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Unleashing the Power of Enterprise: Innovation and Entrepreneurship

Breakout Series 1: Building Supply-Side Capacities

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Paul Regis, Programme Officer, World Intellectual Property Organization (WIPO)

Dora Hoan, Group Managing Director & Chief Executive Officer, Best World International, Singapore

Moderator: Ron Marchant, former CEO, UK Patent Office

Developing country governments should not stand in the way of entrepreneurship and innovation, panellists agreed in this session. These can flourish in all countries if the business and regulatory environments are right, they declared.

George S. Dragnich of the US Bureau of International Organization Affairs told the session there is first-rate science in developing countries that too often lack the “critical mass” to commercialize innovations and get them to market. Innovators also face other obstacles. In Egypt, for example, banks will demand undated cheques from entrepreneurs, he said. In the event of businesses failing, these could land the executives in jail.

Not only is there talent, business capital exists, he added. But too much of it is being invested on foreign stock markets.

The dot.com blip

“The role of government is to create environments in which entrepreneurs can flourish, minds expand and entrepreneurs reach new frontiers,” he argued. In the United States, 24 million entrepreneurs account for 50% of GDP and 80% of new jobs. The figure had grown 50% since 1998 before the dot.com collapse. “It is as if dot.com was just a blip, that it didn’t happen,” he said.

Entrepreneurs generate two-thirds of all innovation. This cannot be put down to venture capital availability. Over the past 10 years, the average rate of return for venture capital investments has been just 3%. It is more a case of entrepreneurs being willing to back themselves.

“Entrepreneurs max out their credit cards, mortgage their homes. They are also not deterred by the high rate of failure,” Dragnich added.

But for this to happen, the local business culture must extol risk-taking, he noted. And this culture could exist anywhere. Some 25% of all US high-tech companies include at least one foreign-born founder. “So, they are hardly US characteristics, although the US landscape helps them flourish.”

Dragnich said the World Bank ‘doing business’ report has encouraged governments to take a closer look at their policies: He agreed thought that in some cases, while policy might have changed, practice has not.

Listen to consumers

Paul Regis of the World Intellectual Property Organization (WIPO) said innovation is vital to ensure that companies do not lag behind. Innovation lies at the heart of entrepreneurship. But it is important to listen to consumers, because if they do not want a product, they will not buy it.

Intellectual property can be considered a legal set of rules that converts intangible matter of the intellect into something that can be bought and sold in the marketplace. Patents prevent unauthorized use, while trademarks provide for orderly competition by avoiding product confusion.

In a globalized world, both companies and countries compete, he argued. In order to obtain competitive advantage, with more value-added, companies must make known the characteristics that distinguish their product through branding.

Most see IP as a stimulus to development, although sometimes it might be difficult to prove exact linkages. Much of the rise in Asian economies can be accounted for by high-tech investment, Regis said. The percentage of investment in R&D has been growing as a percentage of GDP. The challenge is to create an enabling environment for innovation. He quoted Einstein: "Imagination is more important than knowledge."

Taking the risk

Successful businesswoman Dora Hoan of Singapore said that she had been able to launch here cosmetics and skin-care company because she was willing to take the necessary risk. "I invested all my savings," she said. "Trusting my instincts, I allowed my vision to take shape." From a small team of seven, her company has grown to employ 240 and does business in 16 countries. She was helped by the fact that Singapore has a business-friendly government.

She reported that the biggest challenge for small and medium-sized enