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CONFERENCE PROCEEDINGS

International Conference on Entrepreneurship Catalysts of Entrepreneurship: Policies for Growth

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EXECUTIVE SUMMARY

The first International Conference on Entrepreneurship was held at the Indian School of Business (ISB) in Hyderabad, India, on June 5–6, 2009. The theme of the conference was “Catalysts of Entrepreneurship: Policies for Growth.” The two-day symposium was characterized by collaboration between policymakers, industry leaders, members of academia, and entrepreneurs. Participants shared a forum to deliberate on a comprehensive set of policy issues that can impact the growth of entrepreneurship in India.

Emphasizing the importance of creating an effective ecosystem for entrepreneurial growth in his welcome address, Dean Ajit Rangnekar said, “Entrepreneurship was one of the first initiatives undertaken by the Indian School of Business. In a developing country like India, we need to bring the government, academia, industry, and regulators together so that there is a dialogue on important aspects of policy that can promote entrepreneurship in the country. We also need to create an effective ecosystem in which entrepreneurs may flourish and to grow.”

Krishna Tanuku, executive director of the Wadhvani Centre for Entrepreneurship Development at the ISB, said, “According to a study conducted by the Kauffman Foundation, about a third of the U.S. economy, of \$14.3 trillion, comes from companies that are less than 25 years old, showing that encouraging entrepreneurship has a huge multiplier effect on the economy. Using that as a benchmark, the opportunity for Indian entrepreneurs in enterprise creation and enterprise growth is estimated to be about \$500 billion to \$600 billion in the next eight to ten years.”

The conference program was designed to focus on entrepreneurial development in two sectors: Education and Effective Utilization of Infrastructure. With the help of appropriate policies, these two sectors can generate the next wave of great entrepreneurial activity in India. The research work done by the ISB and the RAND Corporation, in partnership with the LEGATUM Institute, is the basis for the conference theme. The need for in-depth research on entrepreneurial development is highlighted by the fact that there are no Indian studies that connect the effect that government policy has on entrepreneurship. The ISB and RAND have come together to fill that void by studying the policy documents of 15 Indian states that are well known for encouraging entrepreneurship.

The conference also featured academics from the ISB and the Pardee RAND Graduate School, presenting preliminary research findings on the micro-, small-, and medium-enterprise sector and the initiatives taken by Indian states toward promoting entrepreneurship. While the potential for growth is immense, there are multiple challenges vis-à-vis policy and regulatory frameworks. Separate panels discussed the role of policies in hampering and fostering entrepreneurship within the education and infrastructure-utilization sectors.

The key areas of discussions centered on

- policies and practices that encourage or discourage entrepreneurs in India both at the state and the central government level
- the performance of recent reform structures, such as a single window clearance vis-à-vis new venture creation, with specific focus on sector-specific variations
- current regulatory regimes.

This conference has helped evolve an effective, pragmatic, and comprehensive set of policy discussions and preliminary recommendations to promote entrepreneurship in India. In addition, it has raised questions that need to be further researched while highlighting the need for action and the road ahead.

The Challenges of Entrepreneurship

“Entrepreneurs are self-motivated and will find opportunities for success whether the environment is conducive or not,” said Nagarajan Vittal, former Central Vigilance Commissioner (CVC) and the keynote speaker at the conference. He cited the example of Karsanbhai Patel, who started as a chemical lab assistant and later went on to develop Nirma Washing Powder, an affordable detergent that forced Hindustan Lever to sit up and take notice. In Patel’s case, government policies were in his favor. Aditya Birla, on the other hand, moved to Egypt because he felt that policies in India were too restrictive for him to achieve the kind of growth he envisioned. In both instances, the entrepreneurs had grand visions. However, it is essential to combine vision with action, and to create wealth and justice along the way.

In this context, systematic evidence-based policy research can come to the rescue of developing economies, by seeking to clarify the forces that encourage entrepreneurship. These forces include incentive structures, stakeholders, and future labor force demands. Such research can also help reduce bureaucratic impediments for entrepreneurship by ensuring good governance models and helping to develop performance indicators for empirical measurement of progress. In addition, research can help educate policymakers on best practices in entrepreneurial policy. Citing the example of the RAND-Qatar Policy Institute, Bruce Nardulli elaborated on how a joint venture initiated in 2001 between the RAND Corporation and the government of Qatar aimed to bring in empirically based policy options to redefine the K–12 educational system. Recognizing that an ecosystem of educational and economic reforms is necessary to improve human capital, growth, and entrepreneurship, Qatar’s senior leadership has already embarked on reforms at the university level.

