WELCOME and MISSION

Welcome to Liverpool and to the Ewing Marion Kauffman Foundation’s International Research & Policy Roundtable. We hope you will find this an intellectually stimulating experience that helps you meet new collaborators and advance your work.

The purpose of this symposium is to bring together prominent thinkers to identify ways to facilitate entrepreneurial ecosystems and remove barriers to entrepreneurship and innovation on a national and/or regional scale. The roundtable will provide input into ongoing work and activities at the Kauffman Foundation and the potential development of a global policy “roadmap” or framework for creating the right environment for building and scaling high-growth firms.

We look forward to spending this time together engaging in lively discussion on a range of issues.

ROBERT E. LITAN
Vice President, Research & Policy
Ewing Marion Kauffman Foundation

KAREN WILSON
Senior Fellow, Research & Policy
Ewing Marion Kauffman Foundation
FORMAT

Each session will begin with short presentations by three authors to stimulate discussion on the chosen topic. A panel discussant will then provide commentary on all three papers presented. The remaining time for the session will be spent on discussing the proposals offered and formulating the measures our group should recommend in the white paper. Participants will have broad leeway to raise questions or make proposals that may only be loosely related to the panel’s designated topic. This is important, because the purpose of the meeting is to elicit a broad range of ideas that can be used to structure the group’s white paper in ways that might not be apparent at the outset.
## Agenda

### Sunday, March 11

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Monday, March 12

8:00-8:30 Coffee and Breakfast Buffet
8:30-9:00 Review from previous day
9:00-10:15 SESSION THREE: Improving Access to Finance for High-Growth Firms
   Gordon Murray, Professor, University of Exeter Business School, U.K.
   “Government Co-financed Hybrid Venture Capital Programmes: Generalizing Developed Economy Experience and its Relevance To Emerging Nations”
   German Echecopar, Associate Professor, Universidad Adolfo Ibáñez, Chile,
   “Public Policy for Entrepreneurial Finance: A Comparative Approach Between the U.S. and Chile’s Risk Capital Industry”
   William Scheela, Professor of Business Administration Bemidji State University Minnesota State University System, U.S.
   “Business Angel Investing in Emerging Economies: Policy Implications for Southeast Asia”
   Discussant: Nicolas Veron, Senior Fellow, Bruegel, and Visiting Fellow, Peterson Institute for International Economics
   Moderator: Karen Wilson, Senior Fellow, Kauffman Foundation
10:15-10:30 Break
10:30-11:45 SESSION FOUR: Overcoming Regulatory Barriers for High-Growth Firms
   Kaustav Misra, Saginaw Valley State University, U.S.
   “The Determinants of Venture Creation Time: A Cross-Country Perspective”
   Jeffrey Petty, Senior Researcher, Faculty of Business and Economics, University of Lausanne, Switzerland
   “Public Policy: Moving Beyond Firm Creation”
   Robert Eberhart, Stanford University, U.S.
   “Failure is an Option: Failure Barriers and New Firm Performance”
   Discussant: Anders Hoffman, Deputy Director General, Danish Business Authority
   Moderator: Robert Litan, Vice President, Research & Policy, Kauffman Foundation
11:45-12:30 Wrap-up Brainstorming Discussion and Summary
12:30-13:15 Lunch
AGENDA

Monday, March 12 (continued)

Promoting High-Growth Entrepreneurship around the World:
A Dialogue among Experts

_Arena and Convention Centre (ACC), Kings Dock, Liverpool Waterfront, L3 4FP_
_(see map and walking directions at the back of this program)_

13:30-14:00 Registration

14:00-14:15 Overview of the Kauffman International Research & Policy Roundtable

Robert Litan, Vice President, Research & Policy, Ewing Marion Kauffman Foundation
Karen Wilson, Senior Fellow, Ewing Marion Kauffman Foundation

14:15-15:30 SESSION 1: Policies to Facilitate Entrepreneurship

Interactive Discussion

_How can countries drive entrepreneurship-led growth? What steps can policy makers take to facilitate innovative entrepreneurship and the creation of high growth firms? How do these measures vary across countries and regions?_

Report backs from discussants:

Robert Crawford, Director of Innovation, Investments and Growth, NESTA
Moderator: Karen Wilson, Senior Fellow, Ewing Marion Kauffman Foundation

15:30-16:45 SESSION 2: Removing Regulatory Barriers to Entrepreneurship

Interactive Discussion

_In many countries around the world, legal barriers stand in the way of innovation and entrepreneurial growth. How can these barriers be overcome? What legal reforms are needed? How do these differ across countries?_

