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CENTRE FOR ENTERPRISE AND  
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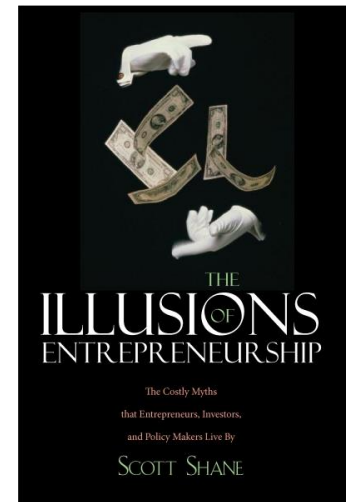
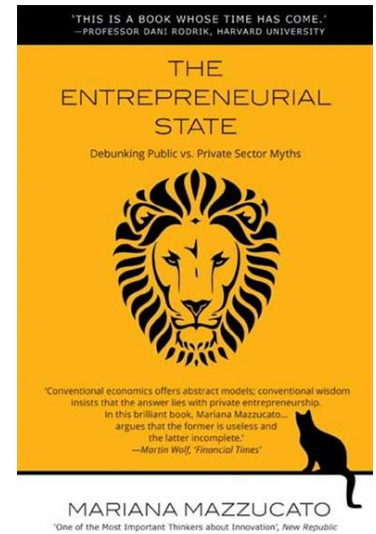
**LUBS2045 Week 9 Lecture**

# **Entrepreneurship Policy**

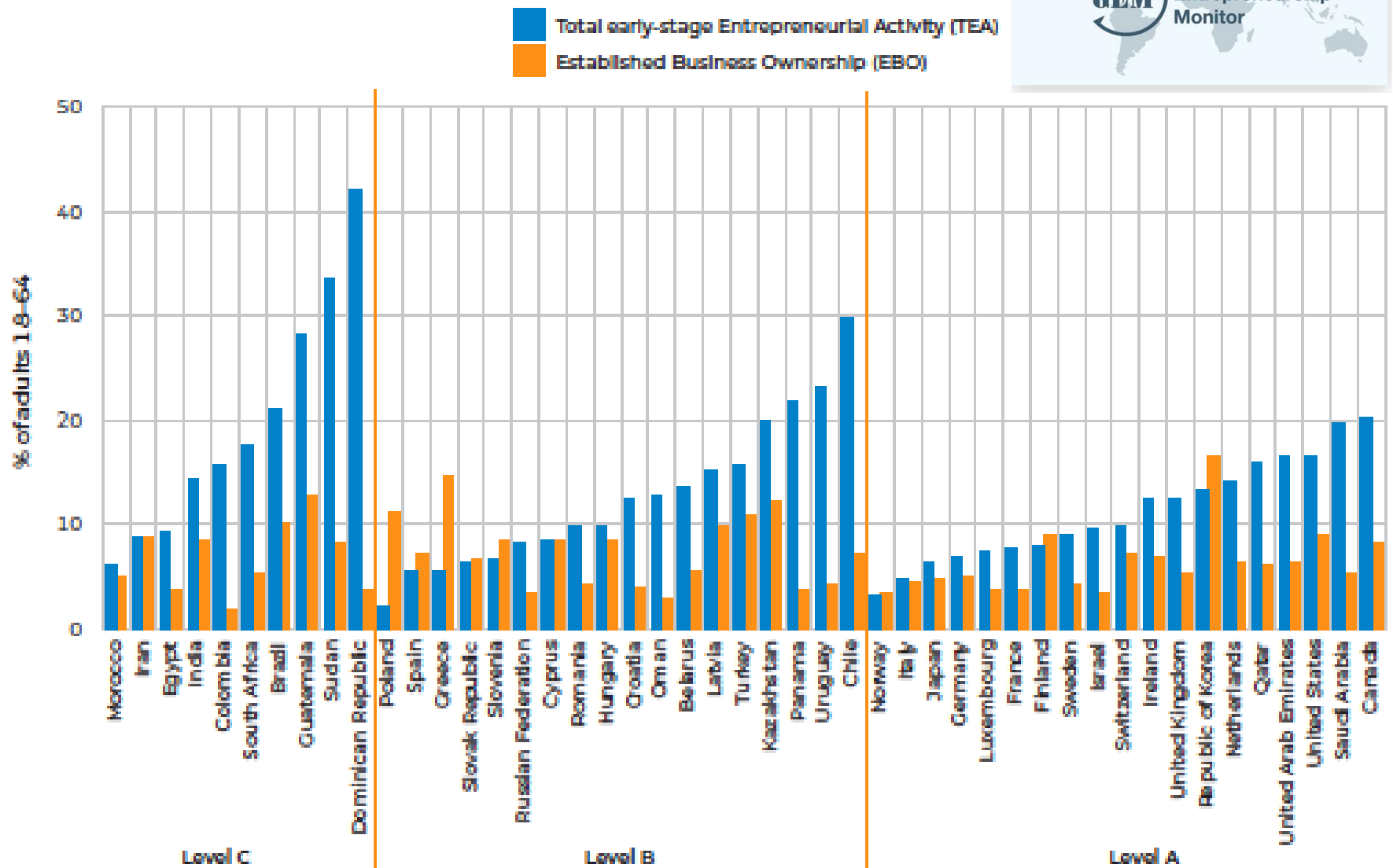


# Overview

- Entrepreneurship is a crucial element in economic growth
- Institutions drive entrepreneurship: what you get depends on effectiveness of framework
- Policy approaches to entrepreneurship are subject of debate
- Key aim is to tackle barriers to entrepreneurship and promote economic growth



