalities and institutional design, including Law and Economics.

The theoretical perspective of Institutional Economics focuses on understanding the role of the evolutionary process and the role of institutions in shaping economic behaviour. It focuses on learning, bounded rationality, and evolution rather than assuming stable preferences, rationality and equilibrium. With the development of theories of information (Simon, 1960; Lucas, 1962) by two Nobel-Prize winners, Herbert Simon and Robert Lucas, an attempt was made to integrate institutionalism into mainstream neoclassical economics, under the title of New Institutional Economics, a term coined by Williamson (1975). The NIE emphasizes a broader study of institutions and views markets as a result of the complex interaction of these various institutions (e.g. individuals, firms, states, social norms). The NIE theory aims to incorporate a theory of institutions into economics. Institutions are formed to reduce uncertainty in many kinds of human exchange; they are not necessarily created intentionally by governments or some other powerful actors of a society. They may be patterns acquired from others which guide individual actions. Institutions and the technology employed determine the transaction and transformation costs that add up to the costs of production. NIE defines the firm as the governance
structure or nexus of contracts, a perspective different from the mainstream theory of the firm (Lahti 2010, Williamson 1990). There is little doubt, however, that institutions are a reflection of the socio-economic, political, technological and legal system that is underlying societies and which guides both individual and economic activities. Within these institutions we find professional subgroups, so-called communities of practice, which share a common language, which may, however, be different from that of entrepreneurship and the individual entrepreneur. As Hjorth & Johannisson (2003) underline the need to involve inhabitants in regional development, which is about social change and transformation, in order to facilitate the transition “from something stable and known to something less stable and more unknown” (Berglund & Johansson 2007, p. 502). Based on the existing theory we propose the following

H5: Existing generic business support does not consider the history of institutions, their internal and external stakeholders and their context specific positioning

H6: Short-term thinking of existing business support, which runs contrary to the understanding of entrepreneurship as process, adds uncertainty to human exchange through short-term thinking

H7: Existing business support does not encourage interaction and exchange in and between the different communities of practice

H8: Existing business support does not consider problems of sharing a common language between different stakeholders engaged in business support which undermines the possibility of collective learning

INNOVATIONS SYSTEMS APPROACH

Entrepreneurship, creative destruction and innovation

Joseph Alois Schumpeter is generally regarded as the ‘father of entrepreneurship’ (Lahti & Thomas 200X). Schumpeter (1934, 39) saw entrepreneurship as the fourth factor of production, as the catalyst of economic growth and revitalisation and entrepreneurs as innovators who, faced with competition, create opportunities for temporary monopolistic profits by devising a product, production process or marketing strategy (Lahti & Thomas 200X, Lahti 2010). Following Lintunen (2000) Schumpeter suggested that 1) an entrepreneurial function is an act of will of the entrepreneur to introduce an innovation in an economy thus providing a source of evolution for the whole society, 2) entrepreneurial leadership is a source of creative energy for innovation and evolution and 3) entrepreneurial profit is the temporary monopoly return on the personal activity of the entrepreneur. Arguably, technological innovation is the most visible form of innovation, yet innovations are not necessarily continuously distributed in time, but proceed by leaps which upset the existing equilibrium and thus generate (irregular) economic growth. The resulting innovative transformation of routine behaviour is not without conflict, but rather slow and conflict ridden according to Schumpeter (1939).

Schumpeter (1950) provided further food for thought introducing the notion of ‘creation destruction’ (Prozess der kreativen Zerstörung), which can ex post be measured by economic discontinuities which then becomes the entrepreneurial momentum ex ante to introduce innovations, and to earn monopoly profits on condition that an entrepreneur is early enough in identifying market opportunities (Lahti 2007, Lahti 2010). Creative destruction is generally associated with innovation generated by entrepreneurs or small businesses which enter unexplored markets with low entry barriers utilising the common pool of knowledge (Lahti 2010, Kirchoff, Newbert, Iftekhar & Armington 2007). As Aghion & Howitt (1992, 1998) point out creative destruction is a micro-economic process in nature with important macroeconomic implications for economic growth. In particular new innovative firms, highly personalised in their values provision, are the source of innovations (Lahti 2010, Alsos, Isaksen & Ljunggren 2006) such firms are often considered pioneers of radical innovations (Kirchoff, Newbert, Iftekhar & Armington 2007).

