

An analysis of entrepreneurial policies and strategies in German, Ethiopia, India, Brazil and United States.

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Module: International Entrepreneur

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Date: 19/04/2018

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Word Count: 3499 words

Executive Summary

This report provides an overview of entrepreneurial policies in five countries in the world, including German, Ethiopia, India, Brazil and United States. This report seek to analysis how policy would effect the entrepreneurial environment and provide strategical recommendations to the international entrepreneurs. Through secondary research, this article recognised that the government effect the entrepreneurial environment politically, economically, sociologically and technologically. Due to the distinctions in economical and cultural content, not all government policies function in the same way to the entrepreneurial eco-system. The different settings in government policy and regulatory environment could result in different business strategy adopted by the entrepreneurs. Based on the findings, this report suggest government support the entrepreneurial economy through encouraging entrepreneurial education, providing early-stage entrepreneurial support and promoting innovation networking and entrepreneurial environment.

1. Introduction

Entrepreneurial activities benefit the society in many ways, such as creating jobs, facilitating innovation, stimulating economies and redistributing the wealth (Stevenson, 2015). International entrepreneurship is the process of an entrepreneur conducting business activities across national boundaries and is necessary for ascertaining and satisfying the needs and wants of target consumers take place in more than one country (Hisrich, 2016). Government policy has an enormous impact to the business environment and could influence the growth of start-ups and small-medium enterprise. This essay aims to identify how governmental entrepreneurial supports, such as tax and funding policy, counselling service, educational programs and industrial clusters could effect the generic entrepreneurial environment in respective countries, namely German, Brazil, India, Ethiopia and United States. As the government policy varies across the globe, it is essential for entrepreneurs to analyse the distinctions of government policy and identify the optimal entrepreneurial strategy in different economies. To engage in global ventures more effectively, Wickham (2006) suggest that entrepreneur should be constantly searching for new opportunities and never really satisfied with the way things are. This article analyses five global economies of different stage of economy from each of the GEM framework. Those five countries analysed in this essay are Germany, Brazil, India, Ethiopia and United States. This article seeks to identify the differences in government entrepreneurial policies in five countries and critical analysis how would those policies intervene into the international entrepreneurship process in five contrasting countries.

2. Methodology

This article adopts a positive method in analysing the potential link between the government policy and entrepreneurial environment. Also, this article adopts a secondary research method to critical analysis the governmental entrepreneurial policies. The sources of the data covers major academic journal in the fields of entrepreneurial study, the government official websites and business reports from service companies and institutions. This article seeks to present a comprehensive analysis of the effect of entrepreneurial policy, in particular on how it would relate to the business strategies adopt by the international entrepreneurs. The limitation of this essay includes but not confined to the lack of quantitative research and the inadequacy of empirical study.

3. Main Findings

3.1 Entrepreneurial Policies in German.

3.1.1 Governmental Funding, Education Programs and Counselling Support.

German federal government provides financial support for start-up companies on their journey from launch to success. Government has initiated a fund named EXIST for early stage start-up firms and has raised EUR 886 million in investment and nearly 500 start-up companies till 2015. Helping businesses by lowering the barriers they need to overcome in order to access services may have a detrimental effect on the region's entrepreneurial culture. The significant time and effort that

application processes often require defocuses businesses, which end up spending more time chasing support instead of focusing on their business operations.

Also, the government is encouraging entrepreneurial activities through entrepreneurial spirit in Schools. Vocational training centres offer entrepreneurship education programmes within many formal learning programmes, while it is not compulsory and the teaching and learning materials are usually used in electives. Furthermore, the majority of public start-up promotion programmes focus on STEM fields, which are still associated with technology. There is a broad range of female-specific counselling and consulting services, providing advises for whom seeking to returning the labour market after family-related career breaks. Empowering women and regarding females as equal to men make it easier for entrepreneurs to succeed in their business endeavours (Sigh et al. 2001). Gender empowerment enables women to break away from occupational stereotypes and enhances their abilities to make their own decisions within the family and within society as a whole.

Authorities in German support early stage entrepreneurial activities through counselling service, including support from business-related backup to the career planning of entrepreneur's life circumstances, to work-life balance, to part-time employment and to advisory for returning to the job market. Also, the federal government give much attention to the entrepreneur's broader life perspective through direct initiatives such as Bundesagentur für Arbeit. Counselling support is accessible through 23 centres across Germany. In addition to that, a number of services are also available online, which includes virtual networks, employment matching, technical papers and an online calculator which helps to compute the economic benefits of returning to the labour market.

