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# **THE ECONOMIC RESILIENCE- ENTREPRENEURSHIP NEXUS**

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## **ABSTRACT**

*Resilience is an emerging concept used to examine economic performance and responses to exogenous shocks such as the financial crisis and recession. Relying on a review of the literature on emerging academic articles in this field, the article explores how entrepreneurship is key to maintaining a dynamic economy and shows that it stands out in expert debates as a key aspect in creating more resilient economies. Namely, through the development of a conceptual framework we considered the links between economic resilience and entrepreneurship. In line with this economic resilience is analyzed at different levels. As a final result of this analysis, we came to the conclusion that the entrepreneur plays a decisive role in achieving the firm's resilience and economic systems.*

**Key words:** *Economic resilience, Entrepreneurship, Emerging concept*

**JEL classification:** *A1, L26*

## INTRODUCTION

The concept of resilience has drawn a great deal of attention by different scholars [3]; yet the proposed definitions and conceptualizations are still controversial [15]. For instance, [4] consider it as “*the ability of regions to be able to “bounce-back” or “comeback” from economic shocks and disruptions*”. [23] define it as “*a regional economy’s ability to recover from a shock but also to the degree of resistance to that shock in the first place*”. As it is mentioned in both definitions, there are some keywords such as “shock”, “comeback”, “resistance”, “ability to recover”, and “region” which shed more light on the definition of this emerging concept. In another definition, [7] define it as “*the ability of a region to recover successfully from shocks to its economy that either throw it off its growth path or have the potential to throw it off its growth path*”. This definition refers to the potential forces and the growth path, which are an integral part of a typical entrepreneur’s lifestyle as a change agent in Schumpeterian view [5], or as an alert person in Kirznerian view [10].

Then, while scholars are struggling to conceptualize this phenomenon, its connection to entrepreneurship is becoming a new challenge [25]; since improving entrepreneurial activities in the regions could facilitate the *comeback* and eliminate/reduce the *shocks* [11], the economic resilience-entrepreneurship nexus will be even more important than ever before. Therefore, these two seemingly separate fields of research have become more connected. In fact, entrepreneurship as an engine of economic development could be the key to economic resilience [9]. There are several evidences around the Globe which support this relationship, such as in Ontario [29], Sheffield [27], and Thessaloniki [28]. Therefore, in the present paper, the authors try to elaborate the “economic resilience-entrepreneurship nexus” as a critical issue to be considered in facing any regional socio-economic shocks.

## LITERATURE REVIEW

Resilience is a general concept which is widely used in different fields and disciplines, ranging from business administration, economics and political science to engineering and basic science [11]. This range of definitions and its interdisciplinary nature made it remain fuzzy or even misleading in some new domains. [13] classify the existing definitions in three categories and consider it as: (i) “bounce back” from shocks, (ii) “ability to absorb” shocks, and (iii) “positive adaptability” in anticipation of, or in response to, shocks. The first category refers to the concept when a *system returns to pre-shock state or path*. In this category, strong emphasis is put on speed and extent of recovery, which is mainly used in engineering and ecology (see, self-restoring equilibrium dynamics in mainstream economics). The second category refers to emphasis on *stability of system structure, function and identity* in the face of shocks/disruptions. More specifically, it highlights the size of disruptions that can be tolerated before a typical system moves to new state, which is mainly used in social ecology (see, multiple equilibrium economics). The last category refers to the *capacity*

of a typical system to maintain core performances despite shocks/disruptions through adapting its structure, functions and organization, which is mainly used in psychological sciences and organizational theory (see, evolutionary economics). This categorization provides a clear understanding of the field, however, yet there are several issues to be elaborated. The following table shows different elaborations of economic resilience in the extant literature.

**Table 1. Key elements of economic resilience**

<b>Key elements</b>	<b>Author (s)</b>
the perspective of a decision maker operating under conditions of uncertainty	Sanderson et al. (2017)
Vulnerability to Shocks, Disturbance or Shock, Reference state or reference dynamic, Resistance to shock, Robustness, Recovery, Determinants of resilience	Martin and Sunley (2015)
Resourcefulness, Technical systems, Organizational dimension, Rapidity	Weick and Sutcliffe (2001)

Source: Authors

## **ECONOMIC RESILIENCE AT DIFFERENT LEVELS**

As it is mentioned by a series of authors, such as [19], economic resilience takes place at three levels i.e. micro, meso, and macro. At the micro-economic level, the focus is mainly on individual businesses, households, or (a local) government [21], while at the meso-economic level, individual industry or market [8], and at the macro-economic level, combination of all economic entities, including their interactions [14], are at the focal point of the attention.

**Table 2. Economic resilience at different levels**

<b>Level</b>	<b>Unit of analysis</b>	<b>Basic economic theory/theories</b>	<b>Author(s)</b>
Micro-economic	individual businesses, households, or (a local) government	Economic production theory	Sheffi and Rice (2005)
Meso-economic	individual industry or market	Supply chain theory	Horwich (2000)
Macro-economic	combination of all economic entities, including their interactions	Computable general equilibrium analysis, Economic geography, Urban planning	Norris et al. (2008)

Source: Authors

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[20]. argue that “decision-making plays a central role in economics because economics is the study of how to allocate scarce resources in order to make people better off”. We believe that entrepreneur, as a change agent, is the one who has to make such decisions in an economic setting. He/she is responsible for using his/her alertness to explore new opportunities and find the required scarce resources in order to exploit new opportunities. In fact, a typical entrepreneur would be the best fit to handle economic issues raised due to an economic shock. This would be where he/she will start his entrepreneurial adventure at micro, meso and macro levels, respectively as a sole entrepreneur, a venture owner, or even a member of a typical party. The following table elaborates the role of entrepreneur in facing economic resilience.

*Table 3. Entrepreneurs and economic resilience*

<b>Level</b>	<b>Role of entrepreneur as a/an</b>
Micro-economic	intended actor (Bullough and Renko, 2013); alert actor (Sun et al., 2011); responder to entrepreneurial failures (Hayward et al., 2010)
Meso-economic	creator of organizational balance (Lai et al., 2016)
Macro-economic	organizational entrepreneur (Ates and Bititci, 2011); member of a party/union (Huggins and Thompson, 2015), transformer (Powell and Baker, 2012)

*Source: Authors*

In line with this, entrepreneurs that score highly for resilience characteristics are likely to run successful business that grows over time [17].

## CONCLUSION

Entrepreneurship researchers have made surprisingly few contributions to understanding resilience. Many of them did not discover the common characteristics that connect entrepreneurship with resilience such as flexibility, adaptability, proactivity, and innovation. “One of the key tensions in entrepreneurship theory — whether entrepreneurial actions move the economy toward equilibrium or away from it — has an analogy in the discourse of resilience; the question of whether resilience helps communities and / or organizations to preserve existing economic structures or adapt by creating new ones” [27].

Finally, we can conclude that resilience of economy of a country cannot be achieved if the organizations are not also resistant to negative impacts. Therefore, many believe that resilience of a country and resilience of small and medium companies are just like to sides of one coin [18]. By organizational resilience, we do not imply only “survival” and “existence” of the company, but also comprehensiveness in the access to business success.

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