



Final Consortium Meeting and Policy Workshop

Mark Sanders

Document Identifier

D1.8 & D7.7: Final Consortium meeting and Policy Workshop in Brussels

Version

1.0

Date Due

M36

Submission date

31st May

WorkPackage

1

Lead Beneficiary

UU



Grant Agreement Number 649378

Place, Date and Time

Brussels, 25-05-2018, 8:45 - 16:30, Royal Flemish Academy of Sciences.

Executive Summary

The conference started with a presentation by **Professor Mark Sanders** (Utrecht University; FIRES) of the project and the FIRES 7-step approach to entrepreneurship policy making. Professor Sanders' presentation was followed by the keynote address on 'The Need for an Entrepreneurial Society in Europe' delivered by **Professor David Audretsch** (Indiana University).



David Audretsch began his key-note speech with the observation that the focus on entrepreneurship in the EU is of a very recent date. It was only from the Prodi Commission onwards that entrepreneurship became an important policy area in the EU. This was mainly because Prodi wanted to address the 'European Paradox' of high investment in new knowledge but paucity of innovation and growth. They saw entrepreneurship as the mechanism to valorize new knowledge in new firms. Then the question becomes how to approach entrepreneurship. Here Audretsch focused on three



approaches: the organizational view of entrepreneurship, the behavioral view of entrepreneurship and the performance view of entrepreneurship. Building on these three approaches Audretsch next discussed how entrepreneurship drives economic performance and the importance of embedding an entrepreneurial economy in an entrepreneurial

society which has to develop policies and institutions conducive to entrepreneurship.

Subsequently, **Professor Erik Stam** (Utrecht University; FIRES) gave a presentation with the title ‘Diagnosis and Dialogue for Strengthening Entrepreneurial Ecosystems’. Stam started his talk with some very well-known examples of successful entrepreneurs. He then situated these examples in a broader societal context and asked why some areas are more successful in creating entrepreneurs than others. The basic answer is CC and DD. CC stands for Context and Conditions and DD for Diagnosis and Dialogue. The rest of this talk focused on this approach. The Conditions and Context come together in Entrepreneurial Ecosystems (EE). These are defined as a set of interdependent actors and factors governed in such a way that they enable productive entrepreneurship within a particular territory. Such an ecosystem consists of systematic



conditions and framework conditions. Systemic conditions are networks, leadership, finance, talent, knowledge and support services. Framework conditions are formal institutions, culture, physical infrastructure and demand. These result in outputs conceptualized as productive entrepreneurship which can be measured in terms of start-ups, scale-ups and entrepreneurial employee activity. These results in turn generate value creation (outcome) such as productivity, income, employment and well-being. In order to strengthen an entrepreneurial ecosystem Stam argued you need a policy process build on diagnosis and dialogue which follow six steps: diagnosis of the ecosystem, debate on diagnosis, selection of policy targets, selection of policy instruments, implementation of instruments and impact evaluation. Based on this policies can be refined. In order to the diagnosis to work Stam discussed several elements which allow for the measurement of entrepreneurial ecosystem elements. This formed the introduction to the workshops by **Professor Laszlo Szerb** (University of Pecs; FIRES) and **Professor Attila Varga** (University of Pecs) who spoke on ‘Assessing Europe’s Entrepreneurial Ecosystems and Simulating Policy Interventions’.



Entrepreneurship Index (GEI) and Regional Entrepreneurship and development Index (REDI) approach for diagnosing the quality of the entrepreneurial ecosystem. The presenters focused on the work by Acs et al. (2014) who defined a System of Entrepreneurship as *‘the dynamic, institutionally*

embedded interaction between entrepreneurial attitudes, abilities, and aspirations, by individuals, which drives the allocation of resources through the creation and operation of new ventures' (p. 119). The system of entrepreneurship is thus a multi-contextual perspective in which system elements are closely connected to each other. If you change one element this can have an effect on other elements. The unit of analysis are in this case smaller regions and the analysis focuses on high impact entrepreneurial activities. In order to analyze SE Professor Szerb and the FIRES-team at the University of Pecs further developed and extended the REDI index. It now incorporates three sub-indices, 14 different pillars, 28 variables – half institutional and half individual – 44 indicators and 60 sub-indicators. Sub-indicator selection was based on: (1) the theoretical and empirical literature search to be able to connect the sub-indicator to an entrepreneurial phenomenon, (2) their potential to assign clear benchmarks and evaluate performance in relation to this benchmark, (3) their capabilities to connect to economic development and (4) the availability of data over the examined time period, 2007-2014. Professor Varga then illustrated how the REDI index was applied in the GMR Europe (Geographic Macro and Regional) simulation model for policy analysis. The application for the cases of Germany, Italy and Hungary were presented in detail to illustrate how policy makers can benefit from the approach developed in the FIRES-project.