In his keynote address, Evan Feigenbaum, a senior fellow at the Council on Foreign Relations, spoke about his experience in the U.S. government and the bond between the United States and India. He said, “When I served in the U.S. government, I did have the privilege of helping to push forward the strategic partnership between the U.S. and India. Like entrepreneurs, who question assumptions, take risks, and ultimately turn big ideas into path-breaking innovations, those of us who have worked on behalf of U.S.-India relations have, in some sense, been entrepreneurs. Much like the entrepreneurs in this room, both governments have had to turn bold ideas into policy innovations. And the U.S.-India relationship itself became a kind of exercise in entrepreneurship.”

Vittal pointed out that one of the key issues that needs to be addressed during the process of developing an ecosystem for entrepreneurial growth is fostering ethical entrepreneurship that rests on the tenets of honesty and justice. “Honest businessmen can be created, provided you have a system in which people are punished for corruption,” he added.

“Considering that we have 5,000 obsolete laws in India, we should think along the lines of adopting something akin to the sunset principle in the U.S., in which old laws are systematically phased out after some time and retained only if they are modified. One of the fallouts of this incredibly stifling regulatory framework is the presence of middlemen. Operating costs across the board can go up 5 to 20 percent due to corruption. Corruption can be reduced using information technology and by applying the five principles of engineering: elimination, combination, modification, resequencing, and substitution,” said Vittal. Som Mittal, president of NASSCOM, pointed out that “The government needs to make the environment conducive to do business in India.” “In the next 10 to 12 years, India is going to be brimming with opportunities. Eighty percent of these opportunities are going to be in virgin markets, virgin areas, and virgin verticals; areas that haven’t yet emerged today,” Mittal added.

Panel on Entrepreneurship in the Education Sector: Recommendations

- Schools are allowed to register only as a trust or a society, and not as a public/private limited firm. This increases the barriers of entry and discourages entrepreneurship in this segment.
- Although the education sector is regulated, the educational institutions themselves must be accredited.
- Lack of good exit options is a big hindrance to attracting foreign investment in the education space.
- Give education official “Industry” status.
- Schools should be allowed to seek affiliation from central, state, and foreign boards.
- Government should formulate an appropriate level of regulation of schools to encourage more private players to enter the industry.
- Encouraging private players to leverage IT and broadband communications could, to a certain extent, take care of the problem of reaching out to the masses and providing “education for all.”
- Government should apply segment-specific add-on policies to a very basic core set of policies in the education sector – different policies for preschool, K–12, vocational, finishing schools, colleges, post-graduation degrees, and others.
- Encourage teacher training and skill enhancement for teachers in public schools.

Questions for Further Study

- Do Indian private schools and colleges cater only to the elite? Should there be a cap on the fees that can be charged by private schools? How should this be rationalized?
- Should the government look at reducing regulation for private schools? Would this help solve the problem of “affordable education for all”?
- What are the barriers to scale in entrepreneurship in education in India?
- Is entrepreneurship in the education industry seen as just another example of how Special Economic Zones (SEZs) are viewed (i.e., as a land bank)? Is the education industry attracting more interest from infrastructure leasing firms?
- Quality and Private vs. Quantity and Public. Are there any business models that provide quality education to the bottom of the pyramid? Is quality education only for the elite? Are they different segments?
- Are the exit options for investors in this segment too stringent? Is the current regulatory system unattractive to foreign investors?
- The current vocational training institutes lack the elasticity to respond to labor market demands due to nonindustry participation in the curriculum development. Can public-private partnerships (PPP) address this issue?

Panel on Infrastructure Utilization: Recommendations

- There is a need for a substantive policy think tank in India.
- Multiple entrepreneurial opportunities could be created to act as support systems that help build the ecosystem for sustainable industrial clusters, SEZs, and other industry conglomerates.
- Entrepreneurial opportunities in the alternative and renewable energy, supply chain and logistics, and MSME clusters need to be fully explored and encouraged by the government.
- States should have better policies for land titles, as the land title issue hampers real estate development.

Questions for Further Study

- Is the “Rurban” model in Gujarat a good model for rural urban development? Can it be an effective model that can be replicated across India? Does one size fit all?
- Can the government promote cluster policies and provide an ecosystem that enables entrepreneurs with mutual interests to learn from and support each other?

- What policies can help develop clusters close to industrial areas, thereby facilitating the creation of an entire city? Such policies would help establish and promote more cities in the country, thus leading to greater entrepreneurial opportunities.