

An Entrepreneurial Development Approach to Encouraging Innovation-Based Economic Recovery

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Abstract

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Post-crisis economic recovery demands innovative approaches, one of which is the development of entrepreneurship based on innovation. This approach focuses on building ecosystems that support dynamic entrepreneurship capable of driving long-term economic growth. This literature-based study aims to examine how innovation-driven entrepreneurial development can accelerate economic recovery by creating added value, technological efficiency, and new employment opportunities. By analyzing various recent international journals, this study identifies effective strategies such as business incubation, access to innovative financing, and triple helix collaboration. The findings reveal that innovation driven by entrepreneurship is not only capable of mitigating the impacts of economic crises but also facilitates the transition toward a digital and green economy. This research provides a conceptual framework and policy implications that can be applied broadly to strengthen economic resilience through innovation. The integration of entrepreneurship, innovation, and institutional collaboration emerges as a key component in transforming economies to be more adaptive, inclusive, and future-oriented in the face of global challenges.

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1. Introduction

The global economic crisis, whether caused by financial, geopolitical, or pandemic factors, has created an urgent need for economic recovery strategies that are not only reactive but also transformational. These crises have exposed structural weaknesses in traditional economic systems that are overly dependent on large sectors and are not adaptive to change. One approach that has gained widespread attention in the discourse on contemporary economic development is innovation-based entrepreneurial development. In this approach, entrepreneurship is not viewed merely as an individual economic activity, but as a systemic force capable of driving innovation, creating jobs, and strengthening the national economic structure.

Changes in market structure and technology over the last two decades have shifted the center of growth from large corporations to innovative startups and SMEs. Small and medium-sized enterprises now play a vital role in disrupting old business models and introducing new approaches that are more efficient and inclusive. According to Vu (2020), innovation emerging from the entrepreneurial sector can be a primary catalyst in the economic recovery process, especially through the acceleration of technology adoption and the creation of new business models. This reflects that economic recovery strategies must be directed at creating an environment that allows entrepreneurs to develop creative solutions to contemporary social and economic challenges. The development of entrepreneurship integrated with innovation creates opportunities for economic actors to enter broader markets with high added value.

Furthermore, the development of entrepreneurial ecosystems plays a strategic role in encouraging the emergence of new, high-quality entrepreneurs. A mature ecosystem provides a strong foundation for a sustainable innovation process while ensuring that various actors in the economic system can connect synergistically. As explained by Kraus et al. (2020), key elements in this ecosystem include regulatory support, entrepreneurial education, innovative funding, and collaborative networks among government, academia, and the private sector. This synergy among stakeholders creates an environment that allows for a sustainable and highly competitive process from idea incubation to the commercialization of innovative products.

Nevertheless, the main challenge in developing innovation-based entrepreneurship for economic recovery lies in the unequal access to innovation resources. The digital divide, limited funding, and low technological literacy remain serious obstacles, especially in regions with underdeveloped infrastructure. Digitalization and technology integration as key factors in democratizing access to innovation, particularly in regions with infrastructure limitations. Therefore, policy interventions that lead to the provision of digital infrastructure and technology training are very urgent. In addition, diversifying business models based on local innovation is an important means of adapting solutions to the specific social and economic contexts of each region.

This approach is also highly relevant in the context of a sustainable economy that demands not only economic growth, but also environmental protection and social justice. Johnson and Schaltegger (2020) show that the development of

entrepreneurship aligned with the sustainable development goals (SDGs) can create long-term economic impact by minimizing environmental impact and expanding social inclusivity. Entrepreneurs who focus on green innovation are more adaptive to post-crisis market dynamics and have great potential to shift the traditional economic paradigm towards a low-carbon, socially-valued economy.

Through this literature review, this study aims to examine the entrepreneurial development approach in driving innovation-based economic recovery. The focus is on identifying the components, strategies, and impacts of this approach on the structure and dynamics of the economy in general. By combining the results of empirical findings from various countries and sectors, this study is expected to contribute to the development of more responsive and progressive policies in the future, and to become an important foundation in shaping a more resilient, adaptive, and inclusive economy.

