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REVIEW

Of the Doctoral Dissertation of **ZAZDRAVNYKH Evguenii Alexandrovich**
«Entrepreneurship development in economically differentiated regions of Russia»
submitted for defense of the degree of candidate of Economic Sciences,
specialization 08.00.05 –«Economics and management of national economy».

Overview, novelty and relevance of the work

The work undertaken for this thesis on the economics of entrepreneurship makes important and novel contributions to the literature. It is a clear and well-written thesis which carefully identifies research questions which are not addressed in the existing literature and which are relevant for policy makers in Russia (and potentially beyond). The thesis addresses the question of how entrepreneurship develops *regionally* in Russia and how this development is linked to individual values as 'drivers' of entrepreneurship. It is self-evidently important for policy makers both regionally and nationally to understand the nature and determinants of entrepreneurship across Russia, if the benefits of it are to be harnessed to help generate a more diversified and stronger economy. Studying these issues is therefore important and the results should be brought to the attention of policy makers in Russia, as well as to the international scholarly community working in this field.

In brief, the thesis seeks to develop and test a model of entrepreneurship for Russia and to situate the findings from this within the growing body of international literature addressing the economics of entrepreneurship. There are 3 main chapters which constitute the thesis. The first is an in-depth literature review, the second grasps the motivation from this to develop and empirically assess a 'model' for Russia, and the third draws on the lessons of that to consider the policy implications.

The thesis uses appropriate and, at times, novel (e.g. chapter 2) modelling and econometric techniques to examine these important policy relevant questions using appropriate secondary data sources. It demonstrates a very sophisticated understanding of how this contribution relates to and stems from a broad-based literature in the economics of entrepreneurship. In addition, throughout the work, the author demonstrates the importance of understanding the detail of the Russian context in order to interpret the empirical evidence against the background of the state of the art in understanding the role of institutions in driving entrepreneurial endeavor. These 'area/region' nuances allow for innovation and originality in the drawing of policy implications without sacrificing the necessary caution that should be associated with empirical work such as this.

In sum, this body of work is impressive in that it is informed by theory and by the Russian context while being empirically robust and interpreted in original and imaginative ways.

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Scientific value of the results

As mentioned above, there are 3 main parts of this thesis all of which represent stand alone and more or less original contributions, though clearly the main original research is concentrated in chapter 2, and to a lesser extent in chapter 3. Taken together these three chapters further combine to offer a coherent contribution to the economics of entrepreneurship literature and particularly that which focuses on the Russian economy. I comment on each chapter, in turn, below and include one or two critical observations/questions with respect to each chapter. These are intended as discussion points and are *not* intended to undermine or question the excellence of the thesis.

Chapter 1: Literature review

The literature review chapter sets the scene for the main contributions of the thesis, though is an important chapter in its own right and represents significant background research as well as a sophisticated corraling of a broad literature. The author starts by exploring the classical political economy approaches to entrepreneurship, of the nineteenth and early twentieth century, and traces the evolution of entrepreneurship studies through to the present day (including with a particular focus on the development of the Russian tradition in this field), along the way identifying the ‘occupational approach’ to entrepreneurship adopted in the thesis and exploring the diverse theories and views on the link between entrepreneurship and economic development. Through this review the author identifies that entrepreneurial activity – conceived of as an occupational choice – is known to be a function of individual and regional characteristics and further that a given regional economy is a function of those occupational choices. This represents his point of departure for motivating the subsequent study of the interrelations between the development of entrepreneurship, individual characteristics and regional characteristics.

Questions/comments: while this chapter is impressive in scope; given the development of population and firm based empirical studies in the latter part of the twentieth century it would have been helpful to include a review/critique of the realisation of different definitions used in those surveys. This could then have been situated within the context of the more generic process of defining and theorising entrepreneurship which is covered in the chapter. In addition, given the importance to the thesis of the distinction between opportunity driven and necessity driven entrepreneurship it would have been useful to discuss how these are explored empirically, through surveys. Some of this comes later, towards the end of chapter 2, but it would have been more logically situated in chapter 1.

Chapter 2: Theoretical and Empirical Analysis

Chapter 2, the main original contribution of the thesis, examines the link between regional and personal characteristics and their impact on entrepreneurial development. The chapter presents a simple model exploring the implications for occupational choice of a world in which individuals have talents and preferences across paid employment and entrepreneurship and can trade-off (for given preferences and talents) between the utility gains/losses from taking an occupation they are more/less happy with and receiving higher utility from higher/lower expected streams of income



from that choice. In other words, even an individual with great entrepreneurial talent may not choose an entrepreneurial occupation, in equilibrium, if other occupational choices yield higher returns.

This is all fairly standard stuff, but the interesting innovation is to then introduce ‘values’ (the extent of ‘greed’) and to demonstrate the relationship formally between individual values and total factor productivity. Thus, through theorems 1 and 2, the author forwards the interesting argument that it is not just the institutional environment (including the opportunity to earn rents) that matters, but also, individual potential, personal characteristics (in the form of values, loosely defined) and entrepreneurial talent. This framework leads the author to argue that necessity entrepreneurship is unlikely to be the right kind of entrepreneurship. However, in the end, what the model does is to turn it all over as an ‘empirical matter’ – that is, the outcomes depend on the distribution of preferences and talents, along with the regional institutional frameworks.

