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The role of institutional potential and social entrepreneurship as the main drivers of business opportunity and competitiveness

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ABSTRACT

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Institutional potential plays a key role in creating business opportunities. However, past studies did not emphasize on the consistency and the interaction between institutional and entrepreneurial potential-shaping factors. This research aimed to explore the role of these two aspects in spotting market gaps and encouraging competitiveness. Mixed methods were used, with basic concepts focusing on new institutional economic theory. The results showed that standardization, commercialization, technology, productivity, invention, social capital, and human capital strengthened institutional potential and social entrepreneurship. This created more ventures and encouraged competition. However, there is a need to eliminate institutional barriers to improve the efficiency and productivity of the socio-cultural-economic systems.

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1. Introduction

According to Mario (2021), determinants of non-standard employment at the industry level include economic performance, institutional and labor factors. ADB (2016), Prasetyo et al. (2020e), Al-Qudah et al. (2021) revealed that potential sustainable economic growth and development are influenced by increased productivity and institutional performance, social entrepreneurship, and business competitiveness. Moreover, ADB (2016) suggested that misallocation is the determinant of total productivity. The new institutional theory advises economic and social systems to reform institutional barriers to improve productivity and efficiency. Guild (2019) established that the poor institutional design of the renewable energy sector creates a regulatory incentive structure that does not align with the political class. As a result, it joined the list of obstacles to institutional potential in Indonesia. Combined with inadequate information and other uncertainties, unreliable designs are the major institutional barriers (Mitjans, 2020; Cavallaro, 2021). The ADB (2016) results based on data from 62 developing countries revealed and suggested policies to eliminate institutional barriers that drive misallocation. Institutional reforms are meant to change regulations that impair productivity and efficiency for economic growth. Zhao (2021) showed that economic reform outweighs political ones for growing the economy. A study by Al-Qudah et al. (2021) with case-studies from 15 countries showed a promising connection between social entrepreneurship and institutions with sustainable development.

Prasetyo et al. (2021) suggested that the new institutional economic theory (NIE), human and social capital, mission, innovation, and networks affected the development of sustainable entrepreneurial ventures. New institutions gained a competitive edge after forming partnerships and integrating innovation, technology, and productivity (Prasetyo, 2021). Social entrepreneurship has received wide acclaim from institutional economies, commercialization, digitalization, sustainable social entrepreneurship, and social novation (Al-Qudah et al., 2021; Prasetyo, 2019). Previously, this model was recognized

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for the provision of state-sponsored health services in the UK (Roy et al., 2014) due to its ability to link income and health problems. Theoretically and empirically, there is more to be explained on the relationship between social entrepreneurship, health, and well-being (Roy & Hazenberg, 2019). For this reason, the roles and functions of the larger institutional configuration and its interrelationships in institutional theory and entrepreneurship research can be adjusted (Stephan, 2014). In general, the theory (NIE) of social entrepreneurship will ease the formulation of society-developing initiatives for future practitioners and policy-making institutions. Guerrero and Urbano (2020) stated that institutions could influence how social life is organized and facilitate the functioning of social systems. However, no research has explored social entrepreneurship from this perspective. Others tried integrating social workers and public administration into institutional change. Nevertheless, it recommended future studies be articulated into social entrepreneurship. Social entrepreneurship and innovation are the main drivers for sustainable competitiveness (Prasetyo, 2021b). Recent studies have examined the connection between culture, institutions, and social outcomes (Acemoglu & Robinson, 2021). However, there is little to hang onto about the correlations between institutional potential and social entrepreneurship in promoting sustainable competitiveness. This calls for urgent research on the two to encourage the creation of more employment opportunities and the competitiveness of sustainable MSME entrepreneurship. Previous studies have shown that the link between social entrepreneurship and institutions (government and universities) in the entrepreneurial ecosystem attracted success, competitiveness, and innovation development (Leal et al., 2020; Prasetyo, 2021). Some researchers used the theory of social capital, resource environment, productivity, and competitiveness to explain the relationship between institutions and international competitiveness. The results showed the need for advanced methodologies and recommended future research to be comparatively carried out in developing countries. Moreover, interactions in various fields were reassessed to improve institutional strengthening, giving entrepreneurship a competitive edge. Social and institutional entrepreneurship is a new socio-economic mission with creative, innovative, and productive ideas that can work with potential resource capabilities to develop economic and social values (Prasetyo, 2021a, 2021b). This study aimed at explaining the importance of the tie-in between institutional potential and social entrepreneurship in encouraging the creation of job ventures and MSME competitiveness in Indonesia. Results are expected to provide a critical empirical and theoretical understanding of the institutional potential and social entrepreneurship in developing countries. Furthermore, these results are anticipated to appeal to scientific reference and policy information to improve job creation, economic growth, and sustainable competitiveness.