# Rates of Entrepreneurial Activity

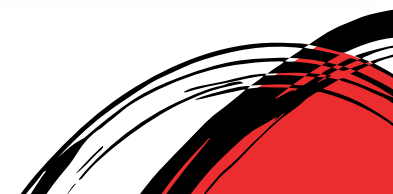


# Factors influencing entrepreneurial activity



A1. Entrepreneurial Finance	Are there sufficient funds for new startups?
A2. Ease of Access to Entrepreneurial Finance	And are those funds easy to access?
B1. Government Policy: Support and Relevance	Do they promote and support startups?
B2. Government Policy: Taxes and Bureaucracy	Or are new businesses burdened?
C. Government Entrepreneurial Programs	Are quality support programs available?
D1. Entrepreneurial Education at School	Do schools introduce entrepreneurship ideas?
D2. Entrepreneurial Education Post-School	Do colleges offer courses in starting a business?
E. Research and Development Transfers	Can research be translated into new businesses?
F. Commercial and Professional Infrastructure	Are these sufficient and affordable?
G1. Ease of Entry: Market Dynamics	Are markets free, open and growing?
G2. Ease of Entry: Burdens and Regulation	Do regulations encourage or restrict entry?
H. Physical Infrastructure	Is this sufficient and affordable?
I. Social and Cultural Norms	Does culture encourage and celebrate entrepreneurship?

**TABLE 6.1**  
Entrepreneurial  
Framework  
Conditions (EFCs)

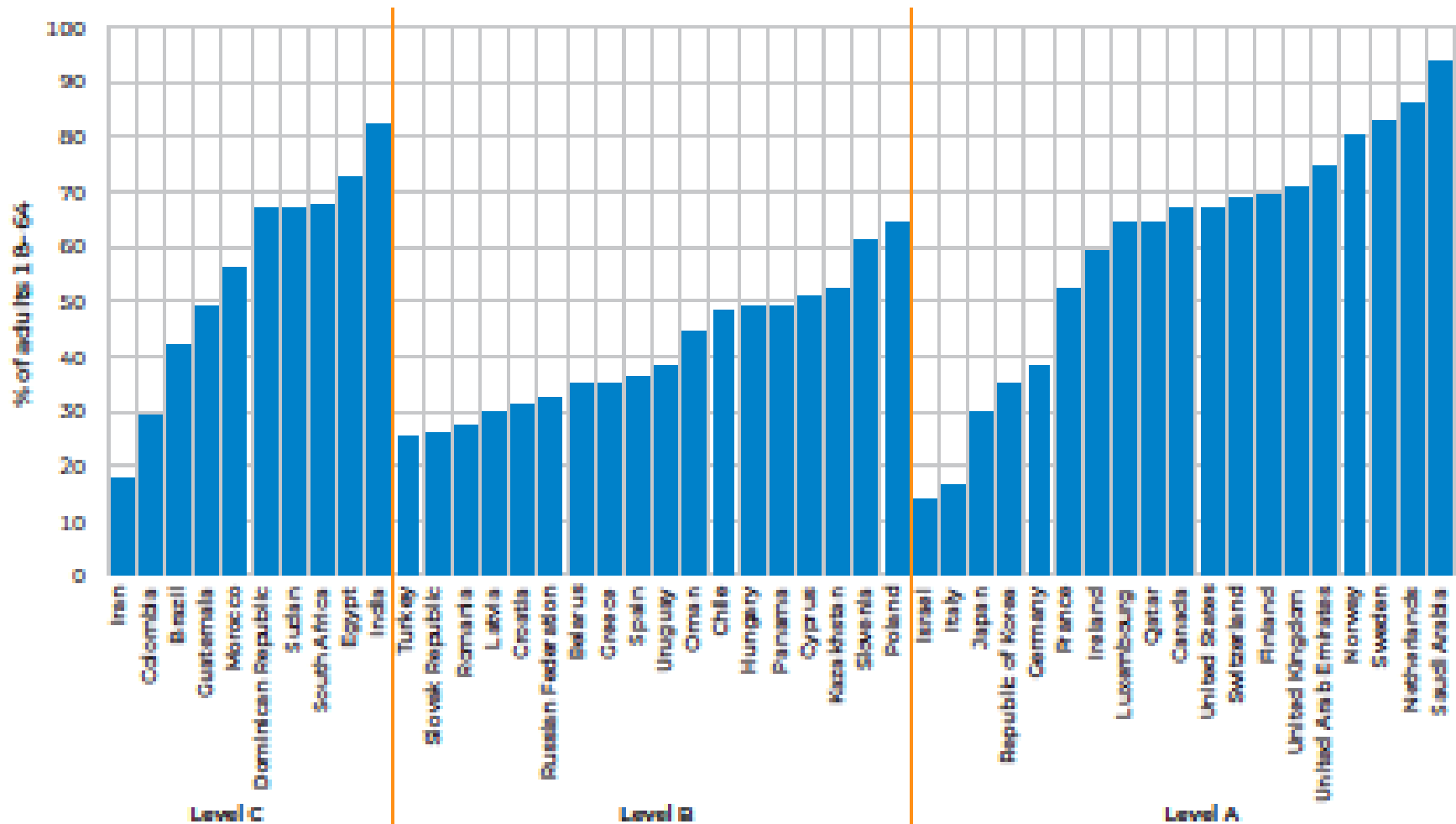


# Perceptions of Opportunities



**FIGURE 2.3** In the next three months, there will be good opportunities to start a business in my area (% adults agree or strongly agree)

Source: GEM Adult Population Survey 2021



# Policy Aims

- Enterprise policies have become a key aspect of government economic policy
- Aim to tackle barriers to entrepreneurship, promote start-ups, foster innovation and a positive culture
- Entrepreneurship is a multidimensional concept with many different interpretations
  - government thinking in this area can have both intended and unintended impacts on enterprise development (Huggins and Williams, 2009).