Arguably, technological innovation is the most visible form of innovation, yet innovations are not necessarily evenly distributed across the different sectors of the economy (European Commission 2007) nor continuously distributed in time, but proceed by leaps which upset the existing equilibrium and thus generate (irregular) economic growth (Lahti 2007). The resulting innovative transformation of routine behaviour is not without conflict, but rather slow and conflict ridden according to Schumpeter (1939).

As increasingly documented European policy makers are determined to design policies and reforms to make Europe’s regulatory and economic framework more innovation friendly. The aim is for the general public to recognise the value of innovation for their everyday life and thus innovation becomes a socially acceptable core value, understood to work for the benefit of all European citizens (Commission of the European Communities 2006).
In later theoretical developments Schumpeter (1942) focused on Creative Accumulation, i.e. “the role of large firms as engines for economic growth by accumulating non-transferable knowledge in specific technological areas and markets” (Patel & Zavodov 2010, p. 79). Following Filipetti, Frenz & Archibugi (2009) and Lahti (2010) creative accumulation is associated with institutionalised innovation by large firms. When entrepreneurs under creative destruction draw from the public domain only to place their own innovations within the reach of imitators, large firms under creative accumulation appropriate and protect a major part of their intellectual property and build on their proprietary knowledge stock through R&D departments. Multinationals use monopoly power and build on proprietary knowledge stocks through big in-house R&D departments and networks of partners such as research universities and private and public research institutes (Filipetti, Frenz & Archibugi 2009, Lahti 2010). In the creative accumulation process generic knowledge and formal research are predominant given the access to internal and financial resources of established large firms. The latter allows them to carry out in-house R&D and recruit the competencies to embed externally developed generic knowledge into the development of new products and services internally (Filipetti, Frenz & Archibugi 2009).

Multinationals are useful partners for entrepreneurs since they dispose of world-class technologies (Markusen & Venables 1997, Lööf 2009) and the most efficient global marketing channels and logistics. Furthermore multinationals operate on all continents and in all markets, i.e. goods, services, financing and intellectual property rights). However, seen more critically utilising scale economies and monopoly power large firms create high barriers to entry to new entrants (Scherer & Ross 1990) and impact upon industry life cycles (Klepper 1996) and market structure (Agarwal, Sarkar & Echambadi 2002).

**H9: Existing business support fails to promote innovation as a socially acceptable core value, available for every citizen and every enterprise**

**H10: Existing business support does not consider the ambiguous relationship between multinationals and small firms and the formers’ potentially detrimental role in the process of Creative Accumulation**

As we saw earlier, Entrepreneurship and Innovation are two concepts that are intimately linked. In this section we argue that both concepts are of a systemic nature and process-orientated. Andersson & Karlsson (2004) highlight that the concept of Innovation Systems (IS) is based on the interactive model of innovation, with its key characteristic that a regional or national economy’s ability to produce innovations depends on the interactions of firms, universities, organisations, research institutes, governmental institutions as part of a system (Gregersen & Johnson 1996, Eriksson 2000). As a result, a firm is an actor interacting with a set of actors who are equally involved in the innovation process. At least four different types of innovation systems can be identified in the literature on Innovation Systems, i.e. National Innovation Systems (NIS), Regional Innovation Systems (RIS), Sectoral Innovation Systems (SIS) and Technological Systems (TS). Andersson & Karlsson (2004) describe an innovation system as a “system in which the relevant factors (i.e. actors and institutions) in an innovation process interact” (p.4). As Andersson & Karlsson point out, NIS and RIS are similar in the way that they both consider the whole set of industries in a nation or region with surrounding institutions, and not just any particular industry or technology. In NIS and RIS spatial boundaries are given which is not necessarily the case for SIS and TS. As Breschi & Malerba (1997) highlight, the main difference between TS and SIS relates to the latter emphasising competitive elements between firms and the former networks among firms.

Lundvall (1995) further extrapolates that innovation systems (IS) need to be considered as social systems with learning as central activity involving different actors and interaction between the latter to produce, diffuse and use new economically useful knowledge. Following Gregersen & Johnson (1996) IS may have a narrow or broad dimension. Whereas in the former specific sectors create and distribute innovations supported by specific institutions and an innovation system has clearly defined boundaries, in the latter innovation is created by ordinary economic activities. These may be related to procurement, production and marketing in virtually every part of the economy (Andersson & Karlsson 2004). In general, the broader perspective is considered to be more appropriate for IS whilst the narrow approach is seen as an extension of the traditional model of innovation (Andersson & Karlsson 2004, Gregersen & Johnson 1996), as discussed later.

