

# Preface

One of the main challenges facing the member states of the European Union (EU) is the fundamental need to accept the strategic importance of entrepreneurship as a force for regional development and economic growth. Definition of this urgent objective is set in the context of the European Council in Lisbon in March 2000, where there was focus on other operational goals directed to improving performance in European regions in terms of different variables indicating the level of economic activity, particularly employment, real convergence, economic reform, and social cohesion.

In 2003, the European Commission (EC) initiated the public debate around the need to strengthen entrepreneurship in the European Union, through publication of the “Green Paper on Entrepreneurship” in Europe which raised two fundamental questions for reflection by policymakers, entrepreneurs, and individuals: (a) why do so few Europeans set up their own business? and (b) why are so few European businesses growing?

Later, in the context of the 2004 Spring European Council, the European Commission launched the “Entrepreneurship Action Plan” which aimed fundamentally to: (1) change the way society views entrepreneurs, (2) create conditions to encourage more individuals to become entrepreneurs, (3) allow SMEs and entrepreneurs to be more competitive and assume a more important role in determining growth, (4) improve conditions for access to finance by SMEs and entrepreneurs, and (5) create an administrative and regulatory framework for SMEs.

Since the 1990s, academic investigations developed according to an eclectic paradigm consider entrepreneurship as having important effects in both the economic and social domains. Entrepreneurship is also considered a powerful driver to combat social exclusion, and can promote integration of ethnic and immigrant communities with high potential in terms of entrepreneurial ability and innovation. This combination of cultures facilitates the emergence of truly innovative proposals able to penetrate and be accepted in international markets characterized by an increasing mix of coexisting cultures, making it viable to take advantage of truly global niches in the market.

Following a Neo-Schumpeterian approach, entrepreneurship can also be a generating force for creative destruction not only in terms of promoting employment but also in processes of change. The Schumpeterian view of the entrepreneur places as a central agent of change the individual who, despite facing various types of

adversity and resistance to change, is able to apply a filter of knowledge that allows successful commercialization of a creative idea.

It is precisely the lack of comprehension of the importance of the entrepreneur as a determining agent of the process of creative destruction that has reduced the competitive capacity of countries based on growth dynamics led by multilevel approaches that contemplate the individual, region, and country.

Individuals considered as the contributing basis for strengthening countries' competitive capacity interact in the field of dense institutional networks that, although operating in completely global networks, have to face barriers to the development of individual entrepreneurial capacity and competitive conditions which imply different levels of change, namely institutional, organizational, and, above all, cultural.

Concerning institutional change, it becomes necessary to provide the leadership of public institutions with young and independent human capital, directed toward contemplating simultaneously entrepreneurship and innovation. In addition, the networking of public and private institutions should be promoted as an interface that allows joint management and the introduction of both disruptive and incremental innovations according to the function assumed by each participating partner in the institutional networks that should preferably be directed toward increased economic growth and productivity.

Organizational change based on withdrawing false social protection is a priority. Certainly, conditions should be created for maximum general welfare, but without forgetting identification of mechanisms of (im)balance between producer surplus and consumer surplus, as a way of creating a sufficiently solid and appealing economic incentive for individuals to consider the option of being entrepreneurs, as one of the possible occupational choices they could make at any time in the course of their personal and professional development.

As for cultural change, a risk-loving type of culture should be encouraged, as a function of profound changes taking place through public policies that promote behavior comprising high risk, but calculated according to the necessary constant and vigilant upgrading of competences, activities and technical qualifications required to face new knowledge-intensive ventures successfully.

Concentrating on a positive change-oriented culture, at the three levels referred to, as well as identification of the best entrepreneurial and innovative individuals available, should begin with identification of our comparative advantages in regional terms. It is in the regions that we find a country's force of development, and although change is sometimes desired, it is not yet fully "understood" by decision-making agents in general in the public and private spheres.

Taking qualified entrepreneurship based on technology, and not that of survival so characteristic of developing economies, as the lever for regional development and growth means concentrating on a technological driving force that will create instability in terms of employment but which by qualifying and retaining qualified independent human capital can produce effects over time able to promote sustainability which is under threat in underdeveloped and depressed regions, through the dynamics of high-tech activities in harmony with traditional product specialization.

Use of incentives focused exclusively on foreign multinational firms is not an efficient way to increase general welfare, inasmuch as the potential benefits arising from spillover effects only arise if entrepreneurs are motivated to learning and subsequent incorporation in local production processes and organization of foreign technology, differentiating competences, and a culture directed toward designing innovative, efficient, and sustainable organizations.