2. Literature Review

Institutional and resource dependence theories can help explain institutional change. However, these concepts only predicted changes when combined (Sherer & Lee, 2002). This study integrated the theory of resource dependence and institutional, referred to as the New Institutional Economic theory (NIE). From an economic perspective, NIE has tried expanding the economy by focusing on institutional, social, cultural, and legal rules. Social entrepreneurship in this study is a resource effort to achieve a fair balance. Simón-Moya and Rodríguez-García (2021) established that social entrepreneurship could be an institutional entrepreneur if the need to move from one equilibrium to another arises. Evolutionary theory (NIE) can currently understand the results of increasingly complex interaction systems and processes in sustainable micro, meso, and macro socio-economic structures (Currie et al., 2021; Roy & Herzenberg, 2019). This theory provided a useful framework for synthesizing institutional regulatory information (Currie et al., 2021). Social entrepreneurship requires an institutional environment for further development (Roy & Herzenberg, 2019). Institutional rules can facilitate potential solutions for social entrepreneurship performance at the functional level (Currie et al., 2021). In other words, this business model applies to NIE. The two can strengthen institutional potential and social entrepreneurship to create more job opportunities. The theories of economic development by Schumpeter, Keynesianism, and Marxism are applicable for underlying institutional and entrepreneurial correlations in sustainable economic development (Prasetyo, 2020b; Henrekson, 2021; Langroodi, 2021). Furthermore, post-Keynesian and Neo-Schumpeterian theories can be a new institutional theoretical approach to study economic behavior under various and rational uncertainties (Dequech, 2006, 2007; Heise, 2019; Grebel, 2007). The NIE theory and social entrepreneurship are derived from these theories. Basic concepts of the "Schumpeter effect" and "refugee effect" are related to this study. According to the refugee effect theory, unemployment causes the growth of entrepreneurship. This is because unemployed people can innovatively create new jobs. The Schumpeter effect states that every entrepreneurial venture provided new job opportunities, products, and markets (Prasetyo, 2020c). Collaboration and integration of various determinants and institutional causalities with social entrepreneurship are highly encouraged to create more business opportunities. Nevertheless, it improves sustainable entrepreneurial competitiveness (Prasetyo, 2021a). Applying this institutional theory gained momentum, proving to be helpful for entrepreneurship research (Bruton et al., 2010; Kalantaridis & Fletcher, 2012; Krasniqi & Desai, 2016; Alaydi, 2021). As an analytical tool, it can be applied by academics and practitioners to criticize the field of social entrepreneurship (Agrawal, 2013). Entrepreneurial theory, social entrepreneurship, in particular, facilitated new institutional changes and transitions in economic development (Elert & Henrekson, 2020). This approach is also a resource factor that fills deficiencies that institutions cannot perform (Prasetyo, 2020a). Also, it contributes to the construction of the collective dimension associated with social innovation (Fridhi, 2021). Social entrepreneurship initiates innovative activities and sustainable development of financial institutions targeted at social issues (Brajević et al., 2021). Previously, Sivalingam et al. (2020) recommended social entrepreneurs to focus on central issues and more attention-seeking problems to restore the balance of the working world and embrace working with various government institutions.