After a short coffee break the program continued with a panel discussion with the theme 'Institutional Reforms for an Entrepreneurial Society: A Research Assessment of the FIRES Approach'. The panel consisted of the following experts on entrepreneurship:

Chair of the panel

Professor Erik Stam (Utrecht University; FIRES)

External Experts

Professor Friederike Welter (President of Institut für Mittelstandsforschung)

Professor Reinhilder Veugelers (KU Leuven)



Professor Roy Thurik (Erasmus University of Rotterdam)

FIRES Researchers

Professor Saul Estrin (LSE)

Professor Michael Fritsch (Friedrich-Schiller-Universität Jena)

Professor Claire Economidou (Piraeus University)

Professor Roy Thurik commended the project. In his view, it is a great project and he expects that it will get a lot of praise. He explained that the project will also have a ‘secondary effect’, in the sense that it gives instructions to scholars about what to do next on entrepreneurship and growth. He further explained that the project contributes to the study of entrepreneurship in several respects. Thus, it addresses the many faces of entrepreneurship and the many faces of the economy, as well as the interplay between the entrepreneurship and the economy. Moreover, it focuses on the influence of context and its many dimensions. It takes into account the diversity of Europe, which is one of its virtues, and proposes ‘tailor-made’ recommendations that are expressed in a manner that allows policy makers to understand them. The project also takes a macro perspective on entrepreneurship. In this respect, he noted that one of the weaknesses of the scholarship on entrepreneurship is that it has not entered the field of macroeconomics. Furthermore, the project moves away from the country level and addresses the regional dimension. In addition to these points, Professor Thurik also noted that the empirical work on the long-run relation between entrepreneurship and growth is missing from the scholarship on entrepreneurship and that so far, such a relation, or link, has only weakly been established.

Professor Friederike Welter clarified that she would focus her intervention on two points: research relevance and research applicability. She observed that there was a general criticism that entrepreneurship policy is no longer relevant. However, this is not the case with FIRES, as contextualizing the research approach makes it both relevant and applicable. Furthermore, she expressed the view that the completion of the project was not the end of the work, but merely the beginning of the work. She explained that the project showed how policy interventions can be contextualized and this represents the beginning of new work in the field of entrepreneurship scholarship. Another matter Professor Welter appreciated is that the project showed that there are many ways of achieving an entrepreneurial society. The project also revealed how the ‘menu’ of policy



interventions can be tweaked for making them country-specific and regional-specific. The research done in the context of this project is rigorous and data-driven. Moreover, it showed that the approach to policy making needs to be re-thought and that researchers need to be more open to dialogue with policy makers. The project further showed how researchers might analyse and make use of regional data.

According to **Professor Reinhilde Veugelers** there are many things to be liked about FIRES, and especially the evidence-based approach. That is important as there are not sufficient studies on which policies work and which do not work. She expressed support for the focus of the project on regional ecosystems. She also appreciated that the project sought to identify the weakest links in the ecosystems. However, she expressed a word of caution about analysing regional ecosystems. She explained that such an analysis carries the risk of missing the bigger picture and the inter-regional synergies. Furthermore, she wondered to what extent an ecosystem can be considered regional and observed that a sectoral approach is needed given that ecosystems for various sectors might not overlap. In her view, the analysis is too aggregated. Hence, more granular analysis is needed. She added that it would be interesting to conduct policy experiments with the FIRES approach, using control groups and policy counterfactuals.

Following-up on Professor Welter's suggestion to be more entrepreneurial when it comes to entrepreneurship policy-making, **Professor Claire Economidou** agreed that there was a need to test what policies work. However, she observed that reforms are sometimes difficult to implement, and that they may even have unintended consequences. In her view, although researchers should be ambitious, one has to be humble and conservative when it comes to policy prescriptions given the pre-existent path-dependencies. She concluded by stating that although FIRES may not have all the answers, it constitutes a good first step.

Professor Michael Fritsch briefly explained the FIRES 7-step approach and noted in this regard that the history of the ecosystems and of the institutions are important in the analysis. Hence, we need to know more about the role of history and attitudes towards entrepreneurship. He explained that a strong correlation was found between past attitudes towards entrepreneurship in a given region and

current prevailing attitudes. Thus, regions with strong entrepreneurial tradition are still performing strongly, even in places like East Germany where the entrepreneurial tradition was interrupted by



several decades of communism. As informal institutions are very difficult to change, a stronger focus on history and on informal institutions is needed. Therefore, we need to understand how the entrepreneurial cultures emerged. In order to illustrate the correlation between the current situation and historical developments, he explained

that regions that were industrialized in the past (having big companies and few entrepreneurs) today have low levels of entrepreneurship.

