

# Fostering Innovation-driven Entrepreneurship: a Global Perspective

Private session, Dalian, People's Republic of China 11 September 2013

The World Economic Forum convened 50 high-level policy-makers, entrepreneurs, leading business representatives and financial actors for a private session at the Annual Meeting of the New Champions in Dalian on 11 September 2013 to deliver a cross-regional perspective on leading practices and measures in fostering innovation-driven entrepreneurship. The private session provoked stimulating interaction and lively discussion, yielding critical insights for the Forum's project "Fostering Innovation-driven Entrepreneurship".

## Introduction and overview

The session was designed to follow-up and build on a previous CEO workshop in London in April 2013, a policy-focused meeting in Brussels in June 2013, and an interactive workshop in Berlin in July 2013. At these previous meetings, key topics in fostering innovation-driven entrepreneurship were identified through interactive multistakeholder discussions among top experts from all over Europe. Drawing on previous outcomes, the Dalian session was designed to develop a sound understanding of driving factors and roadblocks for innovation-driven entrepreneurship in Europe, Asia, and

around the world, building on extensive work by the project team as well as international experiences and global leading practices from workshop participants.

The objectives of the Dalian session were to:

1. Identify key challenges in fostering entrepreneurship across regions  
*What roadblocks still exist?*

01: Nicholas Davis  
welcoming participants

2. Inspire decision-makers by sharing key success factors which can be transferred to other regions  
*Which activities are particularly successful at improving conditions for innovation-driven entrepreneurship?*
3. Explore potential measures to implement leading practices in different national contexts – including, but not restricted to, measures on the agenda of policy-makers  
*What is practically required to implement best practices? How can scale be achieved while remaining sensitive to local conditions?*



To achieve these objectives, participants engaged in 90 minutes of intense discussion in plenary and breakout groups. The session achieved its goals: to identify key challenges and deliver a cross-regional perspective of key measures for fostering innovation-driven entrepreneurship. The goal to inspire decision-makers to take action is ongoing.

Key takeaways from the workshop included:

- Fostering innovation-driven entrepreneurship is a true multistakeholder effort offering enormous potential, which not only requires governmental action but also joint measures between many stakeholders
- While governmental framing conditions for entrepreneurial culture need to be adapted to specific characteristics of the country/region, a set of challenges and measures were identified:
  - Need for early entrepreneurship education to overcome lack of awareness and entrepreneurial capabilities
  - Need to complement theoretical education with hands-on experience to lower barriers on deciding to pursue an entrepreneurial track
  - Need for networks and bottom-up initiatives to strengthen entrepreneurs and to increase awareness of opportunities
- Access to capital is driven by awareness for specific asset classes such as early-stage investment, education on the asset class and willingness to take risk – there is no lack of capital but a lack of appetite to invest
- Collaboration between market leaders and market disruptors offers important potential and realizing this potential is a complex task, both for entrepreneurs and large enterprises, which needs to be supported with interactive formats
- Independent of the phase within the entrepreneurial lifecycle, role models are of key importance to inspire entrepreneurs and accelerate learning processes
- Measure entrepreneurship readiness to monitor the development of entrepreneurial culture in European regions.



### Plenary discussion: challenges and success factors of major initiatives in fostering innovation-driven entrepreneurship

Jyrki Katainen, Prime Minister of Finland, shared key aspects of the development in Finland. He pointed out three success factors of initiatives that improved conditions for innovation-driven entrepreneurship while being defined and scoped to achieve broader impact:

- A corporate tax reform in Finland: broadening the tax base and lowering tax rates
- Enabling investments in research and development
- Continued deregulation: e.g. in the telecom sector to incentivize entrepreneurship and innovation
- Strong focus on education: increasing funding of universities.

**“In the middle of the crisis, we started to increase funding of our universities.”**

Jyrki Katainen, Prime Minister of Finland

**01:** Jyrki Katainen, Prime Minister of Finland, delivering his speech

Currently, Finland is experiencing a start-up boom. Attitudes are changing and Finland's start-ups attract venture capitalists and talent from abroad.

Ali Babacan, Deputy Prime Minister of Turkey, pointed out that the Turkish government strongly focused on strengthening the entrepreneurial ecosystem. As an example, he offered insights into tax reductions specifically tailored to foster entrepreneurship in Turkey:

- Introduction of a tax reduction for licensed business angel investors
- Introduction of tax reductions for Tech Parks associated to universities

Babacan stressed the need for a detailed assessment of these incentives which could lead to misuse if put into place inappropriately.

