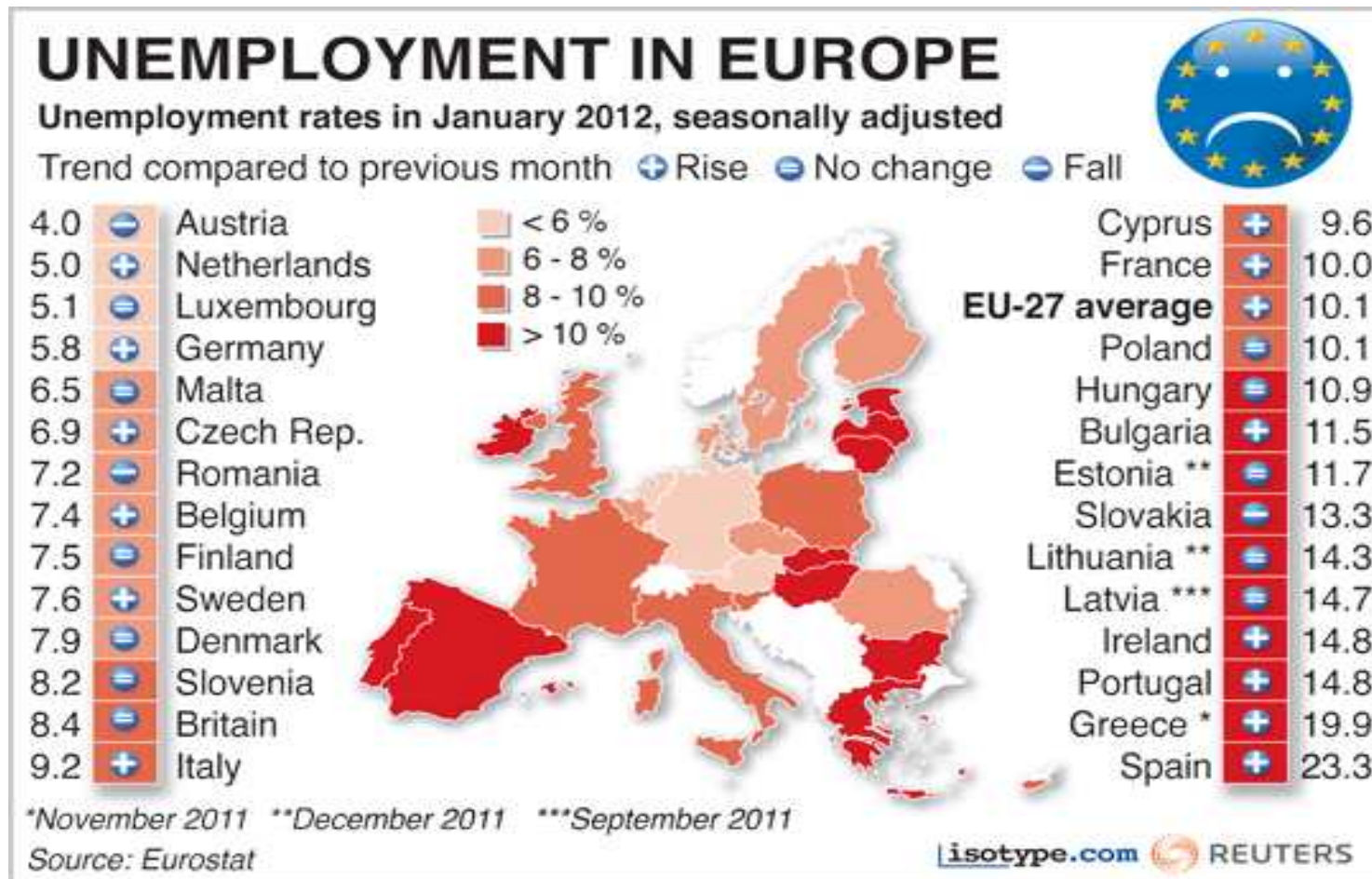


Globalization and the New Entrepreneurship Policies for Small and Medium-Sized Enterprises

David B. Audretsch
Indiana University

The Euro Crisis as a Competitiveness Crisis





Internationalization & The American Competitiveness Crisis

- “Can American Compete?” *Business Week*, 1987
- “The new question is whether the United States can deploy its assets as to maintain its standard of life” W.W. Rostow, 1987
- “Today it’s very hard to find an industrial corporation in America that isn’t in really serious trouble...The systematic erosion of our competitiveness comes from having lower rates of growth of manufacturing productivity year after year compared with the rest of the world” Lester Thurow, Dean of MIT Sloan School of Business, 1985