Nicolas Veron, Senior Fellow, Bruegel, and Visiting Fellow, Peterson Institute for International Economics
Anders Hoffman, Deputy Director General, Danish Business Authority, Denmark
Moderator: Robert Litan, Vice President, Research & Policy, Ewing Marion Kauffman Foundation

16:45-17:00 Closing

Robert Litan, Vice President, Research & Policy, Ewing Marion Kauffman Foundation
Karen Wilson, Senior Fellow, Ewing Marion Kauffman Foundation
SESSION 1: Facilitating the Development of Entrepreneurial Ecosystems

GLENDA NAPIER, FORA, Denmark

“Ecosystems for High-Growth Firms”

Young high-growth firms need access to specialized resources that differ significantly from resources supporting new start-up firms. Such specialized resources are termed ‘ecosystems for young high-growth firms’ and are subject for analysis in this research. Ecosystems for high-growth start-up firms are regional enclaves typically built around one sector. It makes little sense to view ecosystems as global or even national entities, although strong ecosystems certainly are well connected both nationally and globally.

The analysis brings insights to what motivate and drive successful ecosystems for young growth firms. Well-functioning ecosystems have a critical mass of dedicated investors, established businesses, knowledge institution and service providers all specialized and geared towards working with young high-growth firms. The presence of these actors is crucial, yet not sufficient. Strong ecosystems are characterized by a dense network and collaboration between the key actors. In fact, a single ecosystem actor has no significant value working alone in the ecosystem as they feed off each other as in a biological food chain, while building young global-oriented growth firms together.

Good ecosystems support so-called blockbuster companies or early winners i.e. known young successful entrepreneurial firms that have grown exceptionally in size and wealth. Blockbusters do not however automatically create strong ecosystems. The single most important thing when creating strong ecosystems seems to be to keep entrepreneurs who have succeeded with a blockbuster firm active and involved in the local ecosystem. In strong ecosystems, they actively participate by re-investing their profit and experience back into the ecosystem either as investors, mentors or in other ways, thereby contributing to the strengthening of the ecosystem.

Moreover, this paper explores and discusses the possibilities to quantify and benchmark ecosystems based on both new and existing regional data. For the first time, a ranking is provided for young high-growth firm ecosystems. Dealmaker data as a proxy for ecosystems have potential and needs to be investigated in more depth. The tentative findings suggest it may be possible to create even better rankings through the use of dealmakers. However, improvements are needed on both regional performance data and dealmaker data.

When looking at the implications for policymaking, the findings suggest that policymakers should consider high-growth entrepreneurship policies in new ways. Framework conditions for growth-entrepreneurs should no longer be thought of or developed independently from other entrepreneurship framework conditions. Instead the relevance and value of a single framework condition should be judged on its ability to involve and relate to other complementary framework conditions. Moreover, the important role of successful entrepreneurs re-investing back into the ecosystem underlines the need to create successful young firms. The important thing is not only to create the successful firms, but how the ecosystem can benefit from the success of its entrepreneurs. Policymakers should find ways to encourage successful entrepreneurs to stay involved in the growth formation within new young high-growth firms. Ecosystems without successful serial-entrepreneurs and experienced management teams seem challenged in this regard.
HUGO KANTIS, Universidad Nacional De Sarmiento, Argentina

“Entrepreneurial Ecosystems in Latin America: The Role of Policies”

Over the last few years, the importance of entrepreneurship policies in Latin America has grown substantially. Particularly, based on successful international experiences, the concept of the entrepreneurial ecosystem has emerged as a benchmark for designing and implementing entrepreneurship policies in the region, especially in the case of new technology-based ventures.

However, knowledge of this topic in the region is limited and is usually based on best practice reports, policy briefs, and position papers published by international institutions. This paper tries to fill this gap by analyzing a number of national policies in five Latin American countries (Argentina, Brazil, Chile, Mexico and Uruguay). The main research questions guiding this paper are the following: (a) what are the main trends observed in Latin American technology-based entrepreneurship policies during the last decade?; (b) what is the role that these policies (may) have played on the creation and sustainability of entrepreneurial ecosystems?; and (c) what are the main challenges that policies and institutions may face in order to strengthen these entrepreneurial ecosystems in the region?