So it is time to take a new look at the priorities of public development policies, particularly those marked recently by reduced investment in the education sector, because without education there is no entrepreneurship or even regulation that translates into greater stocks of knowledge (or creative ideas) associated with highly qualified human capital, or through acceleration leading to higher levels of economic growth with an endogenous basis.

In this context, there is a need to define public policies for fostering entrepreneurship based on disruptive innovation, aiming to generate mixed combinations of risk and performance that guarantee prolonging and sustaining business opportunities which represent forms of highly qualified technological entrepreneurship that can generate added value easily transferable to the necessary restoration of real convergence, in terms of economic growth.

The entry of companies into higher education institutions: universities and polytechnics, and especially businesses that carry out activities in emerging and traditional sectors, with intense use of knowledge and technology, should also be encouraged through public policies oriented toward technological entrepreneurship and the education of human capital. These policies must overcome the traditional practice of protectionism and concentrate above all on creating an entrepreneurial and winning culture that through an integrative business approach allows financial gains for both companies and higher education institutions and their respective research units. In this way, there can be viable network functioning and endogenous growth of areas influenced by regional higher education institutions, without the occurrence of situations of monodependence on European and national funding of a structuring nature.

In this way, new mechanisms for technological regionalization can emerge from the potential of endogenous growth in each region, formed by what each one really knows how to do, in a differentiated way, instead of being simply an administrative task of formal organization and political administration of the country.

Regions should be reconsidered in terms of the specialization of traditional and emerging activities, with a starting point being the mapping of clusters and insights from the pioneering studies carried out by Giacomo Becattini and Michael Porter, on groups of innovation associated with activities geographically concentrated around a central driving force of innovation and regional development. Those crucial activities form the core of an international network of real competences that can serve as a driving force for development and endogenous growth. In addition, they should be the foundation for redesigning regional systems of innovation based on technological regionalization with extended institutional relationships and international cooperation, going beyond the physical limits of the local concentration of economic activities.

Following this line of thought, the contribution of this book is to join in the same volume a set of theoretical visions and empirical assessments by leading scholars about public policies toward entrepreneurship. The focus is on rethinking European public policies for entrepreneurship and various levels based on analyses of different cases of implementation of entrepreneurial and innovating policies in Europe. The book is divided in two parts: Part I – Entrepreneurship Policies: A European Framework and Part II – Entrepreneurship Policy in Countries and Regions. In Part I, various theoretical approaches are presented by prominent scholars. They point to the need for the European economy to be the subject of regional reorganization, based on concentrations of production activities with a strong component of knowledge and technology.

There follows a summarized review of the contributions brought together in the two main parts of the book. In Chap. 1, David Audretsch, Iris Beckmann, and Werner Bönte discuss how policy programs promoting knowledge-based start-ups may potentially foster the commercialization of knowledge and spur economic growth. However, the authors question whether such government programs are really needed or whether markets are likely to achieve an efficient outcome without government intervention. Moreover, the way of implementing these entrepreneurship policies and the success obtained are analyzed as well.

In Chap. 2, Martin Carree, Roberta Piergiovanni, Enrico Santarelli, and Ingrid Verheul analyze regional policies supporting new firm formation in Italy between 1997 and 2005, testing for the impact of policies implemented between 1997 and 2003 on gross entry, exit, and net entry in Italian provinces. This analysis is conducted for six different sectors: Manufacturing, Construction, Commerce, Hotels and Restaurants, Transport, and Financial Services. The effect of unemployment rates on firm demographics is evaluated, controlling for economic growth, level of development, presence of industrial districts or major cities, and the wage level. The results point out that the effects of direct subsidies and fiscal incentives on both gross and net entry are not (or hardly) significant. Hence, the authors state that regional policies implemented to induce entry in fact appear to have no important effect on firm dynamics at the local and industry level.

In Chap. 3, Giambattista Dagnino, Arabella Li Destri, and Daniela Baglieri explore the relationships between firm strategies, the design of institutional contexts on behalf of public agents, and the stimulation of diffused entrepreneurship within the economic system. In particular, they analyze the way in which firm patent portfolio management strategies may systematically hinder the emergence of entrepreneurial endeavors within the economic system. The authors argue that although patents are institutional mechanisms typically designed with the intention of motivating economic agents to create value for the society they belong to by adopting entrepreneurial behaviors (and as such receive favorable treatment in public policies), they may also be strategically used by large firms as an offensive barrier to entry or to imitation by potential competitors.