3.1.2 Theory of Opportunity Recognition.

The process of opportunity recognition has been described as an entrepreneurial activity which based on identifying and creating opportunity, then using resources to plan and realise the opportunity. Such a process may have berries that is identified in two carries: 1). Knowledge appropriate hazard: the extraction of value without payments poses a hazard to the entrepreneur's effort to promote knowledge transfer or exchange; 2). Strategic knowledge accumulation hazard: Collectively action to solve complex problems(Deakins and Freel, 2012). Opportunity-driven business start-ups are triggered by the entrepreneur's desire to exploit a business opportunity whereas necessity-driven start-ups emerge due to poverty, lack of choice or satisfaction in work. In German, some subsidies are open for every kind of start-up, some only for particular types. For example, the state-owned SME bank (KfW Mittelstandsbank) offers subsidized financing for all kinds of start-ups, regardless of whether they are born of necessity or opportunity, but the federal employment agency (Bundesagentur für Arbeit) gives subsidies only to entrepreneurs who start their businesses because they have been forced out of employment. Thus, such subsidies are more likely to apply to necessity entrepreneurs(Joern et al, 2010).

3.2 Entrepreneurship policies in Ethiopia.

3.2.1 Finance, Education and Counselling

Since the early 2000s, the Ethiopian government has implemented successive development plans and sectoral strategies to transform the economy and create better jobs. In partnership with the United Nation, the government of Ethiopia had been pursuing to spur the economies' growth and to increase youth employability. A \$26m (£16m) initiative is established to help a new generation of entrepreneurs to create jobs and boost economic growth. The programme is provided for free, and will eventually be available throughout the whole country and so far has provided training and advice to 1,000 people in four of Ethiopia's 11 regions. Its very ambitious goal is to have enabled 200,000 Ethiopians - particularly young adults and women - to acquire or improve entrepreneurial skills and knowledge by the end of 2015(Entrepreneurship Development Centre-Ethiopia, 2015).

Ethiopian universities in which this study is framed with the purpose to advise the Ethiopian universities on how to strengthen their entrepreneurial policy, activities, facilities, and educational programs, and to advise the Ethiopian Ministry of Education/Education Strategy Centre (ESC) on how it could support the Ethiopian universities on these matters. Universities play a significant role in the production of human resources the economy demands; education including entrepreneurship is critical as it contributes to job creation and leads to considerable reduction of poverty(Singh and Belwal, 2008). Equally, universities have an important role to play in regional innovation systems. In Ethiopia, the number of graduates is growing fast and institutional challenges of universities are large because more than 20 new universities have been established in the last decade and the foundation of another 11 universities announced in 2015(Mudde et al, 2015).

Ethiopian government initiate a host of governmental or quasi-governmental program to facilitate the entrepreneurial development goals. For example, the EMPRETEC consists of a comprehensive package of core services and ancillary interventions designed to improve the operational efficiency and enhance the competitiveness and profitability of emerging micro, small and medium enterprises both in the domestic and export markets and also small scale farmers in the rural areas (ESC, 2015). A another example is the CoEEs, which create a sustainable entrepreneurship ecosystem that will foster and support innovation and knowledge-based entrepreneurship amongst the student population and community leading to the creation of jobs, wealth and social value through successful ventures. The CoEE will also work closely with the R&D facilities and Innovation Centers within the respective university(EDC-Ethiopia, 2015).

3.2.2 Theory of Entrepreneurial Education and Female Entrepreneurship

Throughout the world the female business start-up rate is substantially lower than that for males. Attempts in the literature to explain the importance of ethnic minority entrepreneurs concentrate on the 'positive' or 'negative' factors in motivations and development of female and ethnic minorities (Deakins and Freel, 2012). Entrepreneurial education and university support of entrepreneurship had a positive impact on entrepreneurial intentions and also suggested that lack of entrepreneurial education leads to low level of entrepreneurial intentions of students. Entrepreneurial education program are source of entrepreneurial attitude and overall intentions to become future entrepreneur. Report suggest that more than 3,000 women in Ethiopia have benefited from a special line of credit for female entrepreneurs backed by the World Bank's fund and government initiation(The World Bank, 2015).

3.3 Entrepreneurial Policies in India

3.3.1 Research Funding, Infrastructure and Industrial Clusters.

The Indian government support research and development in the engineering discipline, further build the availability of skilled human capital (Kapur, 2002). Science parks and technology incubators are being developed by the Department of Science and Technology to promote innovation. The Small Industries Development Organisation provides support services to small businesses, providing training and technology development services (Shridhar, 2006). Libraries and information centres are built to provide access to computer services in areas where individual, personal access is not available (Sreenivasulu and Nandwana, 2001).

Recent evidence shows e-commerce capabilities and infrastructure are likely to become influential in determining developing country producers' export success of e-services (Panagariya, 2000). The Indian Government is promoting the use of linkages between the SME and technology support institutions such as the National Small Industries Corporation, to aid in the developmen#t and usage of new technology (Kharbanda, 2001). It addresses the need to enhance scientific understand- ing and skills among the young and aspires to position India among the top five global scientific powers by 2020. It also links the contributions of science, research, and innovation with an inclusive growth agenda with the aim of forming a robust and focused national innovation system. Importantly the policy supports entrepreneurship driven by science, technology, and innovation with viable and highly scalable business models. A key mechanism is investment in young innovators and entrepreneurs through education, training, and mentoring.