The new institutional theory formed the basis for discussing the institutional foundations and influences that shape the employment and labor market (De Jong, 2007). However, studies showed that institutional strength justified the market

structure for disadvantaged temporary job positions (De Jong, 2007). The new institutional theory revolution viewed the market in a wider and complex scope (Currie, 2021; Roy et al., 2019). Moreover, recent research confirmed that the NIE theory simplifies the complexities of local government for easy understanding. Roy et al. (2018) revealed that economic efficiency partially explained economic performance but is not considered a determining factor. Literature studies based on the theory of human capital resources described how social enterprise programs (SEP) in social entrepreneurship encouraged sustainable economic growth and development (Prasetyo et al., 2020b; Weaver, 2016).

Recent empirical studies examined the field conditions that social entrepreneurship can be institutionalized and change existing institutions (Chatzichristos & Nagopoulos, 2021). The results revealed that the institutionalization of social entrepreneurship could be developed and decentralized. This allows social entrepreneurship to remain autonomous and encourages the spread of new institutional logic in the future (Chatzichristos & Nagopoulos, 2021). For Chatzichristos and Nagopoulos (2011), customizing such embodied voluntary collective action had significant limitations. Another empirical study investigated the impact of social enterprises on skills and employment development in the UK (Roy & Hazenberg, 2019). The results showed a significant impact had been generated in the sector, but the policy implications remained non-conducive for social entrepreneurship. This approach encouraged the improvement of population skills by creating new jobs (Roy & Hazenberg, 2021).

Peters (2020) had the same option that in the new growth theory, more job opportunities arose from the ever-changing technology applied economic activities in the new growth theory. Institutional theory, however, formed the basis for understanding the ways entrepreneurs create new products or services and seek legitimacy to create their new business opportunities and products (Bruton et al., 2010; Prasetyo, 2020d). Furthermore, Prasetyo (2020d) suggested that carrying out new product development (NPD) on value chain strategies is a great way of achieving sustainable entrepreneurial competitiveness.

Other recent empirical studies also analyzed the influence of institutional, economic, and socio-economic determinants of culture on total entrepreneurial activity in developed and developing countries (Prasetyo, 2021). The results showed that the more efficient state institutions are, the higher the level of entrepreneurial activity and new job opportunities. In general, unexplored market gaps are a better part of the value chain that connects institutions to the wider socio-economic and entrepreneurial culture, inequality, patterns of innovation, economic growth, and employment (Prasetyo, 2021; Wood & Allen, 2019). This study was also based on a framework with a novelty that focused on highlighting the importance of linking new institutional potential and social entrepreneurship. The results are expected to be used in regional and national institutional systems to provide significant additional explanations about entrepreneurial performance in various countries (Carney et al., 2018).

3. Research Method

This study used mixed methods to solve the main problem and meet the objectives. The design was compiled based on a research framework to explain the important role of institutional potential and social entrepreneurship. The objective of this research was to establish a simple model that encourages the creation of new job opportunities and entrepreneurial competitiveness. The mixed methods were also designed with an exploratory technique as the initial step that underlies the formation of this simple model. The basic analysis model used multiple regression path analysis. All variables were measured then an experimental regression model method was carried out to find the best simple model in path analysis.