Professor Saul Estrin noted that there were several big things we have learned from FIRES. For instance, we now have strong evidence that confirms the fact that as compared to the US and China, Europe is developing rather slowly on entrepreneurship and that it is lagging behind in adopting new technologies and in innovation. Since there is no hard, empirical evidence linking entrepreneurship and growth, the question becomes ‘why create a more entrepreneurial society?’ We got some answers from FIRES. One reason for fostering entrepreneurship is that well-being is at higher levels in

entrepreneurial environments. We also learned that the relationship between entrepreneurship and the macro-level is context-dependent. Furthermore, the project has brought out the roles of history in shaping institutions. Professor Estrin also observed that the message given to policy makers was not an easy message, and that there is no role model to follow. One cannot just fly to Silicon Valley and copy what they are doing there. Referring to inclusiveness, Professor Estrin



observed that there were two phenomena happening at the same time in the UK: a relatively successful entrepreneurial ecosystem and stark inequality. He explained that if someone in the UK

wants to become a successful entrepreneur, they must to move to London. Although London has a great entrepreneurial environment, it is depleting Scotland of entrepreneurial resources. Therefore, there seems to be a trade-off between having globally competitive ecosystems and having equality.

Referring to Europe's falling behind the US and China, **Professor Erik Stam** rhetorically asked whether Europe needs to catch up with US and China or whether there was an alternative European path.

A second panel was convened in the afternoon. The theme of the discussion was 'Institutional Reforms for an Entrepreneurial Society – A policy Perspective'.

Chair of the panel

Magnus Henrekson (Research Institute of Industrial Economics)

External experts

Bert Kuby (Head of Unit Commission for Economic Policy, Committee of the Regions)

Stephan Raes (Head of the Economic Affairs Department, Permanent Representation of the Netherlands to the EU)

Ulla Engelmann (Head of Unit Clusters and Entrepreneurship, European Commission)

Jonathan Potter (Senior Economist, OECD Centre for Entrepreneurship, SMEs and Local Development)

After introducing the members of the panel, **Professor Magnus Henrekson** made the following remarks. He explained that the EU fell behind both the US and China in terms of number of billionaire entrepreneurs, number of so-called 'unicorns' and number of large firms founded by individuals since 1990. In terms of the development of venture capital markets, the EU is far behind the US and at the same level as China. Moreover, he emphasized that nobody can be in charge of the entrepreneurial ecosystem. Rather, ecosystems are self-organized and experimental. Therefore, the only thing that can



be done for fostering entrepreneurship is to create the conditions necessary for the ecosystem to thrive.

Mr. Bert Kuby commended the project and the very concrete policy recommendations put forward. In addition, he noted that there was agreement at the Committee of the regions that entrepreneurship needs to be fostered and that more experimentation with policy is needed for a growing, sustainable



and inclusive economy. He also commended the data analysis conducted in the context of the project. He further observed that the project was evidence-based and that it analysed a broad range factors that are relevant to entrepreneurship. Moreover, the project is based on a sound methodology. It does not only address the current state of affairs but also offers a historical

perspective. He endorsed the acknowledgement that no one size fits all and the tailor-made proposals approach. He added that the regional focus makes the project credible and operational. However, he also noted some shortcomings of the project, such as ignoring the question of whether the regions have the administrative capacity of implementing the recommendation.

According to **Mr. Stephan Raes**, scaling-up constitutes the main challenge in Europe. The thinking at EU level in the 1990s was that advancing the internal market will create conditions for scaling up. He questioned whether this was really true. In his view, if one followed the logic of FIRES they would not come up with the Services Directive. He further observed that policy makers had difficulties in dealing with the existing complexities and suggested that researchers help policy makers make sense of the relevant complexities. He added that it is important to consider the motivations and aspirations of entrepreneurs as no all entrepreneurs aspire to create high growth firms.



Ms. Ulla Engelmann commended the evidence-based approach of FIRES, as it is important for policy makers to have the relevant facts at their disposal. On the other hand, policy makers also experience an information overload. Although they are getting the research results, they do not always know what

to do with them and what are the next steps. She lamented that often nothing happens to the research results once the reports are produced and published. Ms. Engelmann also commended the FIRES methodology, emphasizing that she liked in particular the analysis of the historical roots of institutions. In her view, it is important to take this into account when developing country-specific recommendations. She noted that the European Commission is publishing every year country-specific fact-sheets on SMEs and inquired if researchers were aware of this.



Mr. Jonatan Potter also commended the FIRES approach. He noted that it was thorough, systematic, evidence-based, and that it lead to recommendations based on sound evidence. As for suggestions for improvement, he was of the view that more regional differentiation would be welcome, as the analysis at the regional level is still hiding significant variation. Furthermore, the authorities who need to implement the changes may be at a lower level – for instance, they may be at the city level. He added

that there are bottlenecks that occur in all the regions. However, that does not mean that the response should come from the national level. The problems may have both very region-specific causes and region-specific solutions. Another suggestion he made was to consult more types of actors. He noted that the project was very much focused on founders of start-ups. Nonetheless, we should not only be interested in start-up, given that scale-ups and existing firms are also contributing to innovation. He further suggested that the ‘menu’ of policy interventions be discussed with the relevant stakeholders, as there can be alternative specific solutions to the identified problems.