2. Literature Review

2.1. Conceptualization of Entrepreneurial Development and Innovation

The concept of entrepreneurial development refers to a series of systematic efforts to strengthen the capacity of individuals and institutions in creating, developing, and sustaining innovative businesses. These efforts include entrepreneurial skills training, strengthening innovative character, and increasing understanding of dynamic market changes. In this context, entrepreneurial development cannot be separated from the role of supporting actors such as educational institutions, government, the financial sector, and the business

community. According to Kraus et al. (2020), this approach is not just about training entrepreneurs, but also includes creating a conducive environment through regulation, funding, and innovative education.

This indicates that successful entrepreneurship does not only depend on the individual business actors, but also on the ecosystem that supports the continuity and scalability of their businesses. The creation of an ecosystem that facilitates the growth of innovation-based businesses will increase the chances of success and long-term economic impact. Meanwhile, innovation, in the context of entrepreneurship, is defined as the process of developing new ideas that can be commercialized to generate economic value (Vu, 2020). Innovation can take the form of new products, services, processes, or business models that provide solutions to existing problems. The integration of the two creates a framework that enables knowledge-based economic growth, which is more resilient to crises and more competitive in the face of global pressures. Thus, strengthening innovation through entrepreneurial development is a key factor in modern economic recovery and development strategies.

2.2. Entrepreneurial Ecosystem as an Innovation

Driver One of the key components of entrepreneurial development is the existence of an entrepreneurial ecosystem that includes actors, institutions, and supporting infrastructure. This ecosystem not only functions as a container for business growth but also as a catalyst that strengthens the relationship between key players in the innovation and commercialization process. In this context, the synergistic role between actors is a determining factor in the success of innovation-

oriented entrepreneurial initiatives. Synergy between government, academics, investors, and the entrepreneurial community creates a collaborative path that accelerates the adoption of innovation in various sectors. This kind of collaboration supports the creation of shared value and accelerates the transformation of ideas into real products that can be accepted by the market.

The government provides regulations and incentives, academics contribute knowledge and research, investors provide access to capital, while the entrepreneurial community practices and tests new ideas directly. In addition, Labeeque and Sanaullah (2019) add that business incubation and microfinance models play an important role in encouraging innovation-based entrepreneurship in resource-limited regions. In this case, incubators are not only a place for business coaching but also function as a link between technology and business practices. Incubators that are integrated with research and technology have been shown to increase the success rate of startups, especially in the early stages of business development which are vulnerable to the risk of failure. This support infrastructure is vital in creating an ecosystem that encourages sustainable entrepreneurial growth.

2.3. The Impact of Innovation on Economic Recovery

The connection between innovation and economic recovery is reflected in various studies that examine the transformative impact of innovation on the economic system, both in a local and global context. Innovation not only serves as a problem-solving tool but also as a future-oriented development strategy. Johnson and Schaltegger (2020) show that companies that adopt digitalization and innovation recover faster from economic shocks. The adoption of digital technology enables

process automation, cost efficiency, and broader market penetration through online platforms. In addition, innovation also increases the operational flexibility of companies in responding to rapid and unexpected market changes. In the long term, innovation becomes a transformative instrument that directs the economy towards sustainability by introducing environmentally friendly business models, products based on social needs, and more equitable distribution systems.

Innovation creates value not only in the form of financial profit, but also in the form of positive social and environmental impact. Research by Suriyankietkaew et al. (2022) emphasizes that social and digital innovation allows entrepreneurship to address social inequality, open access to new markets, and strengthen regional economic structures. Social innovation, for example, is able to bridge the needs of vulnerable groups through inclusive products and services. Meanwhile, digital innovation allows business actors to reach consumers beyond traditional geographical boundaries, expand the scale of operations at a lower cost, and create new economic networks that are more resilient to crises. The combination of both is an important foundation for a resilient and equitable future economy.

3. Method

This study uses a qualitative approach with a literature review method, which aims to deeply explore and analyze the relationship between entrepreneurial development and innovation in supporting economic recovery. The data collection process was carried out through a systematic search of relevant scientific articles published. The literature search was conducted using the Google Scholar platform

with keywords such as entrepreneurial development, innovation-based recovery, entrepreneurial ecosystem, economic resilience, and post-crisis entrepreneurship. The search focus was directed at reputable international journal articles, both open access and limited access, with an emphasis on scientific works that explicitly discuss the link between entrepreneurship and innovation in the context of economic recovery. The analyzed articles were selected based on the inclusion criteria of having a primary focus on the relationship between entrepreneurial development and innovation within the framework of economic recovery and containing both empirical and conceptual elements.

All collected documents were analyzed using a thematic approach to identify patterns, relationships between variables, and theoretical and practical contributions from each study. This approach refers to the analytical framework which includes several important stages such as data reduction by eliminating irrelevant sources, coding topics based on dominant keywords that appear in the text, and grouping findings into specific theme and sub-theme categories. The validity and reliability of the study results were maintained through a process of source triangulation, which was carried out by comparing and examining the consistency of findings between journals, and re-testing the results using backward citation tracking techniques to trace the references used in the main articles. The final analysis was structured narratively, by integrating theoretical and practical findings from various sectors, so that it could form a conceptual map and produce recommendations that are applicable and relevant to be widely applied in the formulation of policies and economic recovery strategies based on innovation and entrepreneurship.

4. Results

The results of this literature review show that the entrepreneurial development approach based on innovation has a significant influence on the economic recovery process after a crisis, both in the short and long term. This strategy is not only relevant as a response to a crisis situation, but also becomes the foundation for adaptive, inclusive, and sustainable economic development in the era of digital transformation and global transition. Through an analysis of 15 journal articles, several key findings were obtained that reflect the dynamics, challenges, and opportunities in implementing this approach in various contexts and sectors. These findings provide valuable insights into how innovative entrepreneurship can drive structural stability and economic revival.

Innovation developed through entrepreneurial activity has been proven to increase the adaptive capacity of the economic sector to rapid structural changes. The ability to respond to market dynamics, technological changes, and consumer needs is a key determinant of success in the context of recovery. Vu (2020) highlights that innovative entrepreneurship tends to be quicker to respond to disruption due to its flexible, lean organizational structure and high orientation towards dynamic market opportunities. This flexibility gives small and medium-sized enterprises a competitive advantage in dealing with economic uncertainty (Yousuf et al., 2021). This allows the SME and startup sectors to become the main drivers of economic recovery, especially in the early post-crisis phase when large companies are often still in the consolidation stage. Furthermore, innovative entrepreneurship can introduce new solutions that have never existed before, which are precisely needed in a crisis.

The creation of an entrepreneurial ecosystem that is integrated with the national innovation system has been proven to strengthen the local economic resilience to external pressures. The ecosystem in question involves coordination between various stakeholders including the government, universities, research institutions, businesses, and investors who together create a conducive environment for the development and diffusion of innovation. A study by Kraus et al. (2020) identifies that the success of economic recovery is highly influenced by the strength of the network between educational institutions, research institutions, the industrial sector, and funding entities. This network serves to channel resources, ideas, technology, and expertise more efficiently and equitably. In this context, the role of incubators and accelerators becomes very important because they can bridge the gap between innovative ideas and market implementation. Incubators provide space, guidance, access to seed capital, and connections to business networks that increase the likelihood of startups growing sustainably.

Development of technology-based entrepreneurial skills is an important foundation for shaping post-crisis economic competitiveness. Digital skills, an understanding of new technologies, and the ability to innovate are key components in dealing with disruption. Digital technology-based training not only equips entrepreneurs with technical expertise but also strengthens sustainable innovative capacity. With adequate training support, business actors can be better prepared to face challenges and take advantage of opportunities in the digital economy era. In addition, an increase in digital literacy also correlates with the level of adoption of new business models that are more efficient and data-based. This is important

because companies that are able to strategically utilize data and technology tend to have higher resilience to crises.

Innovative financing is a key factor that determines the sustainability and expansion of innovation-based businesses. Access to business capital is still one of the main challenges for business actors, especially in the early and growth stages. Johnson and Schaltegger (2020) note that access to risk-based capital, such as venture capital, angel investment, and crowdfunding, expands the space for innovators to develop products and services that meet market needs quickly and accurately. These non-conventional forms of financing are more adaptive to risk and have a long-term orientation, unlike bank loans which tend to be conservative. On the other hand, limited access to funding, both from the public and private sectors, is often a major obstacle in expanding the operational scale of innovative entrepreneurs. Therefore, a more inclusive and flexible financial mechanism is needed to support the innovative entrepreneurial ecosystem, including tax incentives, research grants, and public-private partnerships in innovation financing.

Literature shows that the involvement of the public sector through supportive policies for innovation has a direct impact on the success rate of startups. Regulations that support innovation will create a space for business actors to experiment with new approaches without too many bureaucratic hurdles. Policies that encourage technology adoption, tax reductions for innovation investment, and bureaucratic simplification greatly influence the entrepreneurial ecosystem. The government can also act as an early adopter of local innovative products, through innovation procurement mechanisms. With this approach, the public sector is not

only a regulator, but also a facilitator and accelerator in supporting the growth of local innovation.

Entrepreneurial orientation towards sustainable solutions or green entrepreneurship makes a significant contribution to long-term economic recovery that is environmentally and socially friendly. The integration of sustainability principles into entrepreneurial business models creates dual value: economic and ecological. A study by Suriyankietkaew et al. (2022) reveals that entrepreneurs who integrate sustainability values into their business models tend to be more resilient to market pressures and gain greater market support due to increased environmental awareness. Green innovations such as energy efficiency, waste processing, and products based on recycled materials are now relevant differentiation factors in the eyes of consumers. In addition, green entrepreneurship contributes to the sustainable development agenda (SDGs) and is able to attract funding from investors who focus on social and environmental impact (impact investment).

The literature also confirms the importance of building local community capacity to support innovation-based entrepreneurship evenly. Community involvement in the innovation process strengthens social legitimacy and expands the reach of adoption of new products or services. Labeeque and Sanaullah, (2019) show that community participation in local innovation contributes to increased productivity and job absorption, while expanding an inclusive socio-economic base. By bringing the innovation process closer to the community, entrepreneurship not only creates profit, but also becomes a tool for social empowerment. This

strengthens the bottom-up approach in economic recovery that is oriented towards grassroots empowerment and increasing local capacity.

Digitalization is the main enabler in accelerating entrepreneurial growth after a crisis. Access to digital technology opens up new opportunities for business actors to optimize operations, reach new markets, and build more agile business models. A study by Loonam and O'Regan (2022) affirms that the use of digital platforms not only lowers the cost of market entry, but also increases the efficiency of the supply chain and access to customers globally. In this context, digital transformation has been proven to be one of the most effective strategies in accelerating the recovery of small and medium-sized businesses. With the support of technology such as cloud computing, e-commerce, and big data analytics, business actors can respond to customer needs in real-time and be more adaptive to changes in demand.

Cross-sectoral collaboration (triple helix of academia, business, and government) provides a strong foundation for the creation of innovative, applicable, and widespread impact (Bode et al., 2019). This collaborative model enables the transfer of knowledge from universities and research institutions to the industrial world, and bridges the gap between basic research and market needs. Galvao et al. (2019) emphasizes that this collaboration accelerates the transition of research ideas into prototypes that can be commercialized, and expands the scope of innovative solutions in the context of industry and society. When these three main actors synergize systematically, the innovation produced is not only scientifically relevant, but also has high economic potential and contributes directly to recovery.

Dynamics of innovation-based economic recovery show that regions with a strong entrepreneurial base and good institutional support tend to recover faster than regions that do not have such an ecosystem. The existence of supporting institutions such as innovation centers, science parks, and entrepreneurial training institutions is an important element in maintaining the sustainability of economic recovery. This shows a strong positive correlation between the strength of the local entrepreneurial structure and economic resilience to crises. Therefore, future economic recovery strategies need to place innovative entrepreneurship at the center of inclusive, resilient, and knowledge-based economic development policies.