Operational definitions and variable measurement dimensions used the Gini ratio index value. The studies began with qualitative methods and exploratory analysis complemented by quantitative techniques. The explorative, descriptive quantitative analysis method explained every phenomenon found, measured, formulated, and modeled. Some variables used in the model formation include Business Opportunity (BO), Social Entrepreneurship (SE), Institutional (In), Standardization (St), Commercialization (Cz), and Technology (Tg). Others were Productivity (Pd), Invention (Iv), Social Capital (SC), Human Capital (HC), and Competitiveness (Cp). To better understand the phenomena, research problems, and how objectives were achieved, relevant research designs and step-by-step diagrams were drawn up from the above framework. Structural equations of the regression model and path analysis were also rearranged to make the research easily understood.

$$BO_i = \alpha_0 + \beta_1 SE_i + \beta_2 In_i + \beta_3 St_i + \epsilon_1 \quad (1)$$

$$BO_i = \alpha_0 + \beta_1 SE_i + \beta_2 In_i + \beta_4 Cz_i + \epsilon_2 \quad (2)$$

$$BO_i = \alpha_0 + \beta_1 SE_i + \beta_2 In_i + \beta_5 Tg_i + \epsilon_3 \quad (3)$$

$$BO_i = \alpha_0 + \beta_1 SE_i + \beta_2 In_i + \beta_6 Pd_i + \epsilon_4 \quad (4)$$

$$BO_i = \alpha_0 + \beta_1 SE_i + \beta_2 In_i + \beta_7 Iv_i + \epsilon_5 \quad (5)$$

$$BO_i = \alpha_0 + \beta_1 SE_i + \beta_2 In_i + \beta_8 SC_i + \beta_9 HC_i + \epsilon_6 \quad (6)$$

$$Cm_i = \alpha_0 + \beta_1 SE_i + \beta_2 In_i + \beta_9 HC_i + \beta_{10} BO_i + \epsilon_7 \quad (7)$$

4. Results and Discussion

The study focused more on the least investigated institutional potential and social entrepreneurship. Previous research showed important institutions for entrepreneurship (Bruton et al., 2010; Krueger, 2020; Aparicio et al., 2021). However, Bruton's research (2010) centered on informal institutions, social norms, and cognitive scripts because they regulate human behavior. Aparicio (2021) was drawn to social entrepreneurship. With that in mind, the research explained the combination of institutional and social entrepreneurship variables based on the theoretical concept of "Schumpeter effect" and "refugee effect." Schumpeter's entrepreneurship creates new companies and institutional systems that can support social entrepreneurship. Based on this theory, any newly established social entrepreneurship provides more business opportunities and markets (Prasetyo, 2020b). The "refugee effect" theory, however, stated that creative unemployed people could create social entrepreneurship and business opportunities. This concurred with Schumpeter's entrepreneurship that supports the development of more companies and changes new institutions in the entrepreneurial creativity support system (Henrekson et al., 2021).

The Indonesian government is tirelessly working to develop its industrial sector based on Schumpeter's entrepreneurial culture that is more creative, innovative, and productive. That said, research aimed to explain the role of institutional potential and social entrepreneurship with variables including standardization, commercialization, technology, productivity, invention, human and social capital in creating new business opportunities and competitiveness. Table-1 shows the result of the models that were compiled and written in the research sub-method above. These five models show that institutional potential and social entrepreneurship variables are consistently positive and significantly able to create new business opportunities in Indonesia. In conclusion, the study revealed new details about the action of institutional potential and social entrepreneurship on job opportunities and competitiveness.

Previous research confirmed that standardization and commercialization could strategically increase regional and national economic competitiveness and growth (Prasetyo, 2019a). These previous findings are strengthened with results in models 1 and 2 in Table 1. Standardization improved the quality of products for excellent commercialization and competitiveness (Prasetyo, 2019a). Moreover, it triggered inventions and provided quality assurance to consumers. Local governments or related institutions should have defined roles in standardization, commercialization, and innovation to encourage regional competitiveness and economic growth (Prasetyo, 2019a). The results in Table 1 also strengthen the role of institutional potential and social entrepreneurship in encouraging the creation of new business opportunities and entrepreneurial competitiveness.