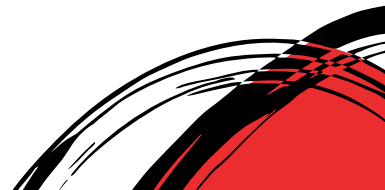
## Why entrepreneurship policy matters?

Entrepreneurial innovation is a key driver of improvements in productivity. Entrepreneurial endeavours have taken humanity from subsistence to relative affluence and it is entrepreneurs who will raise long-term living standards of future generations.

Entrepreneurs are also working to solve society's biggest problems from climate change to educational inequality, creating new jobs, expanding consumer choice, and supporting higher-quality public services.

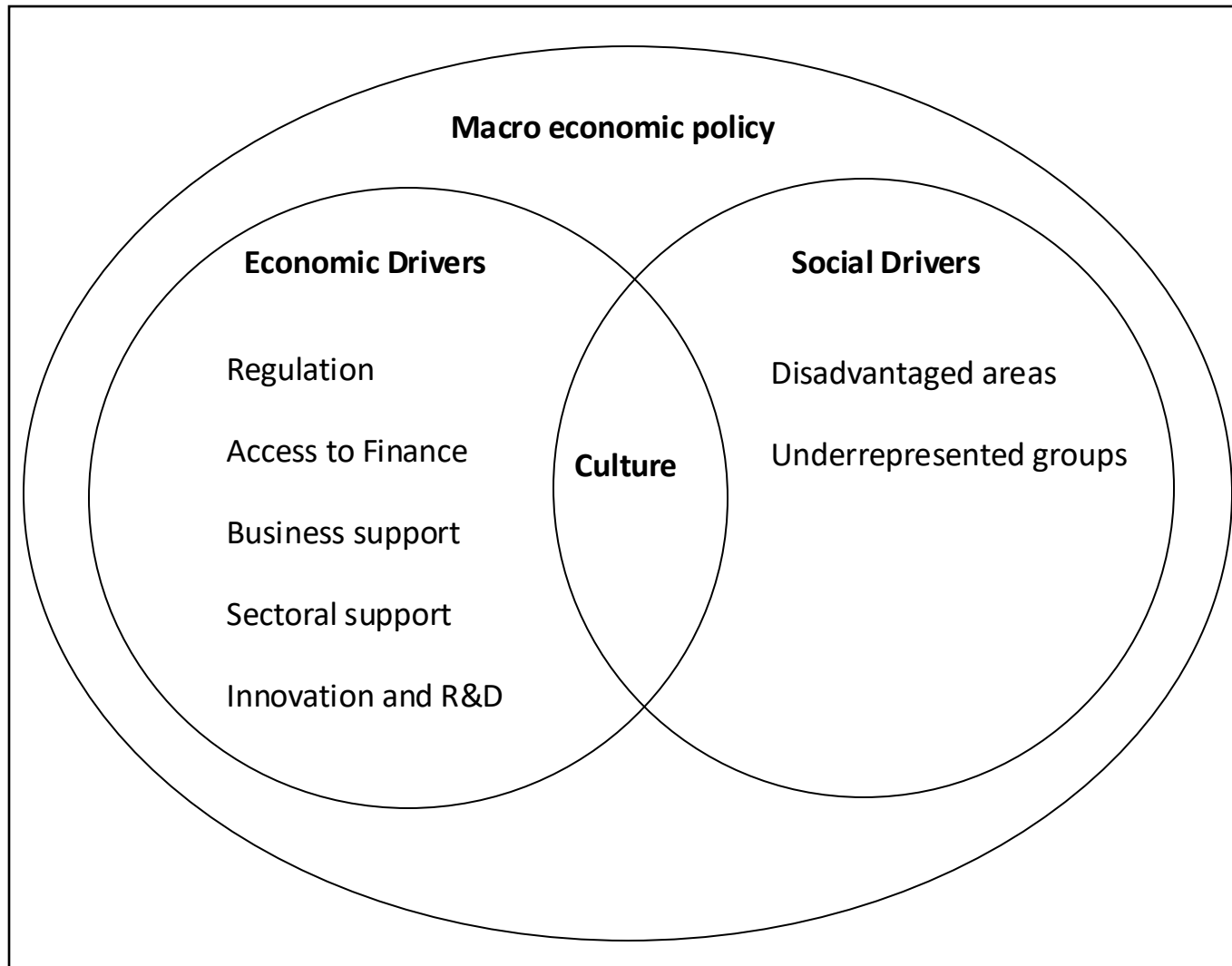


# **Examining Entrepreneurship Policy**





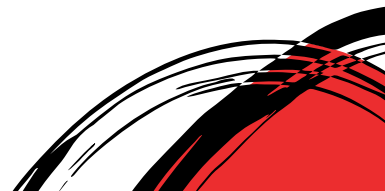
# Typology of UK Enterprise Policy



Source:  
Huggins and  
Williams  
(2009)

# Policy Emphasis

- Policy makers should not rely on the number of start-ups to judge the quality of the economic environment (Sautet and Kirzner, 2006)
- Policy previously had an “any new business will do” approach
- Policy makers cannot ‘pick winners’ - Kirzner (1979) argues that governments do not have the incentive and do not possess the knowledge that would help them to succeed in the selection process.
- Focus on long-term cultural drivers (Huggins and Williams, 2009)
- Policy should focus on the institutional framework which allows entrepreneurship to emerge, rather than focusing on direct interventions into the market (Sautet and Kirzner, 2006; Michael and Pearce, 2009).



