

Entrepreneurship and innovation

Why is innovative entrepreneurship important?

At a time when policy makers are pooling efforts to restore growth and overcome the global economic and financial crisis, specific attention has been focused on innovative entrepreneurship, as it can play an important role in contributing to economic growth, job creation and poverty reduction, and can help address key social challenges.

What types of businesses are innovative entrepreneurs?

The definition of innovative entrepreneurship used here is not synonymous with either small and medium-sized enterprises (SMEs) or business start-ups but is derived from the intersection of three areas:

- innovative businesses
- young and high-growth businesses
- SMEs

Figure 1. The module for innovative entrepreneurship.

What are the key policy dimensions regarding innovative entrepreneurship?

The following six policy dimensions are particularly relevant for innovative entrepreneurship:

- **Access to finance** (see [Access to finance](#) [1]). This policy dimension is concerned with access to capital required to establish and run a business. It includes access to debt financing, venture capital, business angels and other types of finance, as well as exit options and market. Access to finance is a key driver in the creation, survival and growth of innovative new ventures, as it enables new ventures to invest in innovative projects, improve their productivity, finance their growth and meet market demand.
- **Access to knowledge** (see [Firms' access to knowledge for innovative entrepreneurship](#) [2]). This dimension covers the various private, public and academic knowledge links that nourish innovative entrepreneurial activity. It deals with technological co-operation between firms, university-industry interface, R&D investments and other investments in innovation, intellectual property systems and access to information and communication technologies (ICT). Access to knowledge is essential for innovative entrepreneurship, as it is a key source of innovation-driven entrepreneurial opportunities.
- **Market environment** (see [Market environment for innovative entrepreneurship](#) [3]). This dimension deals with several aspects of market development and access, such as access to domestic markets, access to foreign markets, product market regulation, states of competition and public procurement. Market development and access play a key role in

innovative entrepreneurship, since market opportunities will ultimately determine conditions for business success or failure.

- **Access to labour** (see [Access to labour for innovative entrepreneurship](#) [4]). This policy dimension deals with the conditions for acquiring highly-skilled human capital by entrepreneurs. It includes policies affecting the cost of hiring/firing, the availability of skilled labour and immigration.
- **Entrepreneurial capabilities and culture** (see [Entrepreneurial capabilities and culture](#) [5]). This dimension accounts for societal and cultural infrastructures, such as business support infrastructure, business and entrepreneurship skills and experience, and attitudes towards entrepreneurship. Entrepreneurial capabilities play a critical role in market entry and in the success of new ventures, since they determine the capacity to identify opportunities, run new businesses, drive innovations and learn and adapt to changing circumstances. Culture may also affect innovative entrepreneurship by influencing the propensity of individuals to become entrepreneurs.
- **Regulatory Framework** (see [Regulatory framework for innovative entrepreneurship](#) [6]). This dimension deals with government regulations and public policies that influence the creation and early-stage growth of new companies, such as the administrative framework for entry and growth, the taxation regime and bankruptcy regulations.

References

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