5. Discussion

The findings from this literature review confirm that the entrepreneurial development approach based on innovation is an important strategy in accelerating economic recovery in an inclusive and sustainable manner. This approach has been proven to be not only effective in responding to the short-term impacts of economic crises, but also contributes to building a more resilient and competitive economic foundation (Mazzola & Pizzuto, 2020). The combination of innovation, financing, entrepreneurial training, and responsive public policies creates a synergistic effect on both macro and micro economic dynamics. When these factors are developed in an integrated manner, the impact not only accelerates economic recovery, but also improves the quality of economic growth itself.

From a policy perspective, this study consistently supports the importance of formulating a national entrepreneurial strategy that not only focuses on creating a

large number of new businesses, but also on structural transformation through the strategic and measured use of innovation. Thus, regulations and fiscal incentives need to be carefully directed to support the innovative process in a sustainable manner and create new economic competitiveness that is more relevant to the demands of the times. Public policy must be able to encourage a culture of innovation, remove bureaucratic barriers, and accelerate the integration of technology into strategic sectors. This is very important to avoid the trap of temporary, short-term recovery that does not create long-term economic value (Finucane et al., 2020).

Furthermore, digitalization has been proven to be both a disruptive force and a great opportunity to drive innovation-based economic recovery. The application of digital technology enables the birth of various new business models, facilitates operational efficiency, and opens access to previously unreachable markets. Digital entrepreneurship encourages broader market penetration and higher efficiency in various economic activities. However, the digital divide, both in terms of infrastructure and digital literacy, must be a major concern in planning a recovery strategy so as not to widen the social inequality that already exists (Chetty et al., 2018). An inclusive strategy is needed to ensure that all levels of society can access and utilize technology fairly.

This discussion also emphasizes that cross-sectoral collaboration is a determinant factor in strengthening the innovative capacity of an entrepreneurial ecosystem. The role of academics in generating new knowledge and technology, the role of the business sector in implementing solutions in the field, and the role of the

government as a facilitator, regulator, and supporter of the ecosystem are the keys to the success of this strategy. These three actors must interact within a synergistic framework so that the innovation produced is not only elitist or focused on one sector. In the context of economic recovery, this strategy is not only reactive to the crisis, but also encourages a more progressive economic transformation towards a knowledge economy, which has great potential in creating sustainable added value.

Another important implication is the need to strengthen local institutions in supporting innovative entrepreneurs who emerge from various communities. Community-based initiatives, regional incubators, entrepreneurial training centers, and microfinance models based on local potential can accelerate the distribution of economic benefits to the groups most affected by the crisis. This is very important to create an economic recovery process that is not only fast, but also equitable and just. By integrating all these findings, the entrepreneurial development approach based on innovation can be seen not only as a temporary response to a crisis, but as a long-term development strategy that is adaptive, dynamic, and highly competitive.

6. Conclusion

This study concludes that the entrepreneurial development approach based on innovation is an integral strategy in driving sustainable economic recovery. Through a review of various international journals, it was found that innovative entrepreneurship plays an important role in creating added value, expanding job access, strengthening technological capacity, and increasing economic resilience to crises. A well-structured entrepreneurial ecosystem that includes funding, training,

policy support, and digitalization has been proven to accelerate recovery and open a transition path towards a knowledge-based economy. In addition, the integration of sustainability values and social inclusivity into entrepreneurial models provides a dual effect on economic growth and the equitable distribution of benefits.

However, the implementation of this strategy faces challenges in terms of unequal access to innovation resources, limited digital infrastructure, and the need for more effective cross-sectoral coordination. Therefore, post-crisis economic policy must place innovative entrepreneurship as a main pillar of long-term development. This study provides theoretical and practical contributions to understanding the dynamics of economic recovery through innovation-based entrepreneurship, and serves as an important reference for policymakers, academics, and business actors in designing resilient, adaptive, and sustainable strategies.

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