# Mixed Policy Impacts

- Policies to promote entrepreneurship are a key aspect of government economic policy
- Challenge of picking winners
- Not just about individuals, can be businesses and sectors too
- Difficult to measure policy outcomes
- Should emphasis be on improving institutional environment?

Original Articles

## Entrepreneurship and regional competitiveness: The role and progression of policy

Robert Huggins  & Nick Williams

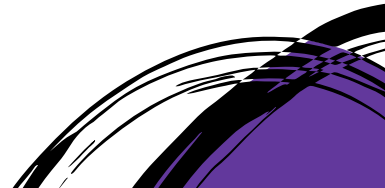
Pages 907-932 | Received 02 Nov 2009, Accepted 29 Dec 2010, Published online: 09 Aug 2011

 Cite this article  <https://doi.org/10.1080/08985626.2011.577818>



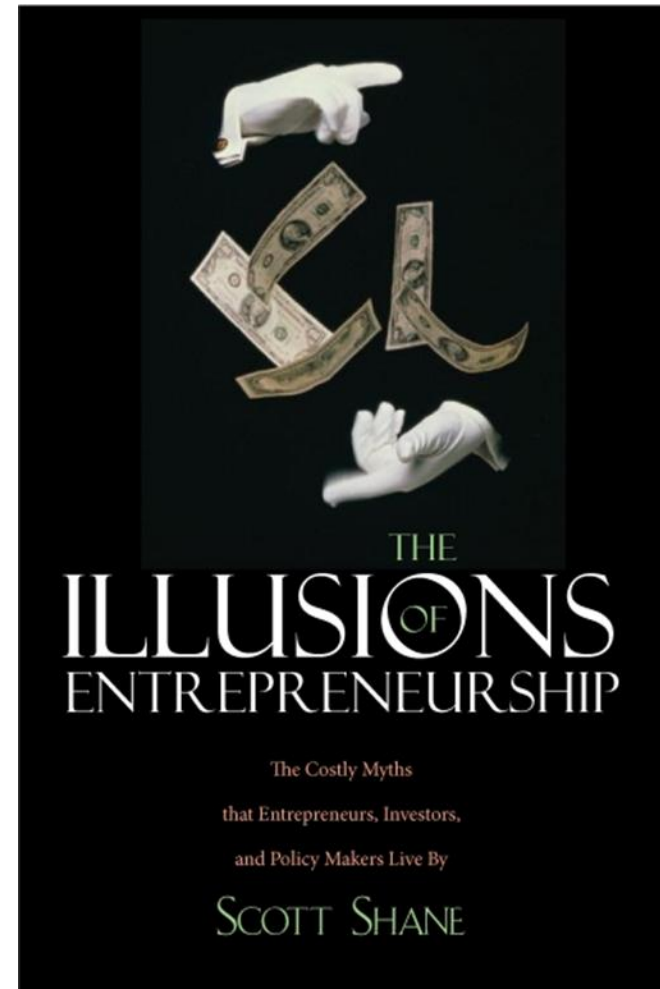
# Challenges of Measuring Impact

- Problems associated with assessing impact of policy
- Much depends on cultural factors (and responses to institutional incentives)
- e.g. Enterprise education:
  - Requires an assessment of its value in terms of return on investment
  - Aim of programmes is to influence aspirations and career choices over a long term period
  - Culture change takes a long time and starting with young people in education will not show impact on the targets for some time



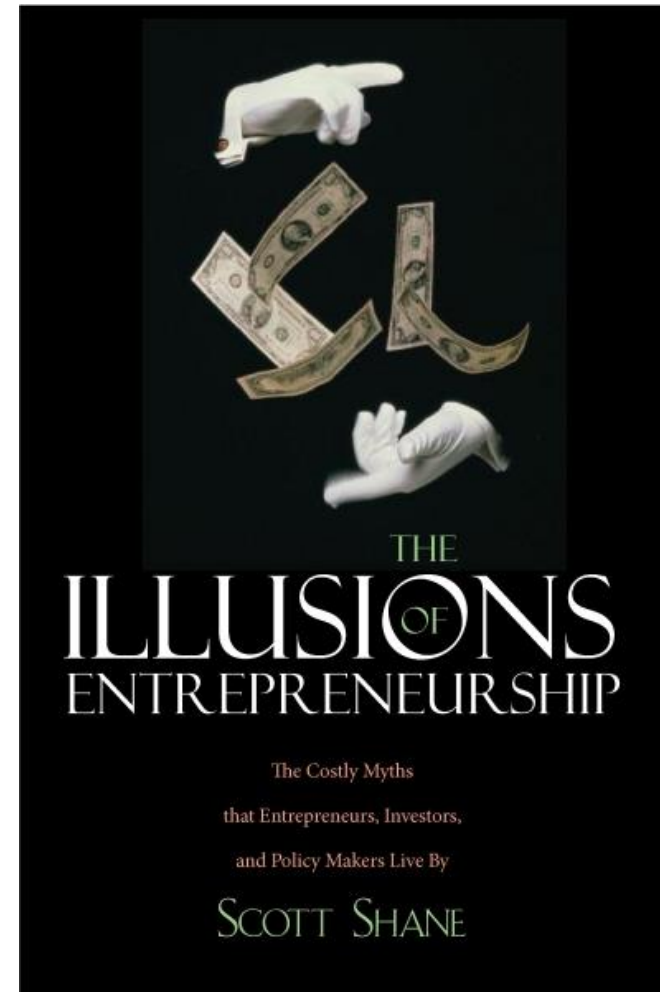
# Shane's Policy View

- “Instead of just believing naively that all entrepreneurship is good and developing policies to increase the number of average or typical entrepreneurs, policy makers need to recognize that only a select few entrepreneurs will create the businesses that will take people out of poverty, encourage innovation, create jobs, reduce unemployment, make markets more competitive, and enhance economic growth.” (Shane, 2009, p. 146).