Table 1
Multiple linear regression model of increasing entrepreneurial business opportunities

Model		Unstandardized Coefficients		Standardized Coefficients	t-stc	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.114	.029		-3.914	.000		
	Social Entrepreneurship	.416	.057	.382	7.273	.000	.535	1.868
	Institutional	.503	.081	.388	6.172	.000	.373	2.677
	Standardization	.245	.050	.267	4.925	.000	.502	1.991
2	(Constant)	-.098	.032		-3.013	.003		
	Social Entrepreneurship	.432	.059	.396	7.262	.000	.539	1.857
	Institutional	.499	.095	.386	5.255	.000	.298	3.354
	Commercialization	.202	.057	.230	3.551	.001	.384	2.607
3	(Constant)	-.108	.032		-3.370	.001		
	Social Entrepreneurship	.389	.062	.357	6.280	.000	.503	1.986
	Institutional	.553	.088	.427	6.249	.000	.349	2.867
	Technology	.203	.062	.215	3.272	.001	.378	2.644
4	(Constant)	-.099	.039		-2.512	.013		
	Social Entrepreneurship	.389	.068	.358	5.763	.000	.447	2.236
	Institutional	.587	.104	.454	5.623	.000	.265	3.775
	Productivity	.144	.078	.162	1.847	.067	.224	4.468
5	(Constant)	-.114	.033		-3.426	.001		
	Social Entrepreneurship	.457	.061	.419	7.441	.000	.533	1.875
	Institutional	.548	.104	.424	5.252	.000	.261	3.836
	Invention	.148	.063	.160	2.352	.020	.367	2.724

Source: processed by researchers

Analyzing the quantity and quality of potential entrepreneurs informed how to maintain a healthy entrepreneurial activity (Krueger, 2020). This makes institutional potential and social entrepreneurship either directly or indirectly important determinants in encouraging the creation of new business opportunities and entrepreneurial competitiveness. Furthermore, the role of these two variables is useful in proving the basic concept of the Schumpeter effect theory. The above results also strengthen previous findings that social entrepreneurship and institutional potential affected each other (Prasetyo, 2020b). The institutional dimension in this research was generated from informal institutions. However, the findings do not distinguish between formal and informal institutions, which differs slightly from Aparicio's (2021). This study stated that social entrepreneurship and policies can influence formal institutions directly. Entrepreneurship has an indirect effect and can change formal institutions through business activities to avoid outdated regulations. In this research, the outdated

regulations, especially the corrupt, inefficient, and ineffective bureaucracy, are the main institutionalization obstacles. This shows a great need for quality institutional leadership in Indonesia for better social entrepreneurship in society. According to this result, leadership should accept the institutional complexity phenomenon inherent in social entrepreneurship activities instead of ambitious institutional stakeholders that may fail the organization. Kickkul (2020) insisted that addressing these institutional complexities should be included in social entrepreneurship training.

Dimension of this study investigated institutional potential in an informal form, making inhibiting factors less perceptible. The role of informal institutions is a more interesting finding that may change people's behavior, drawing them to the growth of the social entrepreneurship potential. These interests and aspirations can only be nurtured from a social entrepreneurship background with an entrepreneurial spirit, human capital resource capacity, and better technology absorption. Furthermore, aspects of entrepreneurial social culture and institutional potential are needed to maintain the sustainability of entrepreneurship. These results sail together with research that revealed cultural and institutional aspects that made it easy to understand human behavior, individual choices, and patterns of society (Andriani & Bruno, 2021). Human behavior is driven by socio-cultural norms, including the principle of social interaction "tuna satak bathi sanak" might be a survival strategy, despite institutional constraints and economic sanctions in various socio-economic contexts (Prasetyo, 2020e; Andriani & Bruno, 2021; Andersson et al., 2021). Meanwhile, Andersson et al. (2021) stated that economic development in Indonesia includes a process through socio-cultural capabilities and is not limited to the role of state institutions. This means that the pattern of human cultural behavior that is uncorrupt and applicable norms has helped eliminate institutional barriers. Institutions with no potential practice corruption, reducing the entrepreneurial community's enthusiasm, joy, and happiness. This lowers the institutional potential and social entrepreneurship, limiting business opportunities and entrepreneurial competitiveness. Cultural and other factors were modeled in this research, and the results show in tables 1 and 2. The models indicate that various resource variables, including standardization, commercialization further strengthen social entrepreneurship potential in promoting new business opportunities and competitiveness. Based on Tables 1 and 2, models 1 to 5 are scientifically promising and contribute to the increasing business ventures and tough competition.