The notion of regional innovation systems (RIS) developed in EU regions in the 1990s. The emphasis on the region is justified on several grounds given that it is simply easier to observe innovation systems on a regional level as distance tends to have a negative impact on the frequency of interaction of individuals. Exchange of tacit and non-codified knowledge are key to the innovation process and face to face exchange of such knowledge is thus imperative. Furthermore the importance of regional specificities such as the regional economic milieu and geographical proximity are also considered as key...
for the innovativeness of firms. In addition, informal routines and norms are part and parcel of a region and play a significant role in determining behaviour of firms and inter-firm relationships and networking (Andersson & Karlsson 2004). Clearly, there is some interface between RIS and inter-organisational network literature and works undertaken by Ahuja (2000), Fulop (2004) and Gulati & Garguilo (1999), yet a further discussion of this link would go beyond the scope of this paper.

As Cooke (2001) ascertains, innovation is systemic and Bellandi & Caloffi (2010) observe that policies and strategies for innovation evoke the idea of process embedded in context. Firm-level innovation processes are generated and sustained by inter-firm relations and inter-institutional relationships. As a result, innovation emerges out of interaction at different levels, it considers feedback effects between upstream (technology-related) and downstream (market-related) phases of the innovation process as well as interactions of innovation-related activities both within firms as well as network agreements (Fischer 1998). This interactive model recognises that innovation goes beyond formal R&D activities (Mytelka & Farinelli 2000) which contrasts with the traditional linear model of innovation as promoted in the Fordist era which worked on the assumption that R&D is the key to innovations. In this model the innovation process is portrayed as a chain that links different activities in a certain order. Thus more R&D means more innovation (see Andersson & Karlsson 2004). The realisation that innovation is systemic is important given that the same assumptions were made earlier for entrepreneurship. Based on the literature reviewed here the following hypotheses were developed:

**H11: Business support policies fail to promote innovative activities as interaction between different actors to diffuse and create economically useful knowledge. Instead such policies promote competitive, sole actor focus**

**H12: Existing business support fails to consider the specificities of communities of practice involving entrepreneurs themselves which requires the creation of appropriate policy platforms**

**Innovation and universities**

As Dicken (2003) highlight, multinationals collaborate with the best universities and research laboratories to access the latest technology and knowledge. As Cooke et al. (2007) highlight, the higher propensity of universities to patent inventions has reduced spillovers from research, hence they benefit more directly from these in-house inventions. Increasingly, universities forge formal and informal ties with companies, yet to date the focus has been on large firm relationships. As Table 1 shows, US universities are particularly successful in filing patents, see for instance California University with 364 patent filings in 2007, followed by MIT with 175 filings, Columbia with 114 and Texas System with 95 filings. In 5th position we find Osaka University with 91 and Tokyo University with 67 filings in 10th position. The table reveals the complete absence of European universities in this process and shows that collaboration between firms and universities is under-developed in the European Union. In fact, the European Commission (2007) found that many service sector innovations do not necessarily meet the requirements for protection through patenting and that twice as many industrial than services firms applied for a patent and more industrial than service firms applied for a trademark. In detail, only 12% of all knowledge intensive businesses (KIBS) compared with 20.4% of manufacturing firms applied for a patent and 18.7% of manufacturing firms compared to 8.7% of KIBS applied for a trademark. However, as was documented in the Europe INNOVA paper No4 (2007) innovation offers an increase in value to both business or end users.