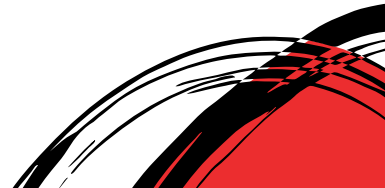


# Policy Challenges

- *“Policy makers believe a dangerous myth. They think that start-up companies are a magic bullet that will transform depressed economic regions, generate innovation, create jobs, and conduct all sorts of other economic wizardry.”* (Shane, 2009, p. 141)
- The policy ‘fad’ of uncritically advocating that entrepreneurship is a key route for individual and societal economic and social salvation needs to be avoided (Blackburn and Ram, 2006)
- *“The typical entrepreneur is very bad at picking industries and choosing the ones that are easiest to enter, not the ones that are best for start-up. Rather than picking industries in which new companies are most successful, most entrepreneurs pick industries in which most start-ups fail.”* (Shane, 2009, p. 143)

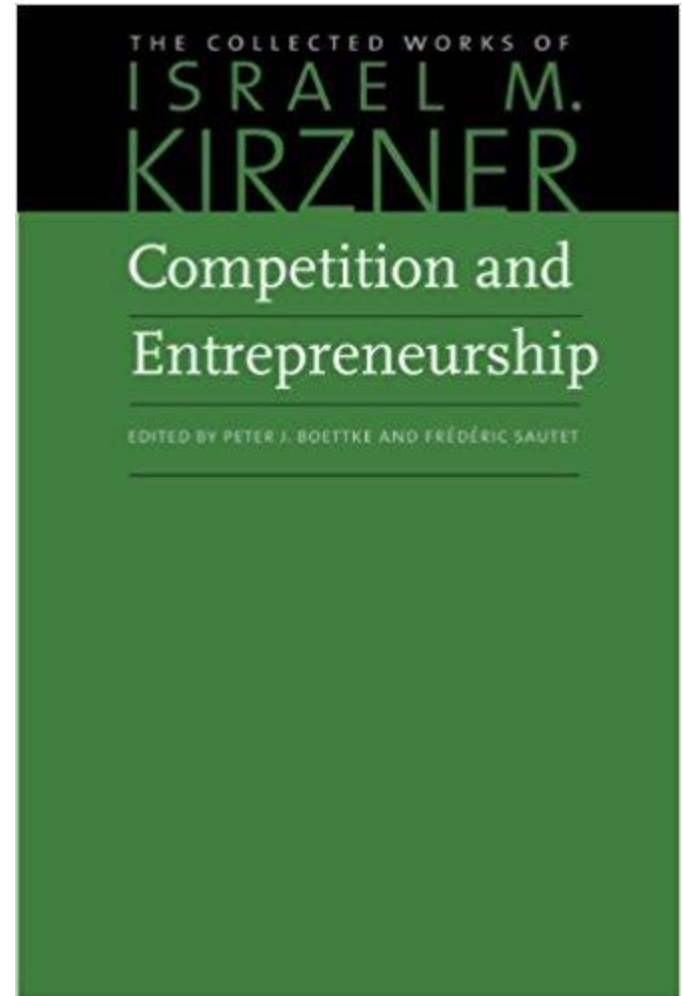


# Displacement of Activity

- Supported firms can displace existing firms
  - Business start-ups can be in trades with low entry barriers, will tend to have finite and localised demand and will be unlikely to enhance employment or productivity (Greene et al, 2007)
- *“And who is most likely to respond to those incentives and start businesses? Not the best entrepreneurs. We know that unemployed people are more likely to start businesses than people who have jobs. Why? Because they have less to lose by becoming entrepreneurs; something economists call a lower opportunity cost on their time. After all, it’s less costly to you to start a company if your alternative is watching daytime T.V., than if it is taking home a paycheck from a job.”*  
(Shane, 2009, p. 143-144)
- 

# The Challenge of Picking Winners

- Kirzner - presumption in favour of 'letting the market decide': distrust of government ability to 'pick winners'
- Kirzner (1979) argues that governments do not have the incentive and do not possess the knowledge that would help them to succeed in the selection process. As such, there is no reason to think that 'picking winners' will be successful





# Cluster Policy

- e.g. of the ‘knowledge problem’ of picking winners is cluster strategy
  - Inspiration is often taken from Silicon Valley
  - Emphasis on similar high-potential sectors/clusters
  - Regions often do little to learn from the actions undertaken in other regions
  - Hard to implement and conceptually messy
  - Top-down approach
- Cluster strategies have led to a “herd effect” where regional policy makers are compelled to follow the interventionist strategies of others, and copy, rather than learn (Hospers et al, 2009)



# ‘Silicon Somewhere’

- Europe:

- Silicon Glen (Glasgow)
- Silicon Roundabout (London)
- Silicon Fen (Cambridge)
- Silicon Bog (Limerick)
- Medicon Valley (Copenhagen)
- Silicon Seaside (Norway)
- Silicon Saxony (Sachsen)
- Silicon Polder (Netherlands)