The environment of firms can also contribute to their growth, especially in metropolitan areas. Large urban areas can facilitate firms' access to advanced services, highly skilled workers within labour markets, knowledge, financial resources, risk capital firms, and high levels of public infrastructure and services; The probability of achieving high growth is greater for firms located in areas characterised by industrial diversity and agglomeration of services than for firms that are not located in such areas. Thus, HGF status can be attributed to a significant extent to the environment

of firms. It is believed that advancements in e-commerce capabilities, coupled with IT knowledge, could enable developing countries to build their core competencies in IT technology.

3.3.2 Theory of Innovation Networking and Environment

In a cluster, entrepreneurs are likely to have a denser network, which is likely to transfer obsolete information and create fierce competition. Also, the social capital theory posits that the network of relationships constitute a valuable resource for the conduct of social affairs by increasing the efficiency of information diffusion and by generating trust, which diminishes the probability of opportunism and cost of monitoring processes (Prajapati and Biswas, 2011). Government of India promote the network among the entrepreneurs, research body and the governmental institution. For example, BIRAC is a not-for-profit Public-Sector Enterprise, set up by Department of Biotechnology to strengthen and empower emerging biotechnology enterprises. It aims to embed strategic research and innovation in all biotech enterprises, and bridge the existing gaps between industry and academia. Consequently, the enterprises within the network are starved of innovation and are restricted by the network for growth, which affects performance parameters negatively. The increasing uncertainty, associated with changing technology and global competition, has encouraged firms to concentrate on fewer core competence. This has required firms to build up capacity to engage more external resources and knowledge(Deakins and Freel, 2012).

3.4 Entrepreneurial policies in Brazil

3.4.1 Tax and Finance, Incubators and Foreign Investment.

The Brazilian government release a series of tax and finance incentive program for entrepreneurs. Launched SEBRAE in 1972 to assist small business development in the country, which it does by offering services and classes. Businesses maintaining monthly revenues of under R\$60,000 are eligible for the *Simples Nacional*, which is a tax deduction program. The government creates and runs the Brazilian Innovation Agency (FINEP), include programs such as the *Primeira Empresa Inovadora (PRIME)* and Top Innovative Company, which is an initiative to award financial aid to particularly innovative new businesses. Furthermore, legal entities beneficiaries of the incentive of 75% reduction of income tax are entitled to accelerated depreciation of assets acquired, for the purposes of income tax calculations, and with a discount on credits of PIS / PASEP and Cofins contribution. The Regional Superintence grants the benefit, after analysing beneficiaries' requests regarding compliance with the legislation and the rules governing the incentive(BrazilGovNews, 2016).

Brazilian government support the start-up incubators through investment in infrastructure. The Brazilian tech sector is about to receive a new round of public investment. The BNDESPar, part of the Brazilian Development Bank (BNDES), will inject up to R\$ 40 million in a fund created to

support the tech sector. The fund, called Fundo de Investimento em Participações Inova Empresa (Primatec), is a pioneer in investments in start-up incubators and prioritises investments in sectors such as energy, creative economy and sustainability. With the release of the investment, these companies have a new source of funding to continue delivering innovative products and services. The resources will be targeted at 16 technology complexes in which the different incubators operate and support (BrazilGovNews, 2016).

The Brazil government establishes a comprehensive legalisation system for foreign investors. Foreign capital must be registered by means of an Electronic Statement of Registration – Foreign Direct Investment Module (RDE-IED), on the Central Bank Information System (SISBACEN). Please use the sharing tools found via the email icon at the top of articles. The country received \$78.93bn in FDI during the height of the recession in 2016 — the seventh highest such inflow in the world, according to World Bank data.

3.4.2 Theory of Entrepreneurial Finance

Venture capital is thought to provide the bridge between the levels of capital that may be provided by the founder, their family and friends, and private investors. This may benefit the technology-based entrepreneur with the significant amounts required for a stock market listing to attract large-scale institutional investors (Deakins and Freel, 2012). There are as yet few VC funds in Brazil focused on impact investing, which for the time being prevents a call for proposals specific to this kind of fund. In the short term, these agencies could include fund-manager commitment to evaluating the social impact of investee companies, among their criteria for selecting Venture Capital & Private Equity funds (Forca Tarefa, 2015).

3.5 Entrepreneurial Policy in United States

3.5.1 Capital Market, Legal Protection, Tax Policy and Incubators.

The capital market is a veritable tool for enhancing entrepreneurship in any economy. Evidence from study indicates that the strength of a country's stock market is vital for a healthy VC market (Jeng and Wells, 1998; Black and Gilson, 2000). Also, study indicates that the temperate bankruptcy laws stimulate entrepreneurial demand for venture capital across Europe and North America (Armour and Cumming, 2006).

Entrepreneurs often rely on intellectual property (IP) to earn a return on their innovations, and also compatibility standards, which allow them to supply specialized components for a shared technology platform. Technology policies can be defined as the set of measures adopted by a government with the objective of increasing, organising and exploiting domestic scientific and technical knowledge, in accordance with the objectives that the country has set for its global

development. Moreover, technological progress increases the competitiveness and productivity of countries and positively influences economic growth and employment.

Various tax policies, both active and passive, are in place across U.S. states to foster entrepreneurship. Several tax incentives are designed to support entrepreneurship by encouraging investment in innovation. The Research and Experiment tax credit, which expired in January 2012--but is likely to be renewed--is the most prominent example. Other tax credits are more targeted, such as the investment and production tax credits that encourage renewable energy. VC general partners also benefit from IRS rules that regard carried interest as a long-term capital gain, which is taxed at 15 percent, significantly less than the top ordinary income tax rate of 35 percent.

Most U.S. incubators are non-profits and approximately 40 percent specialize in emerging technologies such as biotech, IT, and alternative energy. Incubators help startups by providing subsidized space, tailored business services, and access to funding, talent, and contacts. According to preliminary survey data from the National Business Incubation Association (NBIA), roughly 4 percent of startups are in incubator programs. The NBIA-funded research indicates that startups at incubators have nearly double the survival rate, but other research casts doubt on incubators' effectiveness. While no general consensus has emerged among experts, the selectiveness of the program is likely to correlate with the success of its startups because the more prestigious incubators are most likely to have their pick of the "hot" startups.

3.5.2 Theory of Social Capital

Social capital refers to the ability of decision-makers to draw on resources from their social networks to the ability to use resources from social exchange. It is recognised to have an impact on a number of important firm activity such as inter-firm resources exchange, the creation of intellectual capital, interfere learning, product innovation as such social capital is a highly important resources. It is argued that social capital has an important influence with nascent entrepreneurs for determining the entrepreneurial entry decision(Deakins and Freel, 2012). In Silicon Valley, there is a very high level of knowledge held within individual firms, but this would be true whether they were located in clusters or in isolation. This information is differentially more available to those in the Valley and in the network. All of the actors comprising a firm's entrepreneurial support network, such as venture capitalists, investment bankers, and law firms, serve to lower the barriers to entry for new firms and are therefore an essential component in the innovative capacity of Silicon Valley(Patton, 2003).

4. Conclusions

This article recognised that entrepreneurial policy have an impact on the entrepreneurial environment in German, Brazil, India, Ethiopia and United States. A host of governmental

initiations such as entrepreneurial funding, tax benefits, entrepreneurial education, counselling service, incubators and industrial clusters, funded R&D and entrepreneurial infrastructure supports, could make an impact of the entrepreneurial eco-systems and indicates appropriate strategy to be adopted in different entrepreneurial environment. This article recognised that the agenda and policy described above could make a impact on different stages of entrepreneurship process. This article exam the link between the government agenda and the entrepreneurial theories, such as social capital theory, female and minority entrepreneur, entrepreneurial education, opportunity recognition and human capital theory. Through comparison, this article recognises that United States enjoys the most dynamic entrepreneurial environment than the other four countries, especially in terms of capital market and counselling service. The approach in which entrepreneurial policy effect entrepreneurial environment is identified as following: through changing the economic conditions; through changing social behaviours; through empowering individuals. This has an important indication to the international entrepreneurs, that adopting different entrepreneurial strategy in different modes of entrepreneurial environment could potentially increase the likelihood to survive during the business competition.

5. Recommendation

1). Encouraging entrepreneurial education

Promoting entrepreneurial education is important as it associate closely with capabilities owned by the entrepreneurs, such as strategical planning, market orientation and social capital. Government is able to intervene the social context, namely the entrepreneurial culture, intention and awareness among the general public.

2). Providing early-stage entrepreneurial support

Early-stage support is essential for entrepreneurs, as it could effect the marketing strategies and opportunity exploitation. The difficulty of funding and technology development is well-known, especially for the technology-based ventures. The governmental support is crucial for many start-up in gaining the social capital, such as market opportunities, inter-firm learning and counselling support.

3). Promoting innovation networking and entrepreneurial environment

Industrial benefits of innovation networking are thought to revolve the knowledge spill over effect and the amelioration of internal resources constraints or competency gaps. Government policy is key to promoting a mutual and reciprocal entrepreneurial network among the entrepreneurs, research institutions and government bodies.

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