Entrepreneurship, Innovation and Development: Diversity and Value Creation

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An Agenda

• What We know and What We Don’t (and variations!)

• Questions, Propositions and Assumptions

• Entrepreneurship as Economic, cultural and Social Value Creation

• Measuring Entrepreneurship as Value Creation

• Approaches and Methods

• Policy Directions & Concluding Observations -
What We Don’t Know

Which direction, our futures?

"Is this a V recovery or a W? I think it’s the latter…"

(CEO HSBC Bank, Financial Times, 5th Oct 09)

Perhaps its an L

OR, MAYBE
What We Knew

Figure 2: Entrepreneurship and Development

- Entrepreneurship
- Innovation-driven stage
- Efficiency-driven stage
- Factor-driven stage
- Economic Development

KNOwLEDGE FOR GROWTH

- Strong Links between knowledge & growth

Source: from World Bank, 2010 & Dahlan, 2003
What We Didn’t

The Changing Face of Our World Economy 1970 - 2050

USA
Japan
Germany
UK
France
Italy
Russia
Brazil
India
China

Note:
Data 1970 - 2005 comes from World Bank
The forecasting data 2005 - 2050 comes from the Goldman Sachs BMIC’s report
Source: Joe Swainson via Visualizing Economics.com
What We Know Now

Innovation Trajectory

Figure 1. Households according to disposable income bracket in BRIC countries: 2002/2007 '000 households

Source: Kaplinsky, R.(2012); Zhan, J.(2012); UNCTAD (2012),
What We Know About New Firms

Average New Firm Entry Rate 2003-2005

Source: Klapper

Coupled with new arguments about value of small firms:
Only young small firms create most jobs in USA (Hattwinger, J, University of Maryland and US Census Bureau)

Loss of competitiveness in Europe due to poor productivity due to lack of scaling up (firms with < 20 workers have > 50% less productivity than firms with > 250 workers (Eurostat; FICUS))
Questions and Propositions

- Should we look at entrepreneurship only in terms of new firm formation?
- If meeting ‘needs’ is a critical issue whose needs will be met by innovation?
- Is the geographical focus of innovation and entrepreneurship changing?
- Is the historic corporate hierarchy of innovation sustainable or is networked enterprise more likely to be the norm?
- Can we examine the impact of entrepreneurship from both macro & micro perspectives (different instrumental variables contingent upon regional priorities/circumstances)

To try and answer questions above:

- Revisit a genuinely Schumpeterian perspective of entrepreneurship
- Extend the scope of entrepreneurship to value creation and value change
- Seek extended measures with which to test and evaluate entrepreneurship
Measuring Entrepreneurship as Value Creation

- Value Creation as in personal, economic, social, and cultural value creation

- Measured in terms of:
  
  **Access to Resources**
  
  Access to rather than ownership of resources, including talent

  **Co-creation & Collaboration**
  
  Competition based on collaboration/open innovation models in different markets and talent mediated by social capital

  **Convergence**
  
  Of technologies, R&D, markets, driving collaboration, addressing inclusiveness

  **Regionalisation**
  
  Localisation, urbanisation,
Figure 11.5 Changing industrial organisation and global production networks and their impact on knowledge diffusion

Entrepreneurship as Regional Economic Value Creation

Figure 11.4 Inter-regional competition for Taiwan investment in the Pearl River Delta (PRD) and the Yangtze River Delta (YRD) in the global production networks: a trans-local analytical framework

Key Indicators

- Flows of Capital (public and private)
- Migration (of talent and skills)
- Large firm (multinational and regional)-small firm (regional) connectivities
- Cluster of technologies and skills
- Urbanisation

Instrumental Variable = The Network
Sao Paolo and Entrepreneurial Art Initiatives: Entrepreneurship as cultural value creation

Creating spaces for corporate culture

Not only office buildings but theatres/show houses/parks and other equipments for the this culture to thrive

Good tradition in organization of big events

- São Paulo Fashion Week
- Virada Cultural (equivalent to Paris Nuits Blanches)
- São Paulo Art Biennale
- São Paulo International Film Festival
- São Paulo Gay Pride Parade
- Anima Mundi (international Animated Film Festival)

Development Strategy

- Commerce of electronics + biggest technical college of São Paulo + ICT Business as TECHNOLOGY CENTRE
- Commerce of car parts + vehicle show rooms + new transportation modes + commercial events = MOBILITY CENTRE
- Existing museums + City orchestra + city ballet + music school + community centre + cinemas + shopping centres = CULTURAL AND ENTERTAINMENT AREA

Graffiti as social contestation

... and social affirmation

Building citizenship in the PERIPHERY

Source: various

Source: various
Key Indicators

Art as creative source of rejuvenation

Infrastructure development around non-business creative talent

Non-business creative talent as source of new enterprise creation & skills development infrastructure

Citizenship based network

Urban Regionalisation

Access to Resources

Co-creation & Collaboration

Convergence

Instrumental Variable = Cultural resources
Ecosystem of Wealth Creation: Entrepreneurship as Social Value Creation