In Chap. 4, Niels Bosma, Veronique Schutjens, and Erik Stam review several streams of literature stressing the importance of regions when it comes to investigating both causes and consequences of entrepreneurship. The authors examine the

“determinants side,” through the analysis of the impact of regional conditions on entrepreneurial activity. For this purpose, a multilevel approach is used, in order to assess the way regional conditions impact on individual entrepreneurial behavior. This makes sense in the light of entrepreneurship policy, in the sense that regional and national entrepreneurship policies are designed to impact individuals’ entrepreneurial behavior. A dataset encompassing individual behavior of over 3,50,000 individuals is used, for 131 regions across 16 countries in Europe. The main findings were (1) Network effects in the region appear to be of importance. Regions where many individuals personally know someone who recently started a business show more innovation-oriented entrepreneurs; (2) At the national level, a profound negative effect of the degree of employment protection on involvement in both growth and innovation-oriented entrepreneurship is found; and (3) A positive effect of immigration on early-stage entrepreneurship with innovation ambitions is found. Nevertheless, its effect on employment growth ambitions is negative.

In Chap. 5, Erik Stam, Kashifa Suddle, Jolanda Hessels, and André van Stel investigate whether the presence of ambitious entrepreneurs is a more important determinant of national economic growth than entrepreneurial activity in general, in the light of the ongoing debate about public policies designed to stimulate high-growth start-ups. The authors use data from the Global Entrepreneurship Monitor (GEM) to test the extent to which high-growth ambitions of entrepreneurs affect GDP growth for a sample of 36 countries. The main findings suggest that ambitious entrepreneurship contributes more strongly to macroeconomic growth than entrepreneurial activity in general. Furthermore, a particularly strong effect of high-expectation entrepreneurship is revealed, for transition countries.

In Chap. 6, Charlie Karlsson and Martin Andersson address several fundamental questions pertaining to entrepreneurship policies, namely determination of the optimal rate of entrepreneurship, identification of fundamental market failures, and identification of the risks associated with policy failures and how can they be avoided. The authors also state that entrepreneurial activities in different locations offer very different conditions for entrepreneurship, and the factors stimulating entrepreneurship tend to differ between different locations. In their view, this implies that there is a need for different entrepreneurship policies in different types of locations that should be based on appropriate analyses, which must consider the general conditions for entrepreneurship in terms of institutions, the role of the public sector, and the influence of market failures. If the general conditions are wrong it can be meaningless as well as a waste of time and resources to develop sophisticated policies targeting entrepreneurs.

In Chap. 7, Mário Raposo provides an overview of the theoretical background and goes on to examine entrepreneurship policy in Portugal. The author states that entrepreneurship policy influences the environment in favor of entrepreneurship, by introducing measures that will enable people to move through the entrepreneurial process. In this line of reasoning, entrepreneurship policies encompass multiple organizational units, ranging from individuals to enterprises, as well as clusters, or networks, which might involve sector and/or spatial dimensions, a city, a region, or even a country.

In Part II, specific entrepreneurship policies in Europe are analyzed and assessed. In Chap. 8, Maria José Silva and João Leitão analyze whether the entrepreneurial innovation capacity of firms is stimulated by their external partners. The Portuguese situation is used for testing if entrepreneurial innovation capacity is stimulated by external partners, controlling for size, research and development (R&D) intensity, export intensity, and industry sector. The theoretical approach developed supports the basic idea that innovation is an evolutionary, nonlinear, and interactive process between the firm and its partners, where external contacts that relate to innovation influence the firm's innovation capacity. The findings point out that product innovation benefits from partnering with universities. The findings suggest the importance of public policies oriented toward cooperation in open innovation with external partners.

In Chap. 9, Zélia Serrasqueiro and Paulo Nunes analyze the determinant factors of the growth of Portuguese Knowledge Intensive Business Services (KIBS). From the study carried out, the authors claim that (1) smaller, younger companies grow more quickly than larger, older companies; (2) internal financing, long-term debt, and R&D are determinant factors for company growth; and (3) total debt and short-term debt, public grants, and intangible assets appear to be irrelevant as determinant factors for growth. On the basis of the study, four types of public policies for entrepreneurship are proposed: (1) direct public support for the rapid and sustained growth of Portuguese KIBS, (2) more efficient use of public grants, (3) creation of special channels for long-term debt to promote R&D activities, and (4) effective public programs for the creation of new companies whose activities are concentrated on high intensity of R&D.