- Elsewhere:

- Silicon Valley
- Silicon Mountain (Colorado Springs)
- Silicon Alley (New York)
- Silicon Desert (Phoenix)
- Silicon Forest (Seattle)
- Shalom Valley (Israel)
- Silicon Plateau (India)
- Billi-Can Alley (Australia)
- Media Valley (South Korea)

The next Silicon Valley? On the relationship between geographical clustering and public policy

[Gert-Jan Hospers](#) ✉, [Pierre Desrochers](#) & [Frédéric Sautet](#)

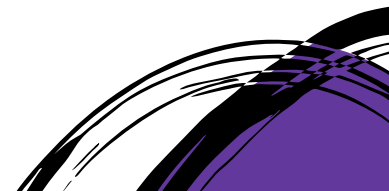
[International Entrepreneurship and Management Journal](#) 5, 285–299 (2009) | [Cite this article](#)

# Reeves plans to create 'Silicon Valley' between Oxford and Cambridge

Chancellor to announce plans to improve infrastructure in region to put it at forefront of science and tech advances



Sir Patrick Vallance, the science minister, will oversee the plan. He said: “The UK has all the ingredients to replicate the success of Silicon Valley or the Boston Cluster but for too long has been constrained by short-termism and a lack of direction.”



# Entrepreneurial Ecosystems

- Defined as the types of cultural, social, economic, and political environments, within a certain geographical location, that influence high-growth (Brown & Mason, 2017) and productive entrepreneurship (Wurth et al., 2022).
- Whereas clusters have a top-down approach to governance where the state is the primary agent, the EE approach is intended to be bottom-up where the entrepreneurs themselves are responsible for developing, governing, and sustaining the ecosystem, with policy assuming a facilitating role (Stam, 2015).
- Leeds participated in the sixth cohort (2019-2021) of the Massachusetts Institute of Technology Regional Accelerator Programme.



Call for Papers

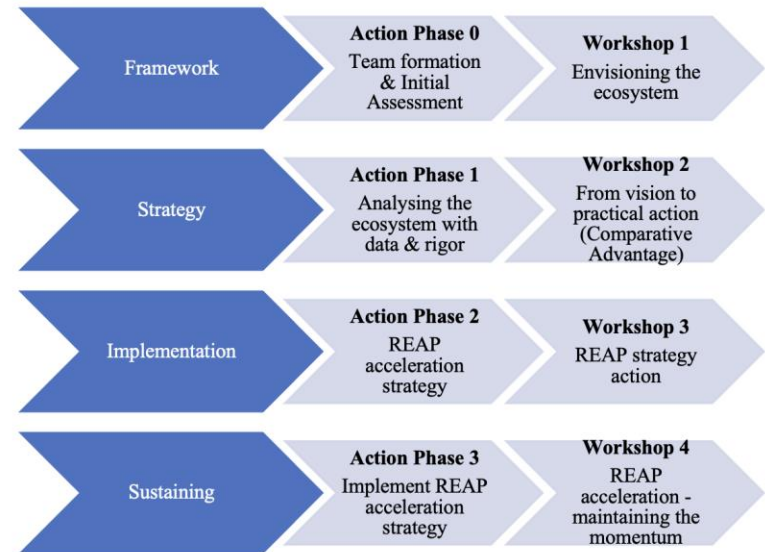
*"Inclusive or Exclusive? Diversity and Inclusion in Entrepreneurial Ecosystems Research"*



# REAP

- Two main programmes:
  - BUILD, a 12-week entrepreneurship support programme focused on technology driven early-stage startups and *‘for-purpose’* enterprises which had the potential to go global
  - LEAP, a free online e-learning programme aimed at early-stage enterprises in Leeds

- MIT REAP Four Action Framework:





# Nexus



[READ PROFILE](#)



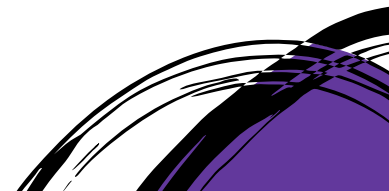
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# **BAGEHOT**

## *Must Leeds always lose?*

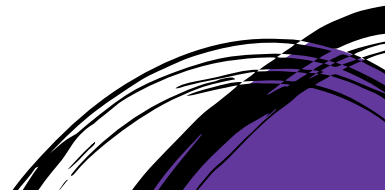
The Economist February 8th 2025

*Too prosperous to pity. Too poor to thrive*



- “What Leeds wants, it does not get”
- “The government looks past places like Leeds when it comes to growth. Ms Reeves and the Treasury focus on the south because it pays Britain’s bills. Only two regions are net contributors to Britain’s coffers: London and the south-east”
- “Leeds is caught in a trap: too prosperous to pity, but still too poor to pay its own way”

**Policy debate:  
'The Entrepreneurial  
State'**

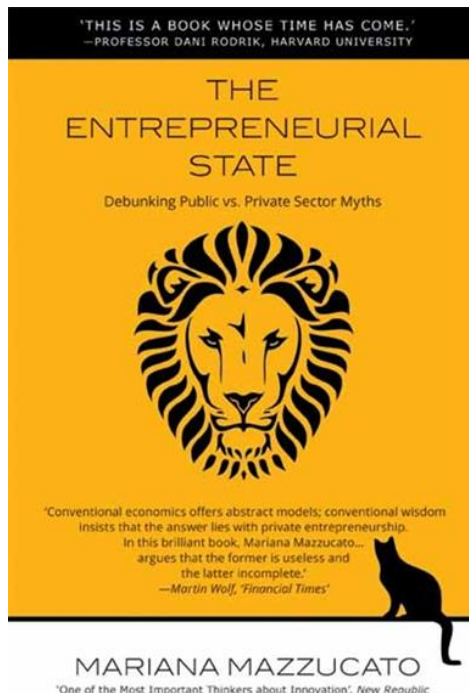






Public policy

**Blast off!**



Political science Science policy

## Interrogating the entrepreneurial state

This week, Mariana Mazzucato will give the inaugural New Statesman/SPERI prize lecture for political economy. Her 2013 book, *The Entrepreneurial State*, has provoked widespread debate about the role of government in innovation. But do her arguments stack up as a guide to policy? Nesta's Stian Westlake has some doubts.