Table 2

Determination of the model of factors influencing entrepreneurial business opportunities

Model	R Multiple	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.906	.821	.817	.112672	.821	185.424	3	121	.000	1.734
2	.898	.806	.801	.117479	.806	167.326	3	121	.000	1.792
3	.896	.803	.798	.118326	.803	164.365	3	121	.000	1.722
4	.890	.791	.786	.121745	.791	153.028	3	121	.000	1.777
5	.892	.795	.790	.120721	.795	156.322	3	121	.000	1.722

Source: processed by researchers.

Institutional potential and social entrepreneurship worked for job opportunities and competitiveness. Empirical studies, however, revealed that social entrepreneurship partially influenced competition and sustainable national economic growth. Based on the experimental test research, social entrepreneurship significantly affected the creation of new job opportunities and sustainable entrepreneurial competitiveness. However, social entrepreneurship was unable to promote sustainable national economic growth. Results on the role of institutional potential showed that it could become the main tool in creating new business opportunities and sustainable entrepreneurial competitiveness. Although the role of institutional potential and social entrepreneurship is important, the capacity of human capital resources is the main determinant of entrepreneurial performance (Prasetyo, 2020b).

Table 3

The path analysis model results of increasing entrepreneurial business opportunities

Model		Unstandardized Coefficients		Standardized	t-stc.	Sig.
		B	Std. Error	Beta		
6	(Constant)	-.129	.030		-4.357	.000
	Social Entrepreneurship	.301	.079	.277	3.800	.000
	Institutional	.479	.096	.370	4.978	.000
	Social Capital	.255	.089	.222	2.870	.005
	Human capital	.167	.062	.159	2.710	.008
7	(Constant)	-.131	.030		-4.412	.000
	Social Entrepreneurship	.143	.059	.138	2.408	.018
	Institutional	.445	.106	.361	4.200	.000
	Human Capital	.219	.062	.219	3.530	.001
	Business Opportunity	.283	.054	.316	5.263	.000

Source: processed by researchers

Based on the results in Table 3, model-6 shows that institutional potential and social entrepreneurship dominate the role of main resources (human and social capital). In model-7, the role of institutional factors positively and significantly provides the first largest contribution. However, the role of social entrepreneurship resources has decreased slightly. This empirical research found that the existence of institutional barriers impacted decreasing the social value of the community. Also, the potential for institutional strengthening social equity through the social value created. This means that the role of institutional

change can be the main driver of entrepreneurial competitiveness and an obstacle to social entrepreneurship, showing how institutional complexity is becoming dynamic. These results support previous studies that stated that institutional complexity is not a constraint but can be a resource in a dynamic process for sustainable social value creation in developing countries (Cherrier et al., 2018).

