

Entrepreneurship can triumph over globalization

May 30 2007

Embracing innovation is the only way for Western businesses to succeed in the global market, says Indiana University economics Professor David Audretsch, whose new book, *The Entrepreneurial Society*, is due for release in July (Oxford University Press). He argues that labor will continue to be outsourced abroad as long as the tasks involved are routine and replicable, but companies that reward new ideas, niche markets and community collaboration can thrive on local employment.

The book outlines the progression in the U.S. and Europe from the managed economy of the Cold War era through globalization, arriving at the current state Audretsch terms "the entrepreneurial society." This economic climate, he says, supports businesses that are highly adaptable and targeted to specific consumer needs. Drawing on his research linking the number of startups in a community to its economic health, Audretsch concludes that industries must adopt an entrepreneurial mindset in order to remain viable.

"If your company's competitive advantage is based on lowest cost, you're out of here," he said. "If you want to stay and thrive in the U.S., the focus needs to be on innovation. You need to think of things we're not doing today."

Baby boomers have had a difficult time grasping the changes of a globalized economy, he said. They inherited the economic success of the postwar era, in which large corporations were the major employers. Their attempts to follow an outdated formula have led to personal and

corporate financial failures, Audretsch said.

He hopes The Entrepreneurial Society will "help them rise to the opportunities of globalization rather than be victimized by it," he said. Although Audretsch has written and edited more than 30 books on economic development, this is his first for a general audience.

"I wrote this book to tell my generation what happened to the world we knew and loved -- and to tell our children why we're so strange," he said.

Moving beyond the conclusions of Thomas Friedman's 2005 bestseller *The World is Flat*, Audretsch argues that business innovation actually occurs in geographical "pockets" such as Silicon Valley software development, fashion in Paris and Milan, and finance in New York. Talent -- and wealth -- tend to collect in these areas known for cutting-edge development. The solution to the off-shoring dilemma, Audretsch says, lies in identifying community strengths and building these areas as hotbeds of innovation.

"It turns out, ideas and creation of those ideas happen in a proximate way -- people gathered together make ideas grow, and to proactively respond you need to be in the same place together. Business innovation functions much like the world of music -- the best work happens when you get together and jam," he said.

The generation that is now entering the work force understands these concepts instinctively, Audretsch said.

"Young professionals now talk about starting firms the way their parents used to talk about landing a corporate position -- it's how they expect their careers to develop. They seem to 'get' the idea that by appealing to niche markets they can fulfill a unique need, whereas their parents, for the most part, are still doing the same old, same old," he said.

Mature managers need to take a lesson from their 20-something children and rethink the way they do business, especially with respect to gathering ideas from all levels of their organizations, he said.

"Corporate culture needs to reorient so that if you try a new venture and fail, you're not going to be penalized. Trial and failure in the entrepreneurial society are just part of the process. We need to create structures and incentives that encourage managers to get out of the way of new ideas. Create a path that rewards innovation and input from all levels, and you won't be able to export that."

Audretsch is director of the Entrepreneurship, Growth and Public Policy Division at the Max Planck Institute of Economics in Germany and Ameritech Chair of Economic Development and director of the Institute for Development Strategies at Indiana University. He teaches in the School of Public and Environmental Affairs.

Source: Indiana University

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