



# The Future of Small Business Economics Workshop Report

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## Place, Date and Time

Utrecht University School of Economics, 10 February 2017, 14.00 – 17.30  
Green Room, Adam Smith Hall, Kriekenpitplein 21-22, Utrecht

## Stakeholders

The participants are members of the editorial board of *Small Business Economics: An Entrepreneurship Journal*. This leading academic field journal on entrepreneurship has agreed to host a special issue on the topics of the FIRES-project. The list of participants was complemented with staff members at Utrecht university interested and active in the field.

### Participants:

Mark Sanders	Utrecht University
Erik Stam	Utrecht University
Enrico Santarelli	University of Bologna
Roy Thurak	Erasmus University
Laszlo Szerb	University of Pecs
Rui Baptista	Carnegie Mellon University
Silvio Vismara	University of Bergamo
Marco Vivarelli	Catholic University of Milan
Zoltan Acs	George Mason University
David Audretsch	Indiana University Bloomington
Jeroen Content	Utrecht University
Rebean Al-silefanee	Utrecht University
Nick Philipson	Utrecht University
Carla Costa	Utrecht University
Diemo Urbig	Bergischen University Wuppertal
Werner Liebrechts	Utrecht University

## Format

The program below involves presentations on the Future of Entrepreneurship by a leading Academics, specializing in entrepreneurship.

### Agenda:

14-00 - 14.45	The Future of Entrepreneurship Research (Enrico Santarelli, Roy Thurik)
14.45 - 15.30	Institutional Reforms for Entrepreneurship (Mark Sanders, Laszlo Szerb, Silvio Vismara, Sameeksha Desai)
15.30 - 15.45	Break
15.45 – 16.30	Human Capital, Employment and Entrepreneurship (Rui Baptista, Marco Vivarelli)
16.30 – 17.15	Entrepreneurial Ecosystems (Zoltan Acs, David Audretsch, Erik Stam)
17.15 – 17.30	Wrap-up

## ***Main Question(s) put to the Stakeholder(s)***

By presenting the main academic thrust of the FIRES project we challenged the stakeholders to think about and give feedback on the academic work in the FIRES project. The main characteristic of the FIRES-project is that we focus on institutions and institutional reform. This is a sharp contrast with the other research stream in Entrepreneurship research that focusses on the characteristics and traits that correlate with entrepreneurial activity and ambitions. The first focuses on the environment, the second in the individual. We challenged this group of stakeholders to reflect on the direction the FIRES-project has taken.

Specific questions that were answered in the workshop:

- Do you agree that the future of entrepreneurship research will remain multidisciplinary?
- Do you agree that the level and impact of entrepreneurship is largely determined by the institutional environment in which potential entrepreneurial talent finds itself?
- Do you agree that the standard elements in entrepreneurship policies (educate, reduce tax, subsidize startups) typically do not deliver the expected and desired results?
- Do you agree that institutional reform should focus first and foremost on reforming financial, knowledge and labour market institutions.

## ***Executive summary***

Enrico Santarelli and Roy Thurik kicked off the workshop by exploring the future of entrepreneurship research. Both motivated by taking a multidisciplinary approach, it was interesting to see they both took a different angle at this. Where Enrico Santerelli focussed on possible complementarities of individual personality traits and a country's constitution, i.e. a multidisciplinary approach of psychology and law, Roy Thurik turned to biology and presented research which aimed at finding entrepreneurial genes.



Enrico makes use of the 5-factor model to quantify the concept agency at aggregate level of a country and then hypothesizes that the agency culture has predictive power on the level of entrepreneurial activity. In addition, he hypothesises that the constitutional environment acts as a moderator on this relationship. He finds that if

a country does not have constitutional provisions of economic freedom, agency culture is negatively associated with new business density. He also finds that when a country increases its constitutional protection of economic freedom, the impact of culture changes from negative to positive. So, even in the case that a country is able to create institutions that are beneficial for entrepreneurship, but agency culture is not, entrepreneurial levels may not benefit as much.



Roy Thurik presented research within the field of what entrepreneurship is and what drivers are behind it. In light of the multidisciplinary approach, he searched the DNA of people to find possible genes that might have a significant effect on the person's propensity of

becoming an entrepreneur. However, not fully succeeding to find these genes, he turned to another field that might have some explanatory power over whether an individual will become an

entrepreneur. In the future, using the DSM (Diagnostic and Statistical Manual of Mental Disorders) Roy now hopes to be able to associate certain mental disorders with entrepreneurial behaviour.

Mark Sanders presented the FIRES-project and its main research themes to the audience and argued it is the institutions need to be reformed to mobilize and enable entrepreneurs. However, before doing so he asked the question, what if we eventually know who will become an entrepreneur, how many do we need to make an economy entrepreneurial and how can an entrepreneurial economy become beneficial for society?

Mark argued that, to become a successful entrepreneur, people need SPIRIT:

Stability (basic security) / Personality (personality traits) / Ideas (knowledge spillovers) / Risk appetite (willingness to take risk) / Investors (finance) / Teams (team). Then he argued Europe has plenty of spirit, but its institutions do not mobilize it for productive entrepreneurship. The reason is that Europe tends to (over)protect perceived weak parties. Creditors, inventors and workers, to the detriment of entrepreneurs and entrepreneurship.



Then, Silvio Vismara shortly talked about crowdfunding with respect to the financing of entrepreneurs. And Marco Vivarelli discussed the relationship of entrepreneurship with employment and how innovation might influence this relationship. Motivated by the fact that the survival of new firms is very low, Marco argued that the employment effect of entrepreneurship might be modest and often temporarily. It is often thought that this is different for innovative start-ups, as some might argue they are the ones that are more likely to create employment. However, innovators might be driven by overconfidence because of their so thought novelty and therefore actually cause excess entry and infant mortality. He presented that innovators have a survival premium over non-

innovators, which would suggest they create employment. The survival of innovative start-ups seems to be more related to new efficient ways of producing a product rather than it is to introducing new products.

The last presentation, by Rui Baptista, investigated the relationship between entrepreneurship and wage inequality. Rui presented research that considers how entrepreneurship might drive inequality



at an aggregate level. As entrepreneurship on an individual level has a wealth increasing effect for the successful ones, on the aggregate level it might increase the share of top-

earners and increase the share of SME's and thus lower wages or create unemployment. Rui argued that there seems to be a correlation between the total amount of entrepreneurial activity and inequality.

## *Follow Up*

The results of the workshop are input to the further development of the research and institutional reform agenda that FIRES aims to develop. The workshop is considered a stakeholder consultation workshop for deliverable 3.5. This stakeholder consultation workshop addresses the issues in Tasks 3.5, 3.8 and 3.9, on institutions, entrepreneurship, inclusive growth, job creation and wellbeing. The results of the workshop have been used in shaping and sharpening the research questions in these deliverables.