**Table 1: Top 20 PCT Applicant in 2007, universities (Source: WIPO Statistics Database)**

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Region</th>
<th>Filings 2007</th>
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<tr>
<td>CALIFORNIA</td>
<td>The U.S.</td>
<td>California</td>
<td>564</td>
</tr>
<tr>
<td>MIT</td>
<td>The U.S.</td>
<td>Massachusetts</td>
<td>175</td>
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<tr>
<td>COLUMBIA</td>
<td>The U.S.</td>
<td>City of New York</td>
<td>114</td>
</tr>
<tr>
<td>TEXAS SYSTEM</td>
<td>The U.S.</td>
<td>Texas</td>
<td>99</td>
</tr>
<tr>
<td>WISCONSIN</td>
<td>The U.S.</td>
<td>Wisconsin</td>
<td>81</td>
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<tr>
<td>MIT</td>
<td>The U.S.</td>
<td>Boston</td>
<td>85</td>
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<tr>
<td>HARVARD</td>
<td>The U.S.</td>
<td>Houston</td>
<td>83</td>
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<tr>
<td>PENN HOSPITAL</td>
<td>The U.S.</td>
<td>Baltimore</td>
<td>80</td>
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<tr>
<td>HARVARD</td>
<td>The U.S.</td>
<td>Cambridge</td>
<td>79</td>
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<tr>
<td>FLORIDA</td>
<td>The U.S.</td>
<td>Miami</td>
<td>70</td>
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<tr>
<td>TOKYO</td>
<td>Japan</td>
<td>Tokyo</td>
<td>67</td>
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<tr>
<td>PENNSYLVANIA</td>
<td>The U.S.</td>
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<td>MICHICAN</td>
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<td>Michigan</td>
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<tr>
<td>SUNY</td>
<td>The U.S.</td>
<td>City of New York</td>
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<tr>
<td>NAVOYA</td>
<td>China</td>
<td>Beijing</td>
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<tr>
<td>UTAH</td>
<td>The U.S.</td>
<td>Uta</td>
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<tr>
<td>SOUTH FLORIDA</td>
<td>The U.S.</td>
<td>Tampa</td>
<td>49</td>
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<tr>
<td>SOUTH FLORIDA</td>
<td>The U.S.</td>
<td>New York State</td>
<td>48</td>
</tr>
<tr>
<td>TOHOKU</td>
<td>Japan</td>
<td>Tokyo</td>
<td>42</td>
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</table>
Based on the above evidence we develop the following hypothesis

H13: Business support policies need to emphasise the role of different Further and Higher Education institutions for enhancing entrepreneurial spirit and bringing innovation through closer collaboration with local/regionally based companies.

THE IMPORTANCE OF CONTEXT FOR ENTREPRENEURSHIP

Despite numerous appeals for the greater consideration of context in management theory (see for instance Cappelli & Sherer 1991) interest in context and contextualisation has only emerged recently, as documented by a special volume in the Academy of Management Journal (2008) and the Journal of Organisational Behaviour (2001). In fact, John (2006) has emphasised that the influence of context has often been “unrecognised or underappreciated” (p. 389).

As Rousseau & Fried (2001) highlight, there is a greater need for contextualisation in contemporary organisational research as the latter has become more international which has provoked challenges in transferring social science models from one society to another. Furthermore, a world-wide community of organisational scholars has emerged that has added ever-greater diversity in settings as well as perspectives. In addition, very rapid changes in the nature of work and work settings have provoked changes to the underlying causal dynamics of worker-organisation relationships. Baughin & Neupert (2003) also underlined that the ability to translate individual predisposition to entrepreneurship into effective action is context specific as not every environment provides suitable opportunities for action and provides the entrepreneur with the possibility to access financial and other resources for the start-up. As Shane et al. (1991) argued, cultural values inherent in society influence the orientations of the (domestic) social groupings with whom entrepreneurs liaise and upon whom they may depend. The authors concluded that entrepreneurs are indeed embedded in country-specific institutional arrangements that may facilitate or constrain new venture creation (Baughin & Neupert 2003). As Schneider (1985) simply put it, contextualisation facilitates the robustness of our models and our results.

Certainly, there is a need to distinguish between the definitions of the term ‘context’ and what is generally understood as ‘contextualisation’. As Rousseau & Fried (2001) explain, the roots of the word context are Latin, meaning ‘to knit together’ or ‘to make a connection’. As the authors underline, contextualisation is a way of “approaching research where knowledge of the settings to be studied is brought to bear in design and implementation decisions”. They suggest that at a minimum contextualisation requires a “thicker description of the settings”, yet there are different degrees of contextualisation in line with the demands of the research project and its associated questions. Depending on the level of contextualisation detailed description and informed reflection are necessary about the role of contexts in influencing meaning, variation and relationships between the variables studied.

Cappelli and Sherer (1991) defined context as ‘surroundings associated with phenomena which help to illuminate that phenomena, typically factors associated with units of analysis above those expressly under investigation (p. 56). As John (2006) comments, the latter definition stresses two dimensions of context. On the one hand the importance of internal, organisational characteristics for providing context for individual members and on the other hand the external environment as setting the scene for organisations. Bamberger (2008) further emphasises that Cappelli & Sherer’s definition views context as a sensitising device, which gives insight into how specific environmental factors may serve as “temporal and/or spatial boundary conditions governing observed phenomena (p. 840). Arguably, the idea of context as a sensitising device is important, not just for general management studies, but also for Entrepreneurship, as it raises the researcher’s awareness of the potential situational and temporal boundary conditions to the theories we employ. Hence, through its focus on the external environment, this paper aims to sensitive the reader to the implications of different socio-economic, political, legal and educational framework conditions and their impact on entrepreneurship and small business development.

Different from Cappelli and Scherer (1991), John (2006, p. 386) understands context as those ‘situational opportunities and constraints that affect the occurrence and meaning of organisational behaviour as well as functional relationships between variables”. As Bamberger (2008) suggests, John’s definition gives a notion of context as a “critical driver of cognition, attitudes, and behaviour, or moderator of relations among such lower-level phenomena” (p. 840). Individual behaviour in organisations can be explained by situational factors such as physical workplace (see for instance Elsbach & Pratt 2007) or industry, sector or economy-wide characteristics as well as normative and institutional structures and regimes (see for instance Rowley, Behrens & Krackhardt (2000), social or normative environments including various dimensions of organisational or national culture (see for instance Bacharach & Bamberger 2004). As highlighted by John (2006), Mischel (1968) made an
important distinction between different situations, i.e. strong situations with obvious norms and rigid roles which tend to constrain the expression of individual differences. In comparison, weak situations allow for more latitude or opportunity for the expression of such differences. John concluded that as a result, context can be interpreted as “a set of situational opportunities for, and countervailing constraints against, organisational behaviour” (p. 387), which suggests that context should be understood as a tension system or force field comprising both opportunities and constraints (John 2006, Lewin 1951).

**H14:** Business support for entrepreneurship and small business development needs to consider the cultural values that shape the orientations of social groupings with which entrepreneurs liaise

**H15:** Business support for entrepreneurship and small business development needs to consider that entrepreneurs are embedded in country-specific institutional arrangements

**H16:** Business support for entrepreneurship and small business development needs to be context-specific and should consider the situational and temporal boundary conditions of entrepreneurial and innovation activities.

To sum up, Figure 1 illustrates how the different theoretical perspective discussed here: Entrepreneurship, NIE, IS (with its connection to network theories) are interrelated in a systemic approach. The proposed framework shows the interrelatedness of the different theories and introduces the term WIS – a world innovation system – which according to the authors of this article is a necessary supplement to the existing innovation systems approach given the growing interrelatedness of virtually all aspects of economic life given the ongoing globalisation. Every theory and its implementation is dependent on the different contexts in which it is applied.

![Figure 1: A systemic approach to entrepreneurship](image)

**ILLUSTRATIVE CASE**

This section aims to bring interest to the new approach proposed. Using a framework developed from the literature, the research presented here argues (in line with Davidsson, 2008) for the importance of systematic comparative analysis of existing systems for entrepreneurship support and small business development within European context. More specifically, target will be on the United Kingdom, Germany and France, three leading European countries in terms of their support for entrepreneurship and small business development (Eurostat, 2008). These countries were chosen due to their different institutional frameworks. As part of the case study approach semi-structured interviews with business support organisations and others stakeholders involved in the promotion of entrepreneurship are presently being conducted in the three countries under investigation. Data were also collected through archives and secondary sources from the relevant public authorities. However, in the context on this paper, we will focus only on the France context as departure point.

**French SME and enterprise initiatives from the 1970s up to now**

Most of the French initiatives in favour of enterprise creation and SMEs originated in the 1970s. Similar to the Bolton report in the UK in 1971, it was the Miliaret report in 1973 that triggered interest in small business and enterprise creation as it pointed out the inadequate level of the renewal of the economic and industrial tissue of the country (APCE 2002). As Leger-Jarniou (2005) highlighted, this was the first time that the concept of firm creation received attention in the French economy, arguably inspired by foreign examples, in particular American. Indeed, it took 6 years to establish the first government institution dedicated to venture creation: *Agence Nationale de Création d’Entreprise*,
ANCE (the National Agency for Venture Creation in 1979) which later in 1996 became the Agence Pour la Création d'Entreprise (APCE) (APCE 2002).

As Boutillier & Uzunidis (1995) emphasise, from the 7 economic plan (1976-1980) onwards the French state started to discover the importance of SMEs in terms of employment generation and export potential. Finally in 1980 Francois Mitterand, the French President at the time, declared officially that people should not feel ashamed aiming to enrich themselves. He promoted the idea that launching an entrepreneurial venture would be a noble act and of value to both the individual and French Society (Boutillier & Uzunidis 1995).

Furthermore, at conceptual level, in one of the first French government reports on entrepreneurship Beranger, Chabral & Dambrine. (1998) proposed two ways of defining entrepreneurship: In terms of an activity: the total of all activities and approaches which imply the creation and development of an enterprise and more generally the creation of an activity. In terms of an academic discipline: a discipline which describes the environment and the process of wealth creation and social construction, starting with individual risk taking (own translation) (Béranger, Chabral & Dambrine 1998, p. 105). The first part of the definition views entrepreneurship as the actual creation of a business, yet leaves the possibility open to include entrepreneurial activities which do not lead to enterprise creation such as, for instance, intrapreneurship. The second part raises wider reaching issues regarding entrepreneurship as an academic discipline covering entrepreneurial teaching and learning, yet also explores both the entrepreneurial environment and the role of entrepreneurship in wealth creation and social construction. Beranger et al’s definition shares elements with, for instance, the Global Entrepreneurship Monitor’s (2004) definition which suggests that entrepreneurship is “any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business by an individual, teams of individuals or established business” (Harding 2004, p. 14). This broad definition allows to include both individual and team activities, yet also the creation of a new firm or expansion of an already existing firm.

The role of the state and public sector policies

The process of economic modernisation in post-war France was state-led with the French state assuming a highly interventionist role. As Goyer (2001) states there were two alternatives open to policymakers: i.e. the creation of large firms through mergers or the emergence of small and medium sized enterprises through internal growth. The French state opted for the first option with the support of a generalist education provided by the French Grandes Ecoles system which provided the strategic vision and organisational capabilities for running conglomerate firms (Fridenson, 1997).

In addition, following the American example of Silicon Valley French public sector policies for enterprise creation privileged innovative companies in high tech sectors such as biotechnology from the early 1980s onwards. As Boutillier & Uzunidis (2000) commented, collaboration between research institutions and industry was encouraged (APCE 2002). Later at the end of the 1980s support was extended to all types of businesses. As Boutillier & Uzunidis (2000) explained, this period saw a multiplication of social laws in favour of non-profit organisations and different types of firms as the French state needed a social objective in order to support enterprise creation (APCE 2002). At the same time the idea of the ‘entreprise citoyenne’ emerged, which was very indicative of the new attitude towards business, very different from the Zeitgeist of suspicion that had reigned in the 1960s -1970s (Boutillier & Uzunidis 2000).

There were several types of business support for enterprise creation during the period from 1977-1987 (Leger-Jarniou 2005). Purely financial support in terms of assistance targeting specific groups such as the unemployed (Abdesselam et al. 2004) or specific sectors of the economy such as food processing were one form of support (APCE 2002). A second form of support focussed on counselling and training networks offering personalised training and counselling programmes, aiming to encourage potential creators to start their own business. Centres for Company Formalities (CFE – Centre de Formalités des Entreprises) were set up to facilitate the administrative burden associated with the start-up (APCE 2002). The first televised publicity campaign in favour of entrepreneurship and enterprise creation in 1987 triggered great national interest. A third type of support concerned the availability of different support activities within the framework of an emerging incubator system, with the first incubator opening at the beginning of the 1980s (APCE 2002, Leger-Jarniou 2005).

From the 1990s onwards

From the mid 1990s support for entrepreneurship and enterprise creation was increasingly recognised as vital for French post-industrial society due to their contribution to economic regeneration, regional economic development and employment generation (APCE 2002, Fayolle 1999). As a result many different programmes and initiatives developed and in 1995 the ANCE identified 30 types of assistance for enterprise creation at both national and local level. Such assistance was available in the shape of
subsidies, social charges and tax exemption, enterprise finance and general business support (APCE 2002). Increasingly assistance for enterprise creation was being built on two principles: specialised aid for companies that create employment and support for a public private sector partnerships (APCE 2002).

**Significant legal support**

At the end of the 1990s the Law on Innovation was passed to further promote entrepreneurship and enterprise creation. Specifically, this law authorised a) researchers to set up their own business, b) helped create public incubators (innovation centers) for hosting these new firms, c) launched a national competition for the creation of high tech firms and d) defined measures to simplify creation and life of new firms. In 1999 at national and regional level funding for enterprise and enterprise creation amounted to 2.6bn Francs in 1999, compared to 2.1bn in 1998 (APCE 2002).