The Proposed Policy Response - Protecting the Status Quo

- Restore productivity of capital
- “We can’t afford to become a nation of video arcades, drive-in banks and McDonalds hamburger stands”
Lee Iacocca, Chairman of Chrysler Corporation,
1986
- The MIT Commission on Industrial Productivity
Made In America: Regaining the Productive Edge, (MIT Press, 1989)



The Successful Policy Response - Creating the *Entrepreneurial Society*

- Shift in competitiveness from physical capital to knowledge
 - Emergence of entrepreneurship as a conduit for knowledge spillovers
 - Shift in policy and institutional emphasis on knowledge and entrepreneurship
- Small Business Innovation Research Program (1980)
- Bayh Dole Act (1980)

Globalization & the European Competitiveness Crisis

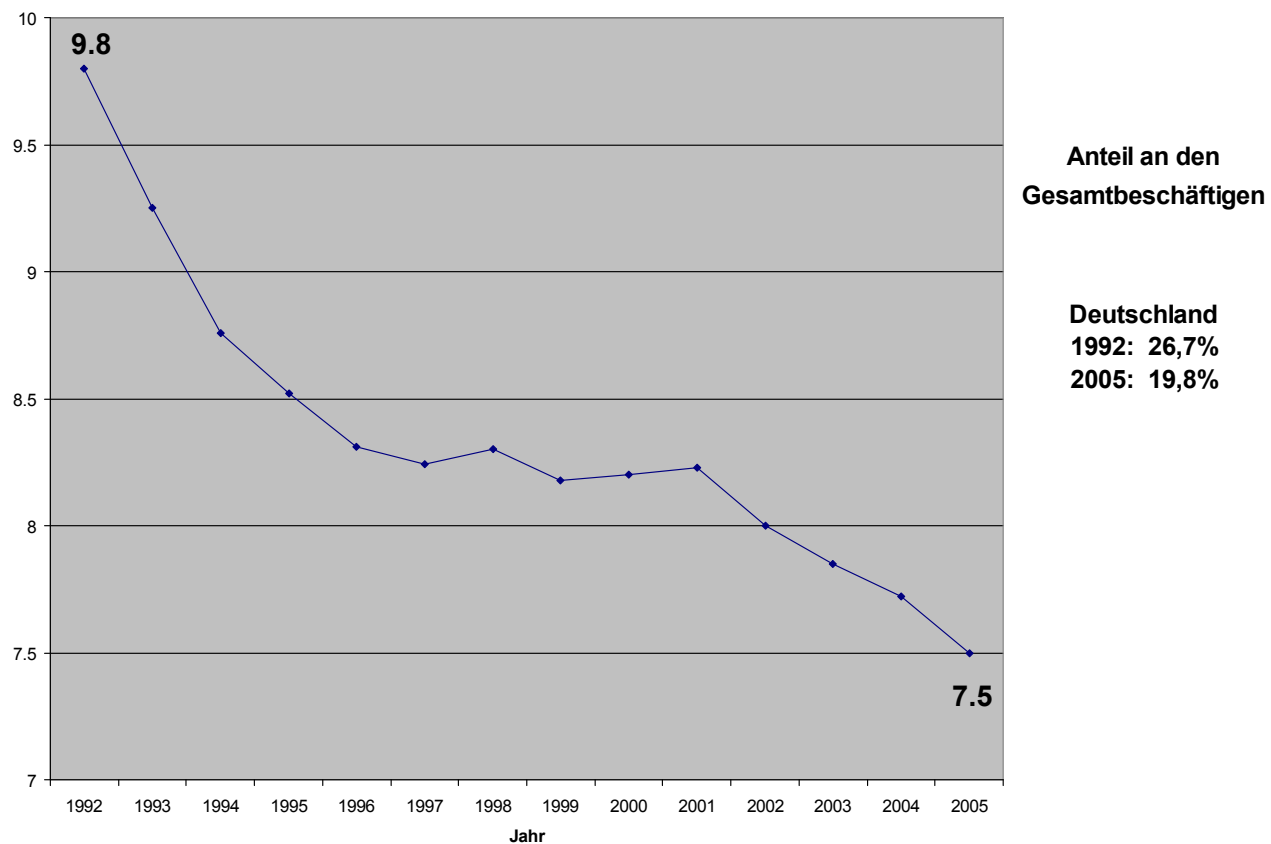




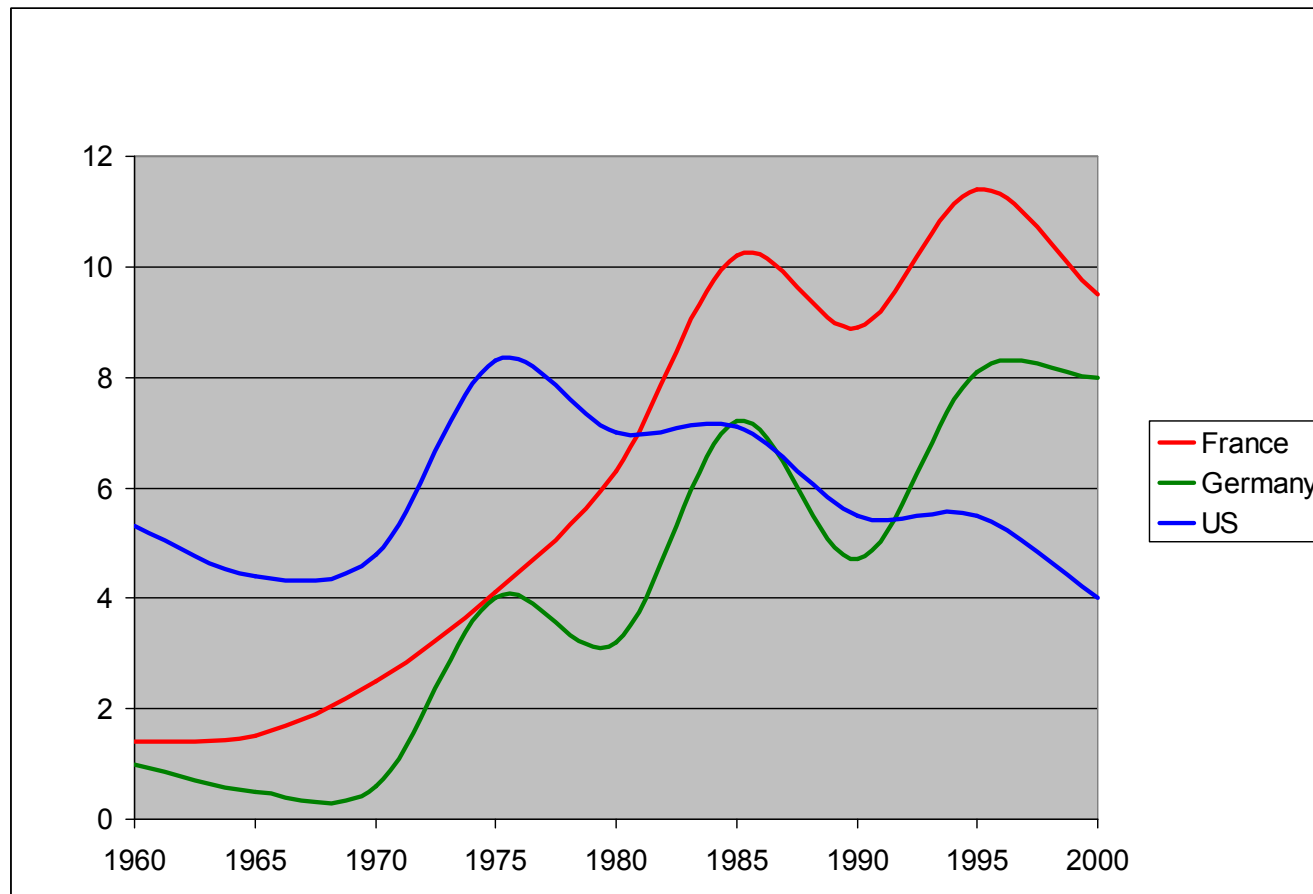
Globalization Impact

- De-linking Competitiveness of Firms from Competitiveness of *Place*
- Outsourcing
- Offshoring

