

Do institutions matter for entrepreneurial development?

In post-Soviet countries, well-functioning institutions are needed to foster productive entrepreneurial development and growth

Keywords: entrepreneurship, institutions, transition countries

ELEVATOR PITCH

Supportive institutional environments help build the foundations for innovative and productive entrepreneurship. A few post-Soviet countries have benefitted from international integration through EU membership, which enabled the development of democracy and free market principles. However, many post-Soviet economies continue to face high levels of corruption, complex business regulations, weak rule of law and uncertain property rights. For them, international integration can provide the needed support to push through unpopular yet necessary stages of the reform process.

KEY FINDINGS

Pros

- ⊕ International integration such as EU membership enables member countries to enact the reforms needed for productive entrepreneurship.
- ⊕ Globalization and cross-border mobility to advanced market economies can facilitate productive entrepreneurial development, even in less supportive institutional environments.
- ⊕ Online technology entrepreneurship offers new opportunities for entrepreneurial success in post-Soviet countries.
- ⊕ Increasing numbers of productive entrepreneurs can support sustained institutional reform.

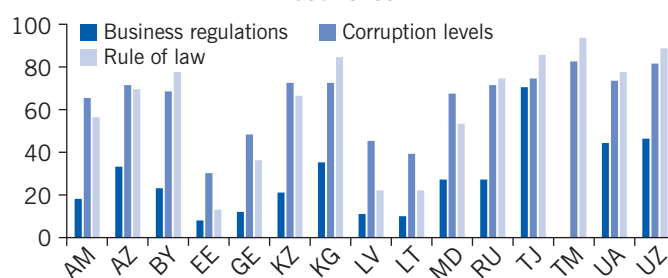
Cons

- ⊖ The Soviet legacy of negative attitudes and restrictive policies towards entrepreneurship continues to shape institutions in a number of post-Soviet countries.
- ⊖ High levels of corruption undermine productive entrepreneurial development and institutional reform.
- ⊖ Established networks inherited from the Soviet system disproportionately benefit elites and do not foster broader entrepreneurial development.
- ⊖ Weak institutional environments stunt business growth and drive entrepreneurs to operate in the informal sector.

AUTHOR'S MAIN MESSAGE

Successful entrepreneurs are expected to create jobs, pay taxes, introduce innovations, and contribute to sustained economic growth. Governments are expected to create conducive conditions for entrepreneurs such as the protection of property rights, functioning free markets, and good governance. In many post-Soviet countries, a detrimental legacy toward entrepreneurship continues to stunt its development. However, through committed institutional reform and international integration some post-Soviet economies have been able to cultivate thriving, innovative, and productive entrepreneurial cultures.

Regulations, corruption, and rule of law in post-Soviet countries



Source: Business regulation levels from World Bank's 2015 Ease of Doing Business Index (best conditions = 1; worst = 100); corruption levels from Transparency International's 2015 Corruption Perceptions Index (lowest overall level = 1; highest = 100); rule of law data from 2015 Worldwide Governance Indicators (best = 1; worst = 100).