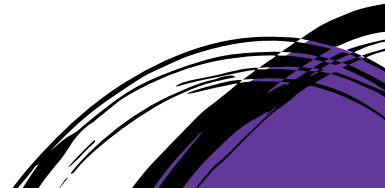


# Key ideas of 'The Entrepreneurial State'

- 1: The state has proven itself to be an effective investor
2. The entrepreneurial state is a risk-taking, pioneering investor
3. Entrepreneurial states will play a crucial role in advancing green technology
4. Citizens and the economy should reap the benefits of state-funded successes

## **Overall thesis:**

Game-changing technologies that have transformed the way we live today would not have been possible without state investment. By playing the role of the risk-taking, entrepreneurial investor and ensuring that their citizens see a return on government investments, the state can drive the advancement of renewable energy technology.





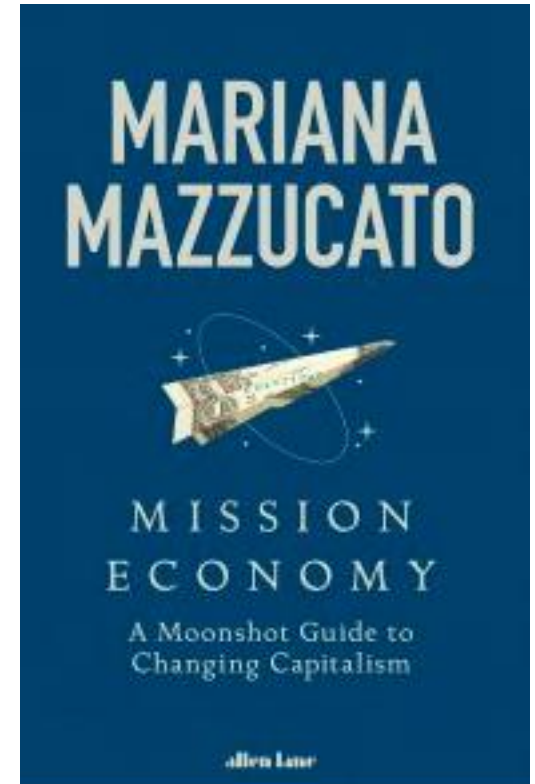
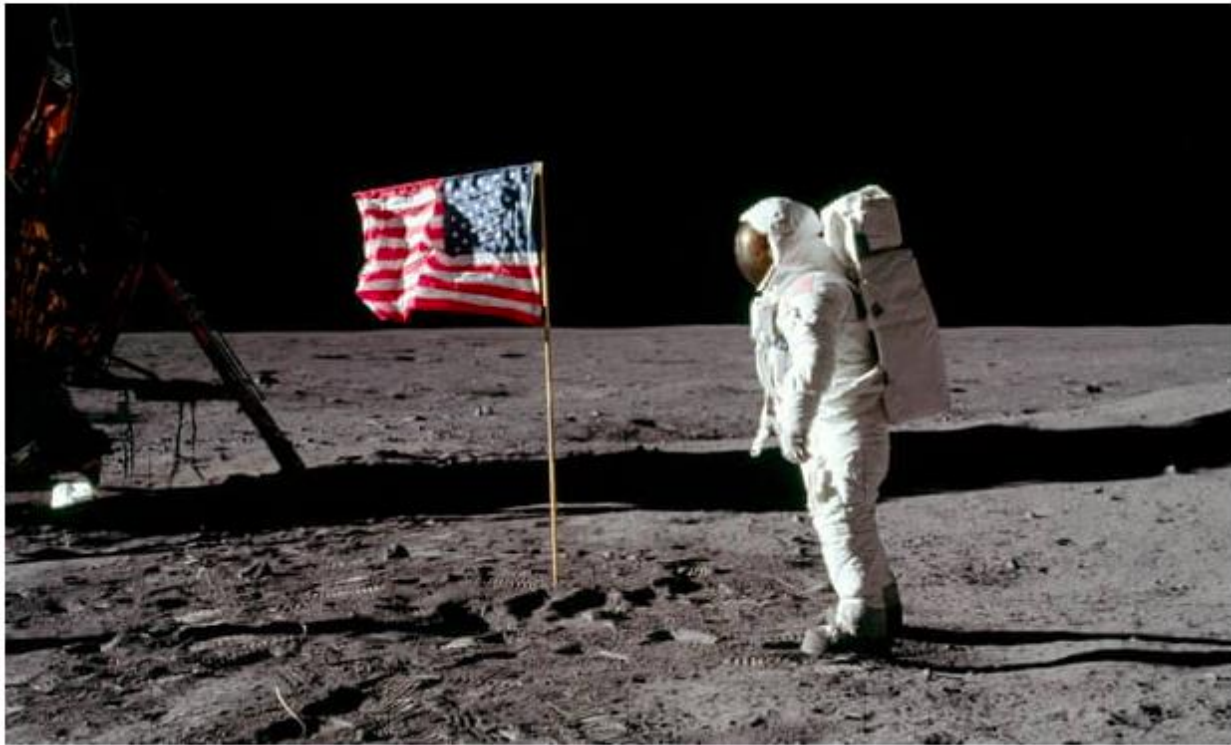
In 40 years, the internet has morphed from a military communication network into a vast global cyberspace. And it all started in a California beer garden