German Manufacturing Employment



Diverging Economic Performances across the Atlantic



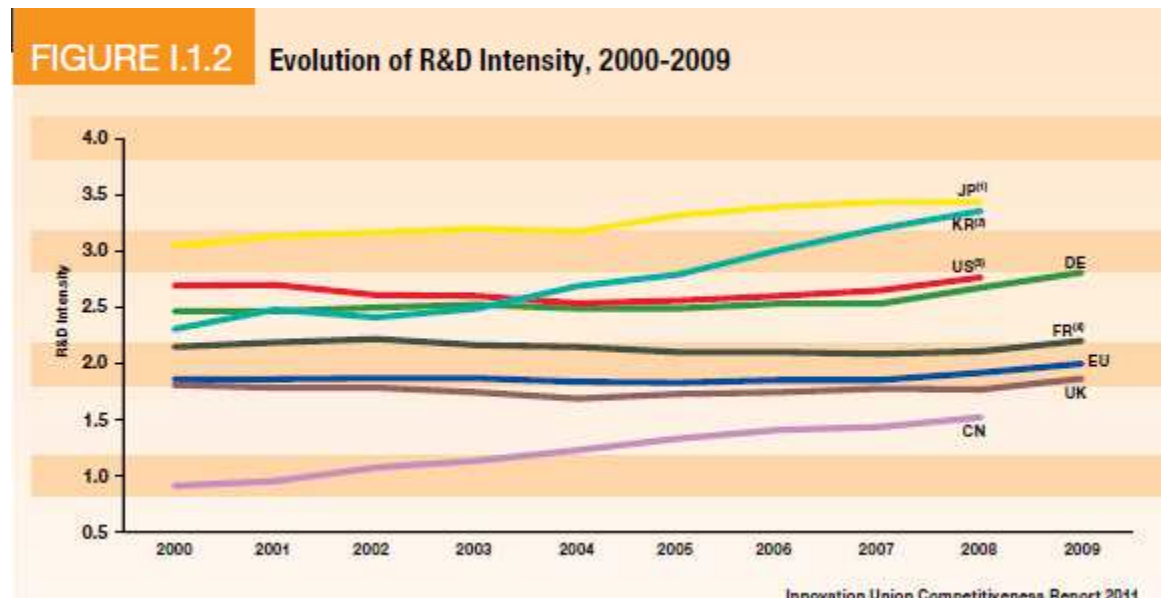


The 2000 Lisbon Agenda

“make Europe the most competitive and the most dynamic knowledge-based economy in the world”

Council of Europe, Lisbon 2000

German Investment in Knowledge





The European Paradox

Why have European countries rich in knowledge (high R&D & Patents) exhibited such low growth rates?

Romano Prodi, President of European Union



The Knowledge Filter

“A wealth of scientific talent at American colleges and universities – talent responsible for the development of numerous innovative scientific breakthroughs each year – is going to waste as a result of bureaucratic red tape and illogical government regulations...What sense does it make to spend billions of dollars each year on government-supported research and then prevent new developments from benefiting the American people because of dumb bureaucratic red tape?”