Later in 2003, building upon the recent interest in entrepreneurship the French government under Jacques Chirac announced its ambitious objective to create 1m new enterprises over a 5-year period. To achieve this goal the French government passed the ‘Loi du Dutreil’ or ‘Law of Economic Initiative’ in August 2003, which comprises five different aspects to facilitate enterprise creation, one of which is company creation via the Internet for 1 Euro. Moreover, the law was supposed to facilitate the change from employee to entrepreneur status, finance economic initiative, accompany entrepreneurial projects and enable the take-over of existing companies. As Fayolle & Sénicourt (2005) critically commented, it would, however, be naïve to believe that somebody could create a business with one Euro if already 210 Euros are needed to register a firm as SARL (société à responsabilité limitée – limited liability corporation) (For further information on the law see for instance http://www.journaldunet.com/management/dossiers/ 040225creation/ dutreil.shtml accessed on 26.04.2010).

Following in the footsteps of Jacques Chirac’s government, Nicolas Sarkozy and his Minister of Economics Christine Lagarde, presented on 30.04.2008 the law on the ‘Modernisation of the Economy’, which contains a number of initiatives to encourage enterprise creation (Best 2008). One of the important measures was the creation of a simplified status for the individual entrepreneur, i.e. the so-called auto-entrepreneur, who can be in part-time or full-time employment and earn up to Euros 32,100 on the side. A major change is also that the entrepreneur is no longer expected to make any social security contributions before he has actually made any sales. Furthermore the new law offers a better protection of the property of the entrepreneur in case of failure and less need to register with different government authorities, thus reducing administrative hassle (http://www.lautoentrepreneur.fr/avantages.htm, accessed on 06.06.2010). While the underlying motivation was to create a Small Business Act ‘à la française’, recently, Shane (2009) demonstrates that encouraging more people to become entrepreneurs is bad public policy. Shane emphasized that creating typical start-ups isn’t the way to enhance economic growth and create jobs. Hence he suggested to stop subsidizing the formation of typical start-up and focus on the subset of business with the potential.

**The French education system**

In France we find a particular set up with the Grands Ecoles system, i.e. institutions that were inherited from history - the French higher education sector dates back to the late 18th century (Chesnais, 1993). As a consequence, the Grands Ecoles are ‘carriers of history’ as according to David (1994, p. 205) “many organisations and institutions have evolved into their present forms from recognisably similar structures that came into existence at some time in the past to satisfy some important social purpose”. This suggests that the historical development of the Grands Ecoles is significant insofar as they have been carriers of national and regional policy initiatives. The recent government focus on entrepreneurship in France has given the Grands Ecoles a new role in promoting entrepreneurship at management and engineering schools (European Commission 2002). This has resulted in the creation and expansion of entrepreneurship teaching, whether through dedicated units, i.e. centres or as add-ons in other departments or courses or as profile and awareness raising exercises (for a discussion see for instance Fayolle, 1999). The question is, however, whether the Grandes Ecoles are up to this challenge (see Klapper 2004).
Entrepreneurial Values

In France, nascent entrepreneurs are confronted with a lack of acceptance of entrepreneurship and entrepreneurial values (Fayolle and Senicourt, 2005). Scoring 43 out of 100 on Hofstede’s scale, French culture is rather feminine in character, very different from the US, which scored 62; which highlights its more masculine perspective (Hofstede 1983). As Fayolle & Senicourt (2005) argue, this important aspect of French culture has certainly worked as an obstacle to entrepreneurship. They contend that one outcome of the feminine character of French culture is that French people tend to prioritise the quality of life. In other words, most French people work to live, rather than living to work. This view contrasts with the attributes of a more masculine culture which often prioritises professional success, money and material goods over the quality of life.

Wage versus entrepreneurial culture

Further, in contrast to the UK, which has society that values private initiative, Abdesselam et al. (2004), as well as Frugier and Verzat (2005), argue that French society is characterised by a wage culture where salaried workers have greater historical advantages in terms of social security and relative job stability. Hence, staying an employee is a rather attractive option, while becoming an entrepreneur may involve high opportunity costs. In fact, as Beranger et al. (1998) suggested, young French people think that it is the government’s and the overall system’s responsibility to provide job security and work. As result, the authors concluded, enterprise promotion becomes a difficult task.

Established/traditional cognitive structures

Carayannis et al. (2003) argue that traditional French society wants its children to enter ‘noble’ professions. In other words, it is acceptable to become a doctor or lawyer, but most parents would strenuously try to dissuade their children from being an entrepreneur. The authors also argue that French culture seems to equate creating an activity with the destruction of the normal pattern of wealth distribution in a collectivist society. The idea that an individual and not the nation as a whole would benefit from this creation seems to be the norm. Arguably some of this thinking may be rooted in Jean-Jacques Rousseau’s Social Contract, published in 1972. Rousseau was interested in how individual citizens with their individual needs could live together in harmony within a community, and within society. He advised that individuals should neglect their natural, possibly harmful inclinations (le moi humain) and instead support the ‘general will’ (la volonté générale) of the community (le moi commun), which would not allow for different points of view (for a more detailed discussion see MacLean 2002).