In Chap. 10, Friederike Welter reviews the German support system for fostering entrepreneurship and SMEs, focusing on the specific institutional structure, and also the main policy areas and trends in support emerging over the last decades. On the basis of her participation and acquired experience in distinct projects, the author assesses the German system, looking at the rationales for supporting new and small firms, and demonstrating some strengths and shortcomings. Several potential lessons are presented that can be considered in making the support system more suitable for fostering entrepreneurship as well as identifying overall barriers to implementing an entrepreneurial culture in distinct locations.

In Chap. 11, Pia Arenius reviews the Finnish entrepreneurship policy. Focusing on entrepreneurship, the author states that the emphasis of the Finnish policy shifted from SME policy toward a more holistic entrepreneurship policy in the late 1990s. Currently, Finnish policy shows some signs of shifting back toward an SME emphasis again, with a focus on the growth and internationalization of firms. Nevertheless, the promotion of entrepreneurship education and the creation of new structures, products, and services for new start-ups and under-represented target groups will continue. The author states that the abundance and variety of initiatives appears to be a significant weakness of entrepreneurship policy in Finland (GEM studies 1999–2007). Therefore, an external evaluation of entrepreneurship policy and specific interventions is proposed, in order to identify focus areas.

In Chap. 12, Marc Cowling, Gordon Murray, and Pete Bates analyze the experience of the UK government's strategy in the area of Venture Capital (VC), through evaluation of the activities of informal investors and the nature of their intervention, according to two schemes: the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs). Through a panel data analyses, the authors find that the majority of EIS- and VCT-supported companies were incorporated within the last decade. For both schemes, a clear majority of companies were founded either in the year of their first scheme investment or less than 12 months before the scheme investment. Furthermore, the authors point out that the proportion of brand new companies receiving EIS investments is fairly stable over time, while the period post-2001 has been characterized by an increase in the share of new companies using VCT investment. Historically, around one quarter of all EIS and VCT recipient companies are no longer actively trading and (as would be expected) the cessation rate increases the more time that has elapsed since the initial investment.

In Chap. 13, David Urbano and Nuria Toledano examine the importance of new firms in the generation of wealth, employment, and social welfare. For this purpose, the Spanish situation is used for testing the effects associated with the implementation of entrepreneurship policies. The authors analyze the support programs that stimulate the creation of new firms and the institutional context that affects them. These issues are addressed from the institutional perspective using a case-study approach. The main results emphasize the importance of some environmental factors, especially assistance measures and the entrepreneurial culture in new firm creation.

Finally, in Chap. 14, Christian Serarols, Yancy Vaillant, and David Urbano reveal the importance of entrepreneurship as an important component of economic, employment, and innovation policy. The need to promote technology-based firms, even in rural areas, is stressed. On the basis of Catalanian experiences, the authors analyze the variables that influence the choice of location made by rural technology-based manufacturing firms, taking as reference three of the most common theoretical frameworks used to analyze location decision making: neoclassical, institutional, and behavioral. The results of the qualitative approach suggest important policy recommendations as well as practical insights for entrepreneurs.

This book appears at a particularly unfavorable time, in economic and social terms, when entrepreneurship and innovation assume particular strategic importance, inasmuch as endogenous growth should be considered by policymakers and also by business-people and citizens as one of the driving forces that can catalyze regional economies. In doing so, it inverts growing economic and regional inequalities that increasingly separate a diversified geographical area that should be innovative, entrepreneurial, and competitive. This is the main motivation for analysis in Part II of the Entrepreneurship Policy through presentation of the European experience, according to different contributions applied to European countries and regions.

The European experience is therefore presented as a genuine living laboratory where we find diverse examples of initiatives of public policies directed toward entrepreneurship and innovation. However, the future spread over the whole of Europe of less bureaucratic public policies with great impact on economic and social activities will be welcome. This is the preferred path suggested in this work

to follow up the Schumpeterian and reformative philosophy of the Lisbon Strategy (March 2000), over the whole of Europe with its endogenous capital which is human, organizational, relational, historical, and cultural. This is its great advantage for accelerating the process of real convergence and endogenous growth with a regional basis.

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