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# Can Entrepreneurs Be Created?



By Bruno Lanvin , Executive Director of INSEAD European Competitiveness Initiative and INSEAD Global Indices

**European governments have an opportunity to transform their institutions into facilitators of entrepreneurship and innovation. Are they capable of providing the right environment?**

Since the European Steel and Coal Community Agreement of April 18<sup>th</sup>, 1951, the construction of Europe has moved by leaps and bounds. While crises and conflicts have been plentiful, they have often been a source of significant advances in institutions, attitudes, policies and agendas. The current crisis should be no exception.

Europe faces a growing need for innovation and innovative government. Small and medium-sized companies are frequently a source of ideas and products brought to market. In Europe, SMEs account for over 99 percent of firms and two-thirds of jobs, contributing more than half of the total added value created by businesses. But it is estimated that only 50 percent of European start-ups survive the first five years of their existence. The SME sector is also characterised by high staff and organisational turnover. Scaling these important enterprises is a major challenge for Europe.

Back in May, I moderated a roundtable at the 4<sup>th</sup> edition of the **'State of the European Union'** at Palais Egmont in Brussels. While the focus was on innovation, the discussion centred around how European talent should be properly aligned with the needs of the 21<sup>st</sup> century and how Europe should generate a new wave of successful and innovative entrepreneurs.

## **Breaking the crisis cycle**

At the heart of the solution is more government-led innovation from the current combination of crises in Europe. But how might European institutions and Europe's national governments innovate within some of the key crisis-affected fields, for example with regard to resolving tensions among members about immigration or labour market issues and on identifying avenues for consensus with external partners around the protection of personal data?

If Europe's history can be of any value here, it seems reasonable to expect a new wave of 'government-led and governance innovations', comparable to what was seen during the most active years of the European construction. And this would be more than timely: in the coming decade, Europe's capacity to remain a leader in innovation will depend significantly on the ability of its public institutions (typically national governments and European institutions) to transform themselves through innovation.

## **A roadmap for governments**

This will require the active combination of three avenues of innovation, that, for brevity, we shall nickname here "hot plates" (issues related to personal data, datagov/opengov), "backburners" (issues related to big data, and the application of business analytics to public services for example), and "lighthouses" (issues related to government transformation, including through facilitation, as well as dynamic changes in education and talent management).

European institutions and governments currently have to face a significant number of challenges, but also have at hand a broad panoply of new tools to foster, lead and even incarnate innovation and entrepreneurship. Building a truly integrated single European digital market, relying on a first class shared broadband infrastructure would offer a powerful backbone to do so, to build a 'post-crisis innovative Europe' on the three pillars of innovativeness, talent, and openness.

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