- Fast moving consumer goods & Hindustan Lever Ltd.
- Value = $2.3 bn
- 80 manufacturing facilities
- Supplier base of 150 SME factories
- Over 7,000 stockists, 12,000 wholesalers, 300,000 small retail shop owners (SMEs or micro firms)
- Rural direct distribution system = Shakti (>1m individual entrepreneurs in urban & remote villages)
- Advisory relationship with state govt. to help brand local products in village & tribal areas
- No legal control over ecosystem
- HLL = nodal firm
- Shakti firms are independent
- Underpinning factor = education (about being responsible entrepreneur)
- Social collateral of open entrepreneurship
- Connectivity of the poorest to rest of the world & market system

Source: Prahalad, CK, 2005
Key Indicators

• Corporate Social responsibility as corporate social enterprise

• Large firm-small firm nexus

• Large firm- small firm-social enterprise network

• Urban-Rural connectivity

Instrumental Variable = Large Firm
### Methods: Macro Level Analysis

#### Explanatory Variables

**A Typical Social Capital Index (based on UK regions)**

<table>
<thead>
<tr>
<th>Indicators of Social Capital</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>% who agree that their local area is a place where people from different backgrounds get on well together (NI 1)</td>
<td>2008 Place Survey</td>
</tr>
<tr>
<td>% who feel they belong to their immediate neighbourhood (NI 2)</td>
<td>2008 Place Survey</td>
</tr>
<tr>
<td>% who have been involved in decisions that affect the local area in the past 12 months (Civic Participation in the local area) (NI 3)</td>
<td>2008 Place Survey</td>
</tr>
<tr>
<td>% who agree that they can influence decisions in their local area (NI 4)</td>
<td>2008 Place Survey</td>
</tr>
<tr>
<td>% who are satisfied with their local area as a place to live (NI 5)</td>
<td>2008 Place Survey</td>
</tr>
<tr>
<td>% who have given unpaid help at least once per month over the last 12 months (NI 6) Participation in regular volunteering NI 6</td>
<td>2008 Place Survey</td>
</tr>
<tr>
<td>Adult participation in 30 minutes, moderate intensity sport: National (England), by key demographic subgroups</td>
<td>2008 Place Survey</td>
</tr>
</tbody>
</table>

**Social Capital Index (Average of NI1, NI2, NI3, NI4, NI5, NI6, NI8 indices)**

Complementary Methods
Based on Randomised Control Trials (RCT) at the Micro Level

What is it?

- Uncovering new data & offering novel approaches to study regional development
- Widespread usage by:
  - Private sector (Capital One; Red Lobster; Kraft); International agencies (World Bank);
  - Academic researchers (MIT, Duke, Essex)

Rationale

- To focus on key variables and outcomes
- To identify whether change in one parameter has an impact on an outcome variable
- Enabling provision of evidence of direction of possible causation between 2 variables
- + identifying specific variable that may have caused particular result under investigation

A Real Example

- Energy Needs and Rural Communities: Entrepreneurial Outcomes

  **Stage One:** identifying possible challenges – or problems – Not market demand study or survey of clean energy solutions in the market, but uncovering stated and unstated needs that affect the population of rural community in their everyday lives.

  **Stage Two:** Use of 3 techniques:
  a) field research by a team of designers;
  b) consultative workshops in the rural communities;
  c) a “call for challenge” where the program is using crowdsourcing approach to collect problems linked to energy in communities.
Policy Implications and Concluding Observations

- Enlargement of scope, meaning and value of entrepreneurship
- Recognising unique ways in which entrepreneurship generates value in the economy (identifying the instrumental variables)
- Regional, localised focus
- Enables identification of ‘trigger variables’ causing change (using RCT)
- Allows for diversity of approaches, processes & ideas with which to enhance value creation
- Easy adaptability and complement to existing tools (CfE/LEED Local Studies)
- Work in Progress
Jay Mitra presents an excellent and extremely accurate book that offers a fantastic synthesis of theory and evidence, enriched with diverse, insightful case studies. I will use it intensely to embed my research into a global context and will introduce it into my masters programme classes. I learnt a lot from this outstanding book and highly recommend it as a major reference. Jay Mitra does a masterful job in presenting a global and comprehensive view on one of the most important regional phenomena in our world: entrepreneurship!'  
Silke Tegtmeier, Leuphana University of Lüneburg, Germany

'The book captures state-of-the-art knowledge of the relations between entrepreneurship, innovation and regional development that are rooted in a deep understanding of economics. Jay Mitra delights the reader with precise formulations of complex relationships and endorses the international orientation that the book promises. I can definitely recommend this book to the interested reader.'
Rainer Harms, University of Twente, the Netherlands

'Jay Mitra’s *Entrepreneurship, Innovation and Regional Development* takes an important step in this direction by moving us along the path of marrying liberal democracy and the entrepreneurial society. It does so by focusing on regional development and global change. For if the triumph of liberal democracy is universal then the future of entrepreneurship is surely a regional phenomenon.'
Zoltan J. Acs, George Mason University, USA

'This book is a must-read for anyone who first approaches the ‘mystery’ of entrepreneurship and innovation and how they impact on our economic and social welfare. The great contribution of Professor Mitra’s approach to the study of entrepreneurship lies in its convinced multidisciplinarity and in its vision of the entrepreneurial process as one of both economic and social value creation.'
Sergio Arzeni, OECD

Routledge, Taylor and Francis, Abingdon, UK
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