**“We invest in the business environment to create a feeling of opportunities.”**

Ali Babacan, Deputy Prime Minister of Turkey

Gordon Brown, UN Special Envoy for Global Education, further elaborated on these aspects. Acknowledging the host country, he pointed to China's impressive development from a country importing innovation towards a self-driven innovation economy. He emphasized the need for getting the balance right for:

- Incentives such as tax credits
- Measures to strengthen culture of innovation
- Investments in education

Regardless of the geographic region, he considers two factors to be crucial:

- Improving entrepreneurial culture and “enterprising the schools”: getting young people in schools talking about business is extremely important
- Building the link between universities and companies is an important topic: ensuring an efficient interface

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**We need to build entrepreneurial culture by ‘enterprising the schools’ and getting young people talking about business.**

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Gordon Brown, UN Special Envoy for Global Education

Moderator Krisztina “Z” Holly, Adviser, National Advisory Council for Innovation and Entrepreneurship, USA, summarized how different and potentially complementary the outlined approaches are: the approach of Finland’s government focusing on macro conditions; the Turkish government focusing on tax incentives; and Gordon Brown highlighting cultural aspects.

Professor Virginia Cha, National University of Singapore, differentiated two governmental strategies for offering a fruitful environment for entrepreneurs and developing an entrepreneurial culture, both interventionist or liberalist. Moving beyond the scope of the European cases, this was illustrated with the example of Singapore, which takes an interventionist approach to jump-start the entrepreneurial ecosystem. According to Cha, the country is starting to see success. Most recently, there was the US\$ 200 million exit of Viki, the Korean drama video-streaming site. Interestingly, the founders are not Singaporeans. They were attracted to the vibrant Singaporean ecosystem and started the company there. The key takeaway from the Viki case, pointed out by Cha, was that a vibrant entrepreneur ecosystem should have a healthy mix of locals and foreigners. Sometimes, it is the foreigners who come to a role model entrepreneurial ecosystem who

make the most impact. Cha argued that binding the entrepreneurs to a nation was important – and this can be done by nationality-neutral support policies – and not be confined to the citizenship of the founders. Of course, this can be difficult to achieve due to accountability of public money. However, those nations who can manage this will find rewards in the growth of a vibrant value-based ecosystem (versus a nationality-based ecosystem). The successful entrepreneurs will start their own miniature success circles within an ecosystem, as can be seen with the PayPal group (Elon Musk, Peter Thiel, Reid Hoffman, Steve Chen, David McClure). Interventionist or liberalist, the right way depends on the individual strengths and profile of the region.

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**Every nation has risk-adverse locals – you should pay equal attention to converting your locals to be entrepreneurial and to support the foreigners who leave their comfort zones to be entrepreneurs in your ecosystem. It’s binding the entrepreneurs to your nation that’s important – not the nationality of the founders.**

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Professor Virginia Cha, National University of Singapore

Building on the discussion on fostering an entrepreneurial culture, Calvin Chin, Founder of Transist, focused on the topic of access to capital, enabling the foundation and growth of enterprises. Calvin pointed out that the issue was not availability of capital but increasing the attractiveness of start-ups for potential investors. From his perspective, the policy environment was of key relevance. For example, regulatory flexibility was key in China; setting-up so-called Variable Interest Entities to help foreign companies invest in a highly regulated market area. In order to deliver more sustainable developments of valuations and to increase offer of capital, he pointed out that entrepreneurs needed to be more purpose-driven, rather than focusing on exits. Purpose-driven start-ups are the most likely to create value for their customers and society. They execute on their missions more effectively and are more likely to find and develop products, services and business models that fit market needs. It is this value they create that can then be extracted and shared with investors.

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**The issue is not availability of capital - the issue is increasing the attractiveness of start-ups for potential investors.**

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Calvin Chin, Founder, Transist



**01:** Professor Cha, National University of Singapore, addressing the audience



Jim Andrew, Chief Innovation Officer, Royal Philips, addressed the crucial topic of collaboration between market leaders and market disruptors – highly dynamic and innovative start-ups or small- and medium-sized companies. Collaboration is a significant lever to drive growth of market disruptors. They offer innovation but in many cases lack infrastructure and resources to develop. While historically, many large corporations had a strong focus on internal research and development, key players are increasingly scouting for potential partners, realizing the potential to speed up processes and improve competitiveness. Andrew particularly stressed:

- Importance of clearly defined joint objectives as the basis for collaboration, building on a clear understanding of start-up/SME needs: market access/ technology access – understanding the give and get in every relationship is crucial
- Importance of building infrastructure such as small business accelerators – working closely with small players while making sure they do not lose their differentiating factors
- Think long-term to systematically build relationships



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**Boosting collaboration is about systematically identifying win-win-situations for both sides.**

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Jim Andrew, Chief Innovation Officer, Philips

## Breakout discussion: Exploring potential measures to implement leading practices in different national contexts, including, but not restricted to, measures on the agenda of policy-makers

Split-group sessions were organized to discuss how leading practices could be implemented in different national settings. The groups offered opportunities to exchange between top policy-makers, academic experts, civil society leaders, entrepreneurs, and business leaders.

## Promotion of entrepreneurship: “Stand-up”, potential entrepreneurs!

The following measures were suggested:

- Introduce entrepreneurship education early in school to increase the participation rate of educational programmes; educate teachers to teach future entrepreneurs; *actors: governments to set framework conditions; universities to educate teachers; schools to develop their programmes*
- Strengthen student societies as a mean of getting to the grass roots since there needs to be a change of mindset to generate momentum; *actors: this could be a joint effort of universities, students, and entrepreneurs*
- Place students in start-ups for one year to enable them to gather relevant experience, example of such a programme at National University Singapore, students get credit – many of them come back and build their own companies; *actors: collaboration between universities and entrepreneurs*

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**See teachers and professors as entrepreneurial developers.**

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Dominic Llewellyn, Chief Executive Officer, Numbers4Good

## Early-stage financing: “Start-up” your business!

With regards to financing entrepreneurs, particularly in early stages, the following measures were suggested:

- Overcome lack of transparency in seed phase with interactive meeting formats; *actors: entrepreneurs and financial actors*
- Bridge the equity gap creating infrastructure opportunities:
  - Create awareness and build engagement of large corporations, e.g. based on corporate ventures; *actors: civil society, media, large corporations*
  - Support the development of new financial intermediaries such as crowdsourcing platforms; *actors: investors*
- Increase success rate of entrepreneurial ventures with mentoring; *actors: entrepreneurs*
- Advocate leading practices and policy incentives that have worked in different markets; *actors: media, civil society*

01: Jim Andrew, Chief Innovation Officer, Royal Philips, delivering his speech  
02: Breakout discussion



## Setting-up and developing collaborations: “Grow-up” your business!

With regards to financing entrepreneurial activity, particularly in early stages, the following measures were suggested:

- Improve understanding of success factors with interactive formats or experiments to overcome key challenges, including:
  - Transparency on potential partners
  - Identifying and building win-win relationships
  - Systematic definition of needs based on corporate strategy
  - Definition and communication of clear needs and objectives
  - Overcome cultural clash between small and large companies
  - Trust to overcome transactional type of collaboration

*Actors: entrepreneurs, academia, large enterprises, policy makers*

- Emphasize role models to inspire potential collaborations; *actors: media, civil society*
- Bridge the gap in connecting with potential partners via suitable platforms; *actors: entrepreneurs, large corporations, intermediaries*



**Conduct experiments to truly understand the ‘living organism’ of collaborations.**



Sir Tim Hunt, Principal Scientist, Cancer Research UK, Nobel Laureate

## How to measure success



**A forward-looking entrepreneurship readiness index could enable tailor-made initiatives to foster entrepreneurship.**



Kai Engel, Partner, A.T. Kearney

Finally, the participants were asked how to measure success. Many sophisticated measures of entrepreneurship are delivering great value to understand recent development but focus less on forecasting and identifying trends. In order to make a more forward-looking tool available, an entrepreneurship readiness index was proposed.

## Contact information

The Fostering Innovation-driven Entrepreneurship in Europe project is a multistakeholder effort, led by the World Economic Forum and supported by many individuals and organizations. In addition to significant support from the Forum's project knowledge partner, A.T. Kearney, the project is engaging a wide number of Young Global Leaders, Global Shapers, Technology Pioneers, Global Growth Companies, Regional Partners, Industry Partners and Strategic Partners, as well as a broad section of academia, corporate representatives and policy-makers across Europe. If you would like to be involved in the project, please contact the project leads below.

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### Special Guests

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Gordon Brown, UN Special Envoy for Global Education; Prime Minister of the United Kingdom (2007-2010); Global Agenda Council on Infrastructure

Jyrki Katainen, Prime Minister of Finland

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