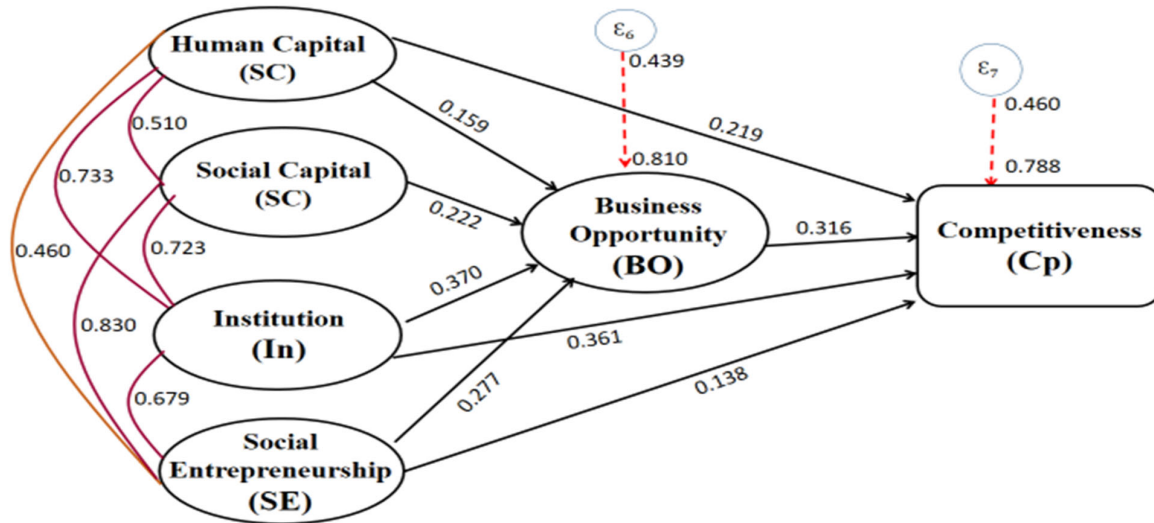


Fig.1. Path analysis model of increasing job opportunities and entrepreneurial competitiveness
Source: processed by researchers

Fig. 1 shows that the role of institutional potential and its total effect are directly or indirectly the main drivers of business opportunities and sustainable competitiveness. Social entrepreneurship provides the second-largest contribution directly to creating new job opportunities and indirectly to the increase of sustainable entrepreneurial competitiveness. This phenomenon has policy implications that focus on reforming all economic and political-institutional barriers to increase institutional potential. As a result, the new institutional socio-economic, cultural system becomes more productive and efficient in creating social and economic equity for the community.

This research confirmed that informal institutional potential shapes the social capital structure. When the social capital structure collaborates with human capital, they form stronger social entrepreneurship. Integrating human capital with dynamic institutional potential changes may attract success in social entrepreneurship. Furthermore, the interaction between institutional potential and social entrepreneurship improves sustainable economic growth and competitiveness. Dynamic new institutional changes can speed up the integration of the resource dependence and institutional change theory to strengthen the basic concepts of the new institutional economic (NIE) theory.

5. Conclusion

Investing in quality human capital and technology absorption is essential for institutional potential and social entrepreneurship. With quality human capital capacity, mastering technology can be easy. This increases job opportunities, productivity, competitiveness, and quality of institutional potential and social entrepreneurship. Commitment and facilitation of quality institutional potential are needed for improved sustainability of human capital quality. This is because complexity from positive changes in institutional potential cannot maintain human capital capacity and productivity. However, it can significantly and consistently contribute to creating business opportunities and sustainable competitiveness directly or indirectly. The complexity of the institution can negatively affect the exploitation of resources, reducing productivity. This may delay the socio-economic equity of the community.

The NIE theory relies on the capacity of human resources and technology as the main foundation for the ever-changing institutional potential complexity. However, the institutional potential further strengthens the resource dependence theory's capacity to create business opportunities, labor markets, and entrepreneurial competitiveness. The correlation between institutional potential and social entrepreneurship resources provides business opportunities and improves competitiveness. Moreover, it regulates efforts, speeding up the achievement of socio-economic equity. Policy implications should regulate and reform institutional barriers to improve the functionality of the socio-cultural-economic system.

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Conflicts of Interest

- 1) The author is responsible and states; there is no potential conflict of interest of any kind in connection with this research, either before and after its implementation, and/or publication of this article.
- 2) The author guarantees that this article is the original work of the author himself that has not been published, and at this time it is only sent for publication in the journal *Entrepreneurship: Theory and Practice*. As part of this process, this article is not being submitted and is being considered for publication elsewhere.

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