Following the second panel discussion, **Ms. Maarit Nyman** (Head of Unit COSME Programme, SME Envoys and Relations with EASME, European Commission) delivered the final keynote address. Her presentation mainly focused on the European Commission's SME policies and the COSME programme in particular (the EU Programme for the Competitiveness of Enterprises and SMEs).¹



Closing the conference:

In closing Mark Sanders thanked all delegates for their participation and support during the entire project. The FIRES-project was a great experience and many of the attendants were involved in different ways and different stages. By way of summarizing the lessons of the day, he remarked only that the project was over, but a lot more work clearly lay ahead.

The FIRES-project has made some first steps towards a more entrepreneurial Europe but all stakeholders will need to engage in years to come to realize this ideal. After thanking the local organizers and the project manager Mark Sanders then invited everyone for the reception and drinks for networking and closed the conference.

¹ For a description and analysis of the COSME Programme see Philip De Man, Ward Munters and Axel Marx, *Entrepreneurship Policy: A Multi-dimensional and Multi-level Assessment*, FIRES Deliverable 6.1, 30 November 2016, p. 24 et seq.

Participants

External

Jukka Ahtela, European Economic and Social Committee
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David Audretsch, Institute for Development Strategies, Indiana University
Simone Baldassarri
Mirja Calgaro
Bart Candele, Vlaio
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Michael Cottakis, LSE
David Cruz e Silva
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Bernard Depotter, Vlaio
Einar Dossland
Ralph Engel, FIRES Reviewer
Ulla Engelmann, European Commission
Mariachiara Esposito, EU Liaison Office of Tuscany Region
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Bob Hancké, LSE
Sandra Hanning
Tine Holvoet, Vlerick Business School
Bert Kuby, Committee of the Regions
Marion Lemgau, German Federal Ministry for Economic Affairs and Energy
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Laszlo Szerb, University of Pecs
Elisa Terrango Bogliaccini, Utrecht University
Johannes Van Biesebroeck, KU Leuven
Attila Varga, University of Pecs
Gerarda Westerhuis, Utrecht University
Michael Wyrwich, Friedrich-Schiller-Universität Jena

Programme

- 8:45-9:15 Registration
- 9:15-9:45 Opening: Financial and Institutional Reforms for an Entrepreneurial Society

Mark Sanders, Scientific Coordinator FIRES-project
- 9.30-10:00 Key-note: The Need for an Entrepreneurial Society in Europe

David Audretsch Distinguished Professor Ameritech Chair of Economic Development
Director, Institute for Development Strategies, Indiana University.

- 10.00-10:15 **Erik Stam**, University of Utrecht – Diagnosis and Dialogue for Strengthening Entrepreneurial Ecosystems
- 10:15-11:00 **Laszlo Szerb** and **Atilla Varga**, University of Pecs – Assessing Europe’s Entrepreneurial Ecosystems and Simulating Policy Interventions
- 11:00-11.30 Break
- 11:30-13:00 Roundtable 1: Institutional reforms for an Entrepreneurial Society. A research assessment of the FIRES approach
- Chair: **Erik Stam**, University of Utrecht
- External experts:
 - **Friederike Welter**, President of Institute für Mittelstandsforschung
 - **Reinhilde Veugelers**, Catholic University Leuven
 - **Roy Thurik**, Erasmus University Rotterdam
 - FIRES Researchers:
 - **Saul Estrin**, London School of Economics
 - **Michael Fritsch**, Friedrich Schiller University Jena
 - **Claire Economidou**, Piraeus University
- 13:00-14:00 Lunch Break
- 14:00-15:45 Roundtable 2: Institutional reforms for an Entrepreneurial Society – a policy perspective
- Chair: **Magnus Henrekson**, Director IFN
- **Bert Kuby**, Committee of the Regions, Head of Unit Commission for Economic Policy
 - **Stephan Raes**, Head of the Economic Affairs Department, Permanent Representation of the Netherlands to the EU
 - **Ulla Engelmann**, Head of Unit, Clusters and Entrepreneurship, European Commission
 - **Jonathan Potter**, Senior Economist, Centre for Entrepreneurship, SMEs and Local Development OECD
- Q&A
- 15:45-16:15 Key note: FIRES and the European program for Competitiveness of Small and Medium Sized Enterprise (COSME).
- Maarit Nyman** , Head of Unit COSME Programme, SME Envoys and Relations with EASME, European Commission
- 16:15-16:30 Closing Remarks
- 16.30 Reception and Networking