

# Monitor's Capabilities in Helping Governments Improve Entrepreneurship Performance

## MONITOR REGIONAL COMPETITIVENESS

Monitor Group has developed and applied novel comparative analyses of key growth drivers in over 175 national, regional and cluster competitiveness projects around the world. One such project is the Entrepreneurship Index Initiative, a dynamic benchmarking pilot project launched in September 2003 with the Government of Denmark, the OECD and various countries focusing on one of the main drivers of value creation, economic growth, and competitiveness: *high-impact entrepreneurship*.

By participating in this initiative, countries are given an opportunity to benchmark their entrepreneurial policies against each other, making it possible for those countries to compare relevant national policy framework conditions across countries and across time. The model has allowed additional countries to undertake extensive benchmarking and improvement of their entrepreneurship policies aimed at stimulating innovation and economic growth from high-performance entrepreneurs. These additional countries **include Russia, China, India, ten MENA countries, Chile, and Colombia**. Carried out in 25 countries and 33 regions to date, the Initiative has yielded a wealth of insight into the critical barriers currently facing entrepreneurs across a variety of regions.

### ***Monitor Group's Credentials in Measuring Entrepreneurship and Impact of Work***

Since 2003, Monitor Group has received extensive expert peer-reviews on the Initiative, with findings having a clear impact on countries which have undertaken the benchmarking. For example, Denmark and China have used the findings from the Index extensively by updating and refining specific policies relating to entrepreneurs:

- The Danish government's key economic policy think tank, FORA, which served as the original funder of the pilot project in 2003 has repeatedly cited Monitor's work in various international forums and reports, including in its seminal Danish Growth Strategy Report of 2004. More importantly, Denmark has utilized the findings to drive a number of key policy changes via more than 40 specific initiatives, including: the establishment of *Vækstfonden* (the Danish Growth Fund) for entrepreneurs totalling 300 million Euros for early stage and mezzanine financing; the creation of the Entrepreneurship Fund of 65 million Euros to help reform services provided to entrepreneurs; and, key revisions to the country's bankruptcy code. As pointed out in the OECD's 2008 entrepreneurship review of Denmark, these changes have dramatically improved the conditions for entrepreneurs in Denmark including key performance metrics related to start up rates and survival rates, and high-growth enterprises (gazelles).
- In 2005, Monitor, in partnership with the Development Research Center of the State Council of the People's Republic of China, benchmarked entrepreneurs in eight regions throughout China. Informed by insights from that study, the Chinese government began to provide targeted incentives to maintain and enhance entrepreneurial momentum in each of the benchmarked regions. In late 2007, the study was updated by cataloging the impact of the original effort, with three major areas being singled out as having been especially impacted by the findings: the establishment of RMB funds; changes to tax laws that provide incentives to entrepreneurs and small-medium enterprises; and, changes to the bankruptcy law passed by the National People's Congress which went a long way to addressing deficiencies that existed previously around the issue of bankruptcy.



- In March of 2009, *The Economist* magazine published a Special Report on Entrepreneurship which widely cited Monitor Group's research and projects on the topic of entrepreneurship, including Monitor's seminal 2009 report encompassing an overview of our findings on entrepreneurship policies, *Paths to Prosperity*. The *Economist's* Special Report also catalogued some of the successes Denmark has enjoyed as a result of the aforementioned changes to that country's entrepreneurship policies.
- More recently, in 2010 and 2011, Monitor has conducted rigorous analyses to benchmark high-impact entrepreneurs in Texas, the San Francisco Bay Area, Chile and Colombia in partnership with the Bay Area Council, the Chilean Government's National Council for Competitiveness and Innovation, Endeavor Chile, Confecamaras, and Endeavor Colombia. In these projects, project participants have gained a new, more nuanced understanding of the types of policies that disproportionately effect high-impact entrepreneurs at both the national and regional levels.

## **Definition of Entrepreneurship Used in Monitor's Entrepreneurship Index**

Entrepreneurship drives innovation, competitiveness, job creation and growth. It allows new innovative ideas to turn into successful ventures and can unlock the personal potential of people to create jobs. A new firm goes through several stages from being an idea in the head of the entrepreneur to being a growing firm. Some fail on the way, while others never grow beyond being a one-person firm. Monitor's focus is on **high-impact entrepreneurs** that create fast-growing firms.

The Entrepreneurship Benchmarking Index is based on an ambitious dynamic benchmark model that tracks changes in entrepreneurial performance in relevant policy drivers in participating countries. The Index is based on new and updated survey data relating to entrepreneurs' perceptions about entrepreneurship **policies**.

## **Key Findings of Monitor's Work on Entrepreneurship**

Although most research on entrepreneurship policy occurs at the national level, entrepreneurship is in critical ways a local phenomenon. Among the levers available to policy makers, many of the most important are at the regional or municipal level. Cities, from San Francisco and New York to São Paulo, Bangalore and Shanghai, have been and will remain crucial environments for entrepreneurship. Surveys of entrepreneurs around the world indicate that much conventional wisdom about these policy areas is misleading or simply wrong.

For example, as highlighted in Monitor's *Paths to Prosperity* report, although many governments attempt to promote entrepreneurship by easing administrative burdens, building incubators, or increasing access to venture capital, other policy areas are more important to entrepreneurial success. In particular: access to seed and angel financing, as well as efficient stock markets and listing regulations that encourage companies to go public; lowering income taxes and providing the right incentives for the commercialization of R&D; changing entrepreneurial values, attitudes; and, teaching of entrepreneurial skills at all educational levels.

Ultimately, any effective attempt to shape the entrepreneurial environment requires two steps: First, it requires that policy makers **gather better information**, enabling a detailed understanding of the strengths and weaknesses of a particular entrepreneurial environment. Subsequently, it requires that policy makers craft a better **strategy**. Some weaknesses in the entrepreneurial environment matter more than others, and should be addressed from an existing industrial and institutional base.

The creation of a dedicated government unit to gather this information and create the strategy by which entrepreneurship policies are refined, will go a long way towards dramatically improving a country's entrepreneurship performance.