Risk averseness of French culture

As MacLean (2002) and Gordon (1997) underlined, French business culture is characterised by an infinite search for organizational security which is linked to a deep-rooted need to avoid uncertainty and remove ambiguity. Referring to Hofstede’s work (1983) on cultural values, Fayolle and Senicourt (2005) and MacLean (2002) emphasised the risk averseness of French business culture. In fact, in Hofstede’s study, France scored particularly high on this aspect (86 out of 100), compared with UK’s score of 35. As Fayolle and Senicourt (2005) emphasised, the cultural context promotes risk awareness, and a fear of failure, which does not encourage the individual to take personal risks; such as those needed for setting up a business. In addition, MacLean et al. (2006) recently emphasised that for the past few decades France has preferred to prioritise employment security to risk-taking. Furthermore the fear of failure seems to dominate and paralyses many entrepreneurial initiatives which may, as Jacques Attali commented, be rooted in the education system that does not teach how to manage failure (Masclot, 2003). An unsuccessful French entrepreneur would not only loose material possessions, but also self-esteem, professional opportunities and possibly his well established place in French society (Carayannis et al., 2003).

The nature of the French Finance Sector

Another aspect that has arguably impacted entrepreneurship and enterprise creation is the nature of the French finance sector, which underwent a complete reform in the 1980s. The new approach shifted the emphasis from reliance on debt towards equity as a source of external finance (Gordon 1997). Further, a concentration among entities in several industrial sectors was followed by a concentration in the banking sector, with many local banks disappearing. Most of the banking sector was nationalised in 1982, which gave the state control of over 80% of both loans and credits (Gordon 1997). Under the right wing Chirac government of 1986 a privatisation wave was supposed to hit the industry, yet only three banks: Société Générale, Paribas and Indosuez, reverted to the private sector. Further, French banks do not have the same close relationship with business and industry as German banks (Gordon 1997), and as
such, these banks have had trouble developing an understanding of entrepreneurship and enterprise creation. As a result, start up capital is very difficult to get in France (Fayolle, 2007).

This section has shed light on the different factors that have impacted on the development of entrepreneurship and small business in the French context. Figure 2 aims to illustrate how these different factors work against and in favour of Entrepreneurship and small business development. The factors discussed are part of an open system which is indicated by the arrows leaving the system. Additional factors that need to be taken into account and have been integrated in the model are in particular the concept of Creative Accumulation as discussed by Lahti (2010). The latter is associated with institutionalised innovation by large firms which appropriate the intellectual property of individual entrepreneurs and protect it as a major part of their own intellectual property. Thus these companies accumulate and efficiently block creativity and innovation given their power to influence the system as they build on their proprietary knowledge stock through in-house R&D, networks with universities and other stakeholders, local, regional and national (Lahti 2010).

Figure 3 takes this model a step further by including one of the possible ways forward to which Schumpeter (1942) described as trustified capitalism, a transition from competitive capitalism to trustified capitalism, a notion that remained largely undefined, and will require further investigation.

**CONCLUSION**

Using a framework developed from the literature, the research presented here argues for a holistic and dynamic approach that understands entrepreneurship as a non-linear process and for the importance of systematic analysis of existing systems for entrepreneurship support and small business development within European context. As part of the case study approach, this article has discussed the different forces that work in favour and against the development of small business and entrepreneurship in France. A modelisation using a force field approach was developed as part of a systemic approach to analysing the tension between the different factors impacting small business and entrepreneurship. Examining the key determinants for the low interest in small business and enterprise creation in France, the research has identified the role of the state in promoting large corporations as well as the nature of the education system which has aimed to train senior managers needed for the large state-run conglomerates. In addition, evident paradox between (i) an attitude generally in favour of public sector employment and a cultural background which seems to be anti-entrepreneurial seem to discourage small business and enterprise creation and more recently and (ii) a public policies toward entrepreneurship (encouraging more people to become entrepreneurs). More research is necessary to establish ways to reconciling the tensions apparent in the force field, more work is necessary to explore different ways of doing capitalism or rather socialism, one way forward may be a further investigation of Schumpeter’s ‘trustified capitalism’ as well as Shane’s (2009) view as central aspects of entrepreneurship promotion.

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