Overall, the results of this paper show that despite the great advances that have been made in recent years, these ecosystems are still underdeveloped. Certain critical links are missing and some key actors are still absent. In particular, the availability of continuous deal flows and the link between new technology-based ventures and investors are critical aspects that need to be developed. Finally, with regard to the role of national policies, the cases studied reveal that governments have been active players in the creation of VC supply. Likewise, they have played a leading role in the creation and strengthening of such institutional settings, occupying mainly a “second-floor” role. Although this decentralized structure has facilitated the establishment of such ecosystems, there are currently clear challenges to their sustainability, namely in terms of the incentives for influencing institutions’ behaviour and their processes of upgrading capabilities. Other more general issues in which governments have a critical role to play include the regulatory environment, tax reforms, and the promotion of entrepreneurship culture.

WUBIAO ZHOU, Nanyang Technological University, Singapore

“The Diffusion of the Liberal State Model and Rapid Entrepreneurial Development in China”

This study examines the effect of the diffusion of the liberal state model on entrepreneurial growth in China’s transition economy. Despite a less favorable national institutional environment, the private entrepreneurial sector has developed rapidly in China since the early 1990s. This study argues that regional deregulation resulting from the diffusion of the liberal state model plays a significant role in China’s entrepreneurial growth because it stimulates free markets and lifts predatory and discriminatory regulatory policies affecting entrepreneurship. The results, using provincial-level panel data (1998-2003), suggest that deregulation indeed has a significantly positive effect on entrepreneurial growth within regions. However, there are diminishing returns to deregulation as its effects are greater in earlier transition periods, as well as among less-developed Inland and Northern regions.
SESSION 2: Catalyzing Entrepreneurship and High-Growth Firms

ROHIT SHUKLA, Larta Institute, U.S.

The challenges and opportunities for High-Growth entrepreneurs, particularly those in knowledge-intensive industries, in today’s new global environment, call for a new paradigm of entrepreneurial assistance, a network-centric approach. The conventional approach to nurturing and assisting entrepreneurs in clustered environments, including incubators and science parks, is constraining for High-Growth entrepreneurs. We make the case for the use of a new network-centric assistance model, better aligned with the landscape of innovation and the needs of High-Growth entrepreneurs. This paper is relevant both to practitioners managing innovation agendas in entrepreneurial support organizations and to policymakers who provide the direction and incentives for innovation-based economic development.

CHRISTOS KOLYMPIRIS, Wageningen University and Research Center, Netherlands
“Academic Entrepreneurs and Firm Location Choice in Life-Sciences”

Where knowledge firms locate is important because technical innovation, entrepreneurship and firm creation are typically associated with regional economic development, wealth creation and increased employment. In this paper we examine where academic entrepreneurs locate their firms. We assume that academic entrepreneurs maximize utility when making their firm location choice and based on this optimization process we derive an ordered multinomial logit model to empirically analyze the impact of entrepreneur-specific and regional characteristics on their proclivity to start their firms at a distance or close to their academic institutions. We find that proximity to certain knowledge assets, such as the presence of a medical school, as well as access to capital markets, in the form of proximity to their funding venture capital firms, affect the firm location choice of academic entrepreneurs. Nevertheless, the influence of entrepreneur-specific characteristics, such as her age, seem to dominate the choice of firm location. We conclude the paper by drawing policy implications for practitioners that seek to encourage academic entrepreneurship.

NADINE JESERICH, Growth Economics, U.S.
“Cross-State Difference in High-Growth Businesses: Policy Impacts”

With an increasing international search for economic growth as one means to address ailing national and sub-national economies, many governments are venturing beyond technology clusters and innovation high-tech directed policies to considering high-growth businesses as targets for job creation. However, the lack of consistent empirical evidence on drivers of High-Growth businesses and on the success of business growth policies leaves policy makers uncertain and apprehensive about High-Growth strategies. This study tests a wide-ranging array of policy relevant drivers for their causality with respect to the share of High-Growth establishments (HGE) in all 50 U.S. states. Results indicate that there are clear time robust drivers of the share of HGEs across the states that are valid both in the pre-recession and the recessionary period, such as broadband infrastructure, certain measures of labor supply and amenities. However, preliminary investigation of how the 2007-2009 growth period also point to clear differences. The results therefore indicate that because the relative importance of these drivers vary over the business cycle and national/sub-national decision-makers must be agile in selecting and modifying policy tools.
SESSION 3: Improving Access to Finance for High-Growth Firms

GORDON MURRAY, University of Exeter Business School, U.K.

“Government Co-Financed Hybrid Venture Capital Programmes: Generalizing Developed Economy Experience and its Relevance to Emerging Nations”

Policy makers guiding national enterprise and innovation policies have become increasingly concerned at the lack of venture (risk) capital available to new and early stage entrepreneurial ventures. At the end of the first decade of the 21st Century, the proportion of capital allocated by private, financial institutions to early stage venture capital (VC) has continued to decline to record lows across the advanced Western economies. Smaller emerging economies (e.g. Poland and the former Soviet satellite countries) have similarly experienced a limited supply of private venture capital from either domestic or foreign private investors available for economic development. Observers rationalise the present trend with reference to the impact of market failures that impede the efficient supply and allocation of risk capital finance. In marked contrast, for BRICS (Brazil, Russia, India, China), foreign investors’ interest runs (perhaps imprudently) at record levels in countries where the internal venture capital infrastructure and the wider entrepreneurial ecosystem remain rudimentary and under developed.

As a public response to a perceived supply-side market failure, several governments have set up equity co-investment programs to channel equity finance (VC) to capital constrained but high potential, young enterprises. This paper summarises Western experience in public/private (hybrid) VC programmes, notably in the UK, the USA and Australia. It reflects on the lessons learned from independent academic evaluations in order to produce a set of generic guidelines for policy makers. These guidelines are then used to look briefly at the rapidly emerging VC sectors in both China and Poland where national governments have intervened decisively to influence the domestic VC industry’s development. The authors conclude that a policy surge that has financed with significant public funds the rapid genesis of a nascent VC industry is in danger of wasting considerable funds if an equivalent focus and effort is not also applied simultaneously to improving key elements of the entrepreneurial ecosystem. Given potential disparities between research findings and extant policy actions, we implicitly raise the question of whether or not the governments of rapidly developing nations really can learn from other nations’ experiences.

GERMAN ECHECOPAR, Universidad Adolfo Ibañez, Chile

“Public Policy for Entrepreneurial Finance: A Comparative Approach between the U.S. and Chile’s Risk Capital Industry”

This paper reviews Chile’s twenty year experience promoting entrepreneurship and risk capital and compares it to the experience in the US. This study is interesting, among other things, because throughout this period Chilean policy makers have been consistent in trying to provide technical solutions to market failures for long periods of time, an unusual experience. The paper argues that creating a new market, like the risk capital market, is not solely an issue of addressing some market failures such as information asymmetries’, agency and spillover effects. A well functioning market also requires enough players on the supply and demand sides, abilities and experience of these agents commensurable to the roles they need to play, and formal and informal institutions that support the well functioning of the market. The natural
development cycle of this industry in the US has been to develop the capabilities and experience of agents before developing the formal exchange market. In Chile, the government’s policy was to start by developing the supply of funds and projects without real concern about the capabilities and experience of entrepreneurs and investors. The paper ends by arguing that policy making itself can be considered an entrepreneurial venture and may benefit from research on how successful entrepreneurs behave. Imitating entrepreneurs, when facing significant uncertainty about what type of policies might be best, governments can rely on testing and rapid adaptation.

WILLIAM SCHEELA, Bemidji State University Minnesota State University System, U.S.

“Business Angel Investing in Emerging Economies: Policy Implications for Southeast Asia”

We are studying the impact that informal private investors, also called business angels (BAs) have on the creation of entrepreneurial firms in the emerging economies of Southeast Asia. We have determined that BAs in Thailand and the Philippines support the funding and development of early-stage, high-growth potential, entrepreneurial ventures in spite of the lack of fully-developed legal and financial institutions needed to support both formal and informal venture capital investing in emerging economies (Scheela & Jittrapanun, 2010; Scheela & Isidro, 2009). We will integrate the findings of these two field studies to develop policy implications for financing high-growth entrepreneurial ventures in emerging economies.

We are now expanding our research to Indonesia (Gunawan, Scheela, Wessiani & Luthifiyah, 2011) and Vietnam, focusing on the same challenge facing private equity investors (BAs and venture capitalists) operating in most emerging economies: How do business angel investors survive in an emerging economy, which lacks fully-developed institutions necessary to support private equity investors. These two projects are work-in-progress field studies and we will include our preliminary findings in order to further develop policy implications.

The format of this paper is as follows: first, we will provide an overview of BA investing; second, we will introduce institutional theory as our theoretical framework, which will enable us to better understand the challenges of private equity investing in emerging economies; third, we will examine BA investing in emerging economies; finally, we will develop Policy recommendations for financing early-stage, high-growth ventures.
SESSION 4: Overcoming Regulatory Barriers for High-Growth Firms

KAUSTAV MISRA, Saginaw Valley State University, U.S.