Politics books

# Mission Economy by Mariana Mazzucato review – the return of the state

The pandemic has shown the limits of the market ... a book that takes its cue from the Apollo 11 mission is full of vital ideas for progressives who want to change capitalism







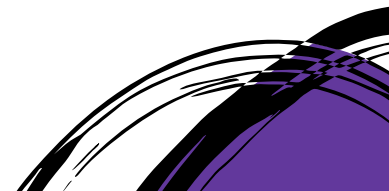
## The entrepreneurial state

A new book points out the big role governments play in creating innovative businesses



APPLE is generally regarded as an embodiment of everything that is best about innovative businesses. It was started in a garage. For years it played a cool David to Microsoft's lumbering Goliath. Then it disrupted itself, and the entire entertainment industry, by shifting its focus from computers to mobile devices. But there is something missing from this story, argues Mariana Mazzucato of Sussex University in England, in her book, "The Entrepreneurial State". Steve Jobs was undoubtedly a genius who understood both engineering and design. Apple was undoubtedly a nimble innovator. But Apple's success would have been impossible without the active role of the state, the unacknowledged enabler of today's consumer-electronics revolution.

**The  
Economist**

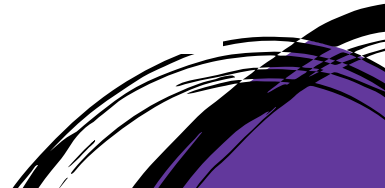


## Some thoughts on The Entrepreneurial State

Mariana Mazzucato's "The Entrepreneurial State" has made a tremendous impact on the global debate about innovation. But how useful is it as a guide to policy?

*The Entrepreneurial State* describes what Apple did when it developed the iPod and iPhone as "integration" (p 93) or "hybridizing" (p 102), and presents Apple's low R&D-to-sales ratio as a sign of free-riding (p 92).

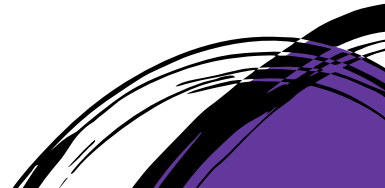
But a focus on technology ignores Apple's real achievement: integrating these technologies with one another; improving them to make them usable, reliable and portable rather than clunky prototypes; brokering deals with cellular carriers and record labels so iPhones could make calls and download songs and be affordable; and even marketing iPhones in a way that people would be willing to buy them. All of these were risky, difficult undertakings.



# Some thoughts on The Entrepreneurial State

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In particular, it overlooks the benefit that consumers get from better technology, what economists call consumer surplus. Intuitive, powerful smartphones make life better for people who buy them. (This isn't just the elite: 56 per cent of Americans and 72 per cent of British people now own smartphones.) Consumer benefits are not, as I understand it, included in the "risk-reward nexus" framework that *The Entrepreneurial State* uses to trace the benefits of innovation, drawing on research Professor Mazzucato conducted with William Lazonick (p 186). The risk-reward nexus focuses on the "the distribution of financial rewards from the innovation process".

A decorative graphic in the bottom right corner of the slide. It features several overlapping, curved lines in shades of purple and black, creating a sense of motion or a stylized orbit.



# “Mission Economy by Mariana Mazzucato – could moonshot thinking help fix the planet?”

## FINANCIAL TIMES

Mazzucato has correctly emphasised the contribution of state funded basic research to Silicon Valley, but thank goodness the development was in the hands of Steve Jobs, Travis Kalanick and Elon Musk rather than a committee in the department of commerce.

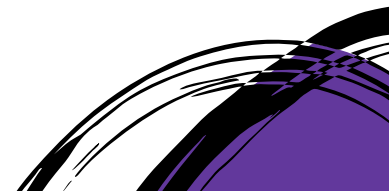
No one has, or could have, the knowledge of present or future required to create or implement successfully the strategies that Mazzucato recommends. Take her modern signature example — Germany’s *Energiewende*, or energy transition to renewables. You will not learn from *Mission Economy* that this highly political, much publicised and wildly expensive project has brought about significantly smaller reductions in carbon emissions than Britain’s quiet, economically and socially beneficial substitution of gas for coal.

“

**The decentralised process in which developers draw on and help create the collective intelligence leads to constant incremental improvement in so many fields**

running shoes.

Mazzucato lists “twenty things we wouldn’t have without space travel”. Athletic shoes, CAT scanners, home insulation, baby formula, artificial limbs. Yes, really. But beyond the ridiculous headline, we see the reality of productive innovation: a decentralised process in which developers draw on and help create the collective intelligence that leads to constant incremental improvement in so many fields — including better



# Final Thoughts

- Rates of entrepreneurship differ between nations, regions and localities – government attempts to close gaps
- Clusters of entrepreneurship are difficult for policy makers to create (Hospers et al, 2009)
- Policy has tried to respond by increasing rates in weaker regions and localities
  - Mixed success of policy
  - Policy should be judged by outcomes not intentions
- Government investments should not ignore the opportunity cost
- Policy is difficult to evaluate and can only really be done in long term