U.S. Senator Birch Bayh, 1980





Xerox PARC's Discarded Inventions

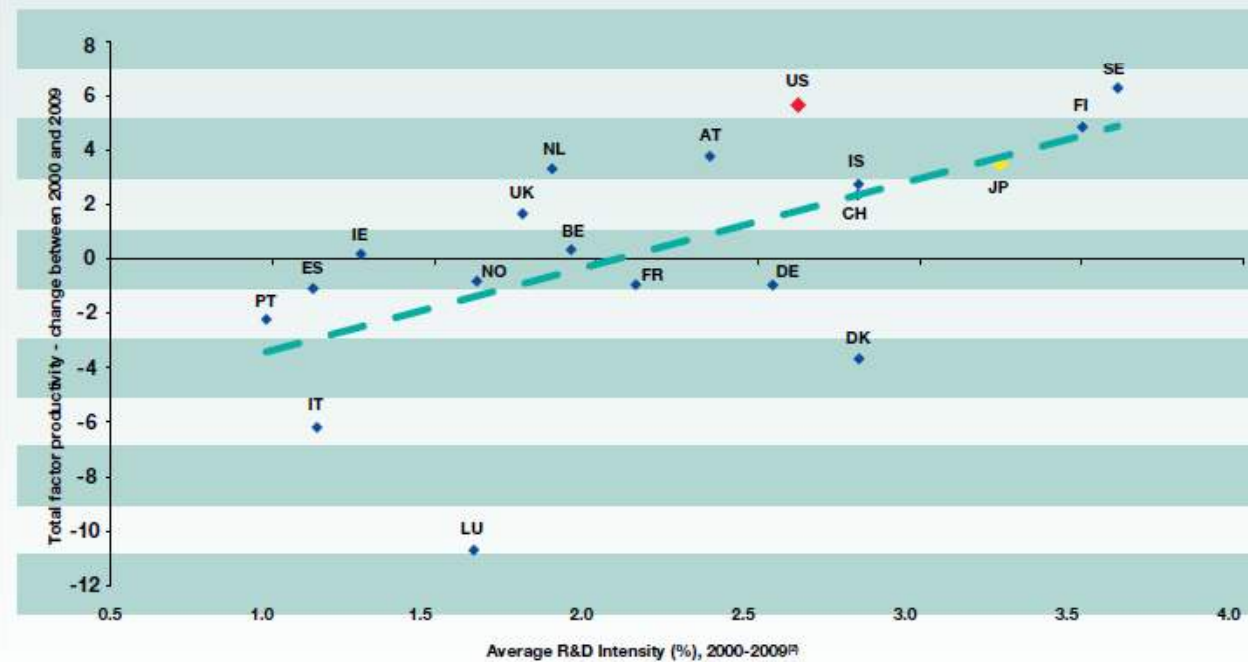


Apple Computer Founders

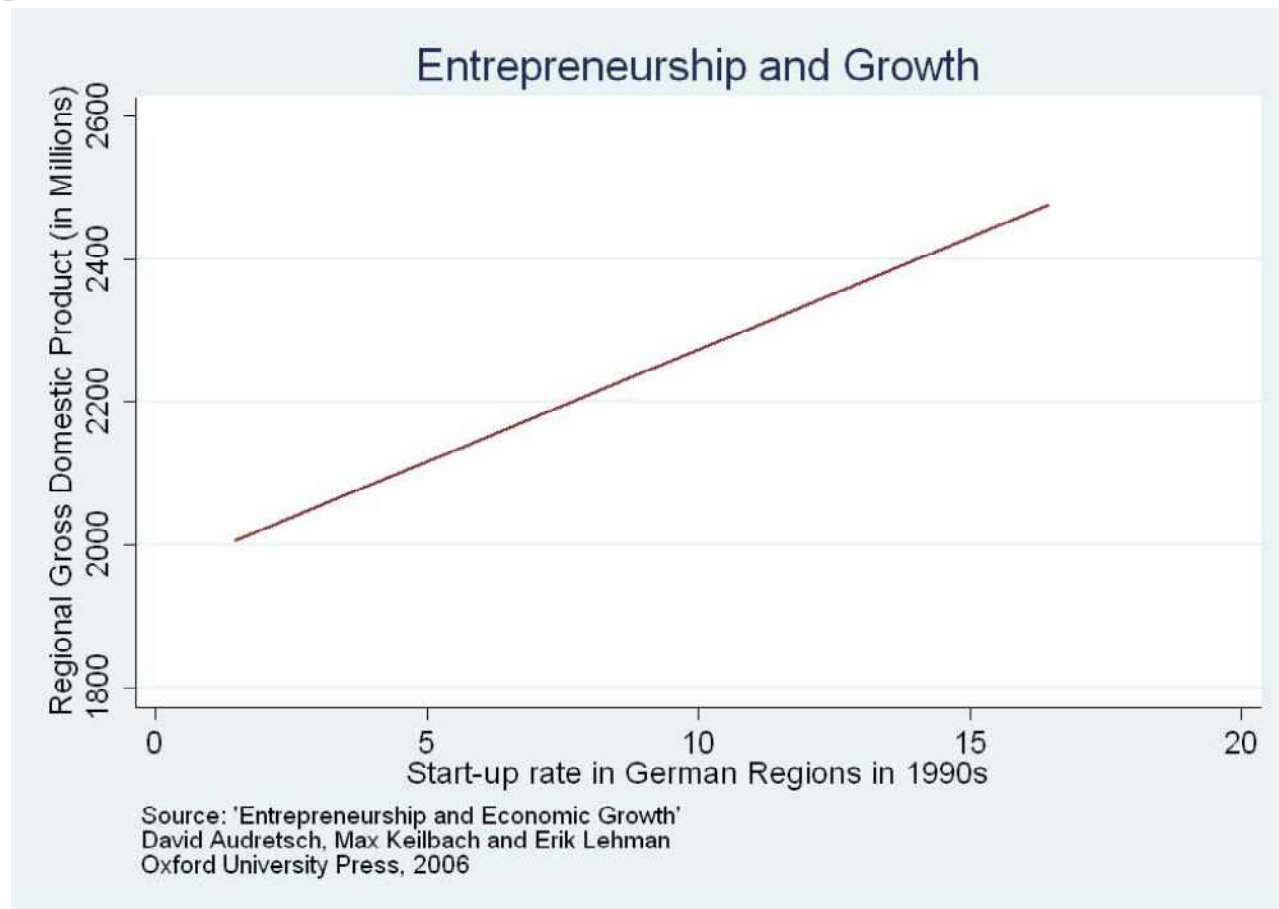


The Knowledge Filter

FIGURE III.4.6 R&D Intensity (average) and total factor productivity⁽¹⁾ (evolution), 2000-2009



Entrepreneurship as the Missing Link to Competitiveness & Growth





Policy Mandate for Entrepreneurship to Promote Competitiveness & Economic Growth

“Our lacunae in the field of entrepreneurship needs to be taken seriously because there is mounting evidence that the key to economic growth and productivity improvements lies in the entrepreneurial capacity of an economy”

EU President, Romano Prodi



Manifestations of Entrepreneurship

- Organizational Context
- Behavior
- Performance



Organizational Context

- Small Firm (SME)
- New Firm(Startup)
- (Nascent) Individual
- Business Owner



Behavior

- Opportunity Recognition
- Opportunity Creation
- Opportunity Evaluation
- Opportunity Exploitation



Performance

- Innovation
- Growth (Gazelles)
- Social Goals (Social Entrepreneurship)



The German Entrepreneurial Policy Response 2004

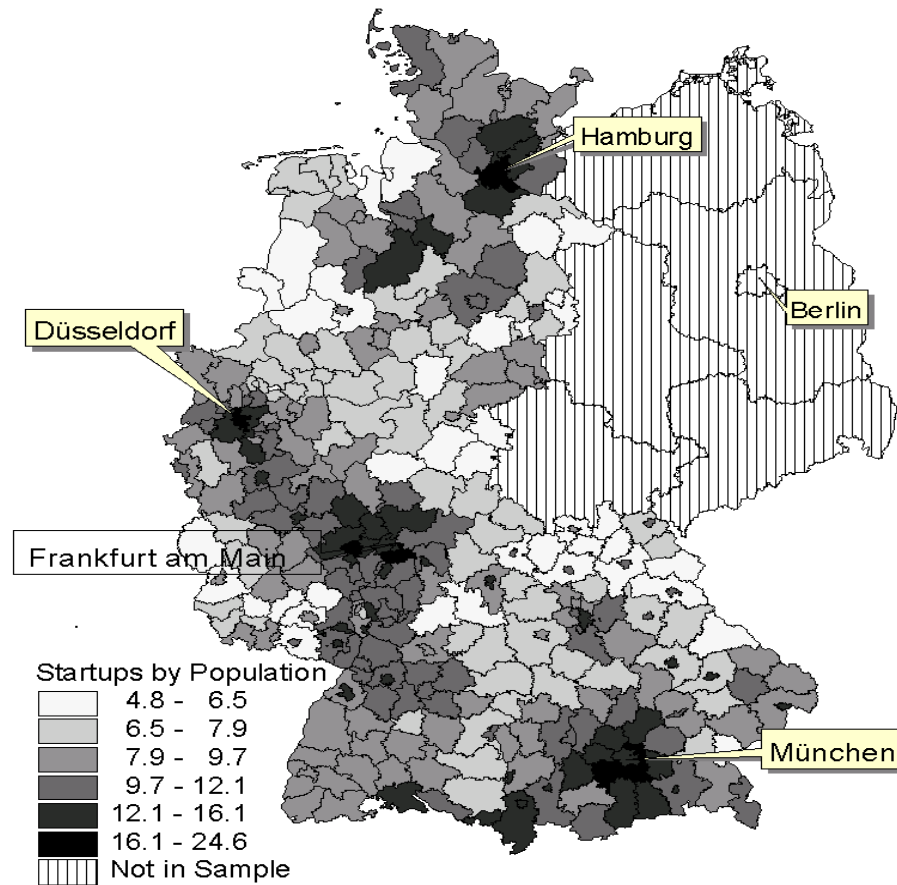
- Agenda 2010
- Hartz IV for unemployed – incentives to become self employed
- Flexibility in labor regulations
- Educational reforms
- Increased commitment to science & R&D
- Enabling entrepreneurship