“The Determinants of Venture Creation Time: A Cross-Country Perspective”

The purpose of this paper is to examine the impact of macro-institutional and macro-non-institutional factors on the new venture creation time across emerging as well as developed economies in Europe using panel data from 2003 to 2006 in 15 countries. This paper finds significant relationships between the venture start-up time and institutional factors that are lending interest rates, start-up procedures, and taxation, as well as GDP per capita as the non-institutional factor. Hence, to encourage business formation, policy makers may need to revise policies concerning these factors which can facilitate or restrict new venture formation.

JEFFREY PETTY, University of Lausanne, Switzerland

“Public Policy: Moving Beyond Firm Creation”

What role does government policy play in promoting and supporting entrepreneurial activity? An increasing number of countries have initiated or modified programs and policies designed to promote entrepreneurship, promote investment in new ventures, or reduce the burden of bankruptcy on firm owners yet, unfortunately, not all of these policies have achieved the desired effects within their respective economies. Although specific policies do appear to promote firm formation and other selected entrepreneurial activities, policy implementation has often been piecemeal in nature. Hence, while many new firms have been created, the needs and challenges that will be faced by these nascent firms in their latter stages of development potentially go unaddressed by the policy makers who seek to support them.

Focusing on the promotion of new firm formation and the level of nascent entrepreneurial activity captures the effects of policies at the earliest stage of the process but only provides a partial view of the total entrepreneurship landscape. First, many of the firms that are created as a result of incentives also benefit from, and perhaps come to rely upon, other government initiatives such as tax incentives, access to technology transfer schemes, advisors and subsidized premises yet may not be prepared to cope with the realities of operating as an independent enterprise and do not survive. Second, there is an inherent risk that policies that either lower the entry barriers for new firms or promote start-up activity will attract less productive or marginal entrepreneurs that pursue less viable opportunities and draw resources from more promising entrepreneurs. Additionally, many government policies designed to promote entrepreneurial activity, including the establishment of a business or investing in a new venture, may be compromised by other government policies thereby threatening the survival of new firms and negating the intended positive effects over the longer term.

(CONTINUED)
Rather than focusing on the effectiveness of an individual government policy, our research is interested in the integration and overlap of different policy measures including both policies to remove the barriers to entrepreneurship as well as those designed to facilitate business more generally. As such, our approach is to view entrepreneurship as a process rather than as a singular event and thus will incorporate an evolutionary perspective. Our analysis includes policies that affect several critical events over the lifecycle of a firm as well as multiple stakeholders that interact with the firm. In doing so, we seek to determine what, if any, strategy is pursued with respect to the alignment or interconnectedness of a country’s institutional framework and policies that are relevant to the broader conceptualization of entrepreneurship. In the absence of such a deliberate strategy policy makers run the risk of creating unintended negative consequences, including but not limited to, investment gaps, misallocation of resources, excessive churn rates, and market bubbles.

ROBERT EBERHART, Stanford University, U.S.

“Failure is an Option: Failure Barriers and New Firm Performance”

Do bankruptcy changes in the institutional environment affect the rate of founding by particular types of founders and the performance of their ventures? We take advantage of a natural experiment in Japan where during the last decade Japan implemented legal reforms to revive Japan’s economic fortunes by changes to bankruptcy laws that reduced the consequences of closing a firm. We argue that lowered costs of failure may have attracted individuals with greater social capital and social networks thus positively affecting new firm performance. We argue and test whether making it easier to fail will attract more founders and higher social capital founders resulting in improved firm performance. Our findings are: a) as expected the bankruptcy rate increases but at a higher rate for high social capital individuals, b) the rate of startup firms increases for older and elite educated entrepreneurs, and c) these groups of entrepreneurs are more likely to found higher performing firms. Overall, while prior research emphasizes the lowering of entry barriers, our work shows that reducing the costs of failure can also stimulate venture formation among certain groups leading to higher performing firms.
ABOUT THE KAUFFMAN FOUNDATION

The Ewing Marion Kauffman Foundation is a private, nonpartisan foundation that works with partners to advance entrepreneurship in America and improve the education of children and youth. Founded by late entrepreneur and philanthropist Ewing Marion Kauffman, the Foundation is based in Kansas City, Mo.

For more information, visit www.kauffman.org, and follow the Foundation on www.twitter.com/kauffmanfdn and www.facebook.com/kauffmanfdn.