Therefore, in the second part of the chapter, the Russian part of the World Values Survey is used to test the model, based on logit (or probit?) and an imputation method to compensate for missing data. The regressions find that the desire to make money matters and that the capacity for creativity allows money to be made. Other ‘model-related’ variables are not significant. The final part of the chapter then explores this in the context of regionally differentiated economies, estimating a further set of regressions using Rosstat data, including an interesting set of estimates on job satisfaction. The results from the third section of the chapter are in line with those found for other economies and in other studies and flag up the potential importance of the regional economic, social and demographic environment for fostering entrepreneurship.

This chapter is interesting, well-written and innovative and offers up an important contribution to the literature. The methods and approaches are robust and reflect the state of the art in contemporary economic and econometric techniques, for the type of data used. The model framework gives rise to some important discussion and even more intriguing empirical exploration. It makes for an impressive and densely packed chapter.

Questions/comments:

The assertion on page 263 that “it is important to reduce the chances for earning money without exploiting one’s talents or obtaining rent” seems to contradict the idea (page 269) that “it is essential to focus on necessity entrepreneurship”? That is, the values could be distributed in such a way that it would be welfare enhancing to ‘force’ talented entrepreneurs to be entrepreneurial by necessity i.e. by reducing alternative jobs? In other words, the opposite implied policy conclusion.

In the first empirical section, there are a very small number of ‘positive’ observations (e.g. 105, from 2500). How generalisable do you feel the results are from this small sample? Did you consider testing the same model on different occupational choices? That is, how sure are you that you have picked up a story for Russia which is about entrepreneurial choices specifically?

In the regression on job and salary satisfaction it would have been interesting to explore some interaction effects to see if, for example, the level of education is conditioned by regional or

individual characteristics.

Also, the level of education (years) is negatively related to the correspondence between education major and occupation, which suggests that the latter correspondence may be disguising the positive relationship between education and both entrepreneurship and job satisfaction. Similarly, an alternative to the job/salary satisfaction regressions would have been to run the estimates on all workers, control for different occupational categories and explore interaction effects with an entrepreneur dummy.

Minor notes: (i) there are several gaps (missing symbols) in the description of the model from pages 261-267; (ii) the appendix suggests that the probit estimation method is used, rather than the logit; (iii) footnote 38 should refer to appendix 7 rather than appendix 5; (iv) the number of missing data points among those small number (105) who are entrepreneurs should be indicated; (v) How does the proportion of entrepreneurship in the WVS (4.2%) compare to that reported elsewhere (e.g. in GEM)? This is discussed in part 3 but should be benchmarked in part 2 of the chapter ideally.

Chapter 3: Policy implications

Chapter 3, takes the findings of the second chapter and explores what sort of government policies are appropriate. Using a similar econometric framework to the third part of chapter 2, the author finds that federal subsidies for entrepreneurship are not significant predictors of entrepreneurship development. The bottom line finding is that the current (and recent) policies do not consider the regional specificities of the Russian economy in designing entrepreneurial policy and are for this reason unlikely to be effective. More generally, to overcome the problem of necessity driven (and less productive) entrepreneurship, the author argues that regions should attempt to attract or facilitate high-tech industries and to develop professional training programmes for entrepreneurs.

Questions/comments:

Once again, the analysis could have been expanded by considering whether federal subsidies are effective stimulators in different types of regions (e.g. interacting with GRP or high-tech shares, in the regressions, for example). This might identify *how* to use the federal budget more effectively rather than addressing the question of *whether* to use it in this way at all. Instead, the author chooses to focus on the factors, in regions, that are associated with 'better' entrepreneurship performance (e.g. high tech) and concludes that these should be enhanced in the regions. However, the reader is left wondering precisely *how* a region should go about becoming 'high-tech' and moreover, left wondering whether federal budgetary support is more effective at certain 'development' levels and/or technology levels – these are factors that could have been explored in the context of the regression framework.

Finally, the work could potentially be further expanded to incorporate some simulations of the likely impact of changes in some of the model parameters and thereby enhance the links with the chapter 2 model.



Final General Comments

As described above, this work – both in the form of individual pieces and as a collective contribution – is empirically robust, methodologically sound and highly informative from the perspective of policy making. There are of course areas in which the work can be developed in the future and some scope for discussion concerning the results presented, but that is true of all empirical work. Some of these questions and discussion points are identified above.

In sum though, I want to make clear that this is an excellent piece of scholarly work with some convincing and well-founded (especially in chapter 2) findings concerning the nature and determinants of entrepreneurship in Russia. Linking these types of findings directly to detailed policy recommendations is notoriously challenging but, using different data, a regional case study and the lessons of chapter 2, the author makes an impressive and engaging effort to do so in chapter 3.

Overall Assessment

In my considered and professional estimation, the dissertation of Evguenii Zazdravnykh has significant scientific value, contains important new results, provides a valuable input into a crucial policy area for Russia and meets all the requirements necessary for the granting of the degree of candidate of Economic Sciences, specialty 08.00.05. I therefore strongly, and without reservation, support the award of this degree.

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