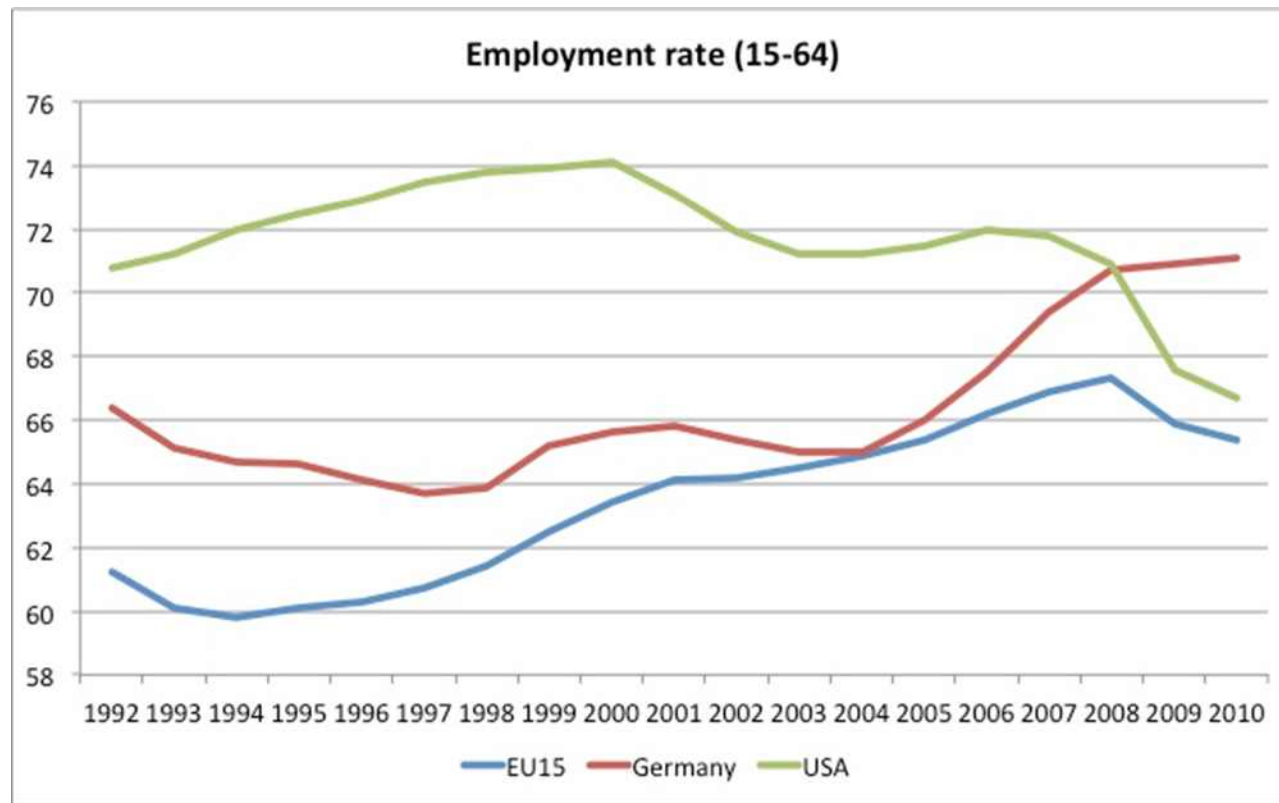
Creating an Entrepreneurial Germany

- Microcredit Program (Foerderkredite) –KfW Mittelstandsbank – 10.000 -25.000 euro
- High Tech Startup Funds (Gruenderfund) – 500.000 euro for seed finance (86% from Gov't, co-investment with V.C.)
- EXIST –University Based Startups
 - Culture of Entrepreneurship
 - Startup Grants (30.000 euro annually)
 - Transfer & Commercialization of Research (50.000 euro in Phase I; 150.000 euro in Phase II)

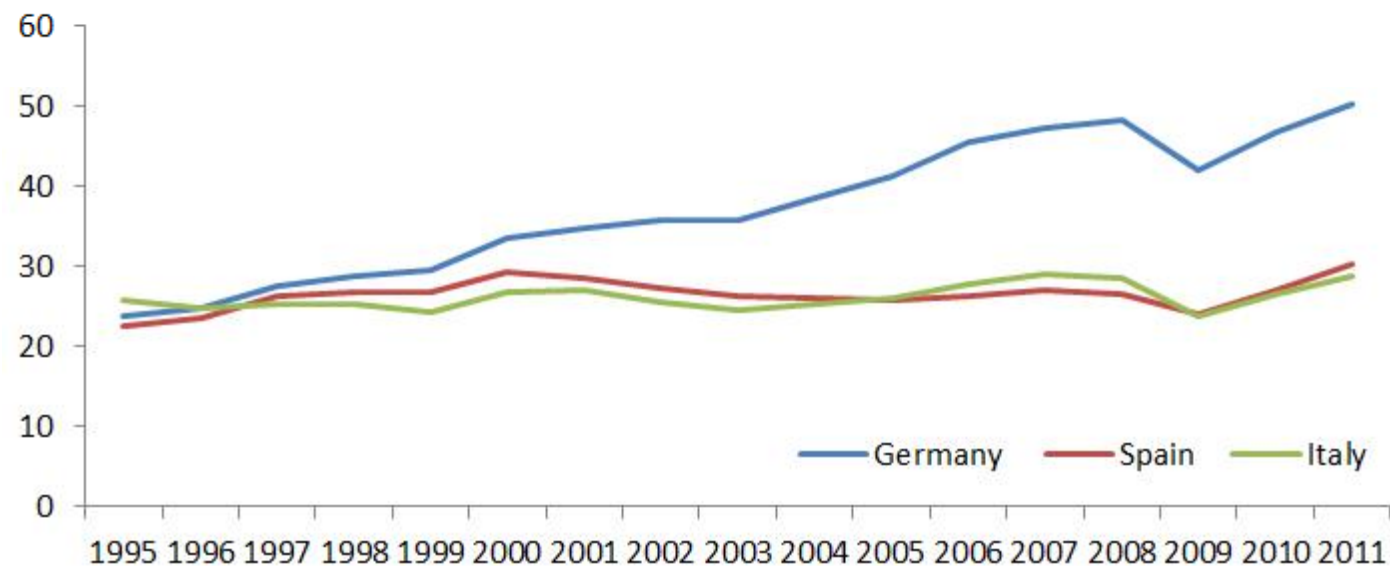
Entrepreneurship in German Regions



Entrepreneurship & German Competitiveness

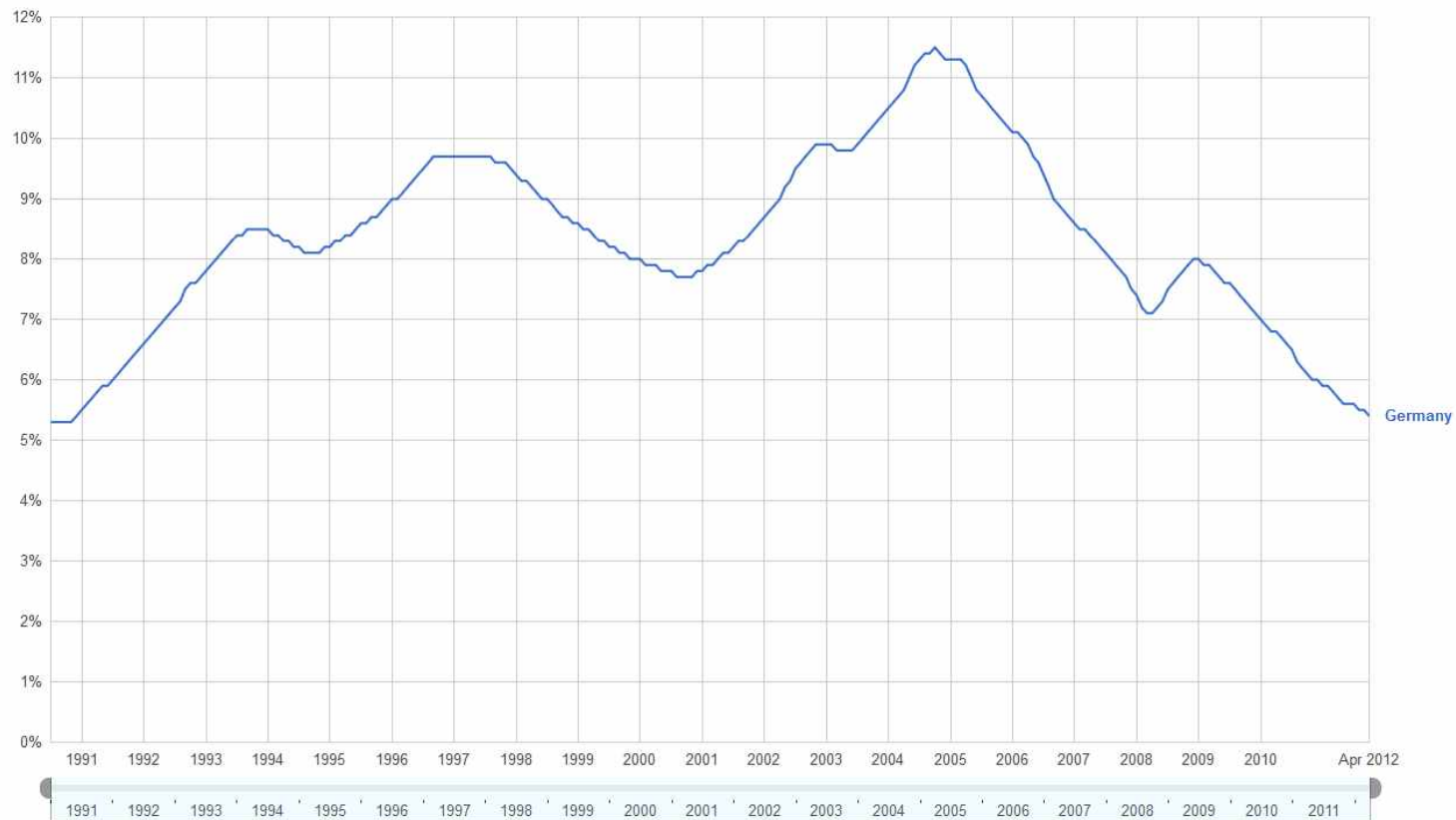


Exports as Share of GDP



Decline in German Unemployment

Unemployment rate - Seasonally adjusted data



Data from Eurostat Last updated: Jun 26, 2012



Conclusions

- Emergence of Entrepreneurial Society
- Entrepreneurship as Missing Link for Economic Growth – Penetrates Knowledge Filter
- SMEs as driving engine of competitiveness, innovation & growth
- Diffusion of Entrepreneurial Society to Foster Competitiveness