

ENTREPRENEURSHIP POLICY IN THE NEW EU ROPE - CHALLENGES & OPPORTUNITIES

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INTRODUCING THE POLICY CONTEXT

- Whilst entrepreneurship results from the creativity, drive and skills of individuals, government policies & actions are a key influence on the external conditions in which entrepreneurship occurs,
- But we need to adopt a broadly based view of what constitutes entrepreneurship policy, because a wide range of government policies i.e. and actions can impact on entrepreneurship
- Countries that have experienced so-called transition from central planning are a laboratory for investigating the role of public policy, because of the fundamental change in the role of the state involved in the process of transformation

BROAD VIEW OF SME POLICY

- (i) *Through the influence of government on the macroeconomic environment in which business is conducted.*
- (ii) *Through the impact of government legislation and regulations, which may have a differential impact on firms of different sizes*
- (iii) *Through direct support measures and programmes that are designed to assist small firms in overcoming size-related disadvantages.*

BROAD VIEW OF SME POLICY

(iv) *Through its influence on the development of those institutions that are a necessary part of a market economy, such as banks and other financial intermediaries; business courts; training the business services organisations.*

(v) *Through its influence on the value placed on enterprise and entrepreneurship within the wider society*

(Smallbone&Welter 2001)

ENTREPRENEURSHIP POLICY

Stevenson and Lundstrom (2005) :

- Promotion of an entrepreneurship culture and more favourable attitudes towards entrepreneurship;
- Integration of entrepreneurship education in schools and at all levels of post-secondary education;
- Reduction of barriers to entry and proactive measures to make it easier for enterprises to enter the market

ENTREPRENEURSHIP POLICY

- Provision of seed financing
- Start-up business support, such as mentoring programmes, incubators aimed at increasing the number of new local businesses;
- Tailored efforts to increase participation in business ownership from specific under-represented groups, e.g. ethnic minorities, women, young people.

KEY POLICY CHALLENGES

- Developing an institutional frame to facilitate entrepreneurship
- Establishing a regulatory system in a context where the role of the state needs to be redefined
- Establishing effective dialogue between policy makers and entrepreneurs
- Developing a local/regional dimension to entrepreneurship policies
- Building a market oriented, SME friendly innovation system
- Changing attitudes and mindsets

THE CHALLENGE OF IMPROVING REGULATION

- In post-socialist economies, establishing an appropriate balance between business interests and the wider public good is difficult because of the lack of any recent tradition of the state as a regulator of business activity
- Concept of regulation as a means of limiting the power of the state by closely defining it is new
- During the last decade, better regulation has become a priority of EU institutions, involving impact assessment, consultation, and ex-post evaluation of regulatory tools and institutions.
- A particular challenge for new EU member states has been the need to simplify legislation, whilst, at the same time, adopting the 'acquis communautaire' (ie EU legislation which candidate countries must adopt to become EU members.)

CHALLENGES FACING POLICY MAKERS: GOVERNANCE ISSUES

- Governance is concerned with the rules, procedures and practices affecting how power is exercised
- CEECs lack a recent tradition of self governing organisations, which represents a particular challenge for institutional capacity building
- Institutional capacity includes the ability to lobby effectively, which is a function that did not exist during the socialist period.
- Differences in the level of knowledge between government and NGOs can limit consultation based on real partnership.

FILLING THE INSTITUTIONAL HOLE AT THE REGIONAL LEVEL

- The socialist model of economic development was a centralised one, in which local and regional government had little responsibility for, or powers to influence, economic development
- Typically local government has neither the capacity nor resources to effectively engage in regional development
- It matters because it is at the local/regional level that SMEs typically come into contact with the various arms of the state
- It matters because much of the EU Structural Funds money is dispersed at the regional level

THE CHALLENGE OF BUILDING NEW INNOVATION SYSTEMS (ROMANIA)

- Low transfer rate of research results from RDIs to businesses
- Business incubators are underdeveloped
- Few HE institutions appear to prioritise developing links with businesses
- Limited availability of business support to small firms
- Lack of a strong regional dimension to either the innovation or business support systems
- Low level of engagement with SMEs by public agencies
- Substantial brain drain of scientists and technicians

THE CHALLENGE OF CHANGING ATTITUDES AND MINDSETS

- Of the population at large towards entrepreneurship
- Of government officials, whose policy approach may be predominantly declarative and bureaucratic
- Of other institutional actors eg
 - Bankers
 - Customs officials
 - Planners
 - etc

THE CASE OF POLAND

- Legal and administrative reform made entrepreneurship development legally possible
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- Initial emphasis on establishing the framework conditions for entrepreneurship, although entrepreneurship promotion was a low policy priority
- Some foreign donor projects in early 1990s but little strategic direction in policy
- But since the late 90s, the state has become a more positive agent of change
 - Conditions for EU membership
 - Opportunities for EU funding
 - Implementing the Lisbon strategy

BUT

- Danger that policy approach becomes too focused on maximising the absorption of EU Structural Funds in the short term.
- Danger of inappropriate policy transfer
- Institutional changes driven by the state typically reflect supply side influences.
- Entrepreneurship is not a vote winner

OPPORTUNITIES

- One off opportunity to draw down substantial funds to facilitate restructuring
- Opportunity to access technical knowledge & experience from EU partners thereby building institutional capacity
- Opportunity to engage with policy target
- Opportunity to shape environment for entrepreneurship

EXAMPLES OF INSTITUTIONAL DEVELOPMENT IN NEW MEMBER COUNTRIES

- Reorganisation of responsibilities for SME policy within government
- A clear separation of policy making from policy implementation
- Changes to the policy process, such as explicit links between strategic policy objectives and action plans, which are tied into the budgetary process.
- Involving entrepreneurs in the policy process
- Establishing a sub-national tier of government with economic development powers & responsibilities

CONCLUDING REMARKS

- Post socialist economies offer a laboratory for investigating the role of the state in relation to entrepreneurship at varying degrees of market reform, as well as over time
- The process of market reform requires a fundamental change in the role, type and behaviour of public institutions, as well as the establishment of new forms of governance.
- This reflects a need for government to replace its roles as planner of resource allocation and price setter, and owner and financier of enterprise activity through subsidies and transfers; with a role as regulator and facilitator of private enterprise activity
- Institutional capacity building has proved to be the most challenging aspect of the reform process

AVOID POLICY MYTHS

- Necessity v opportunity entrepreneurship
 - The holy grail of the high growth firm
- The role of policy in cluster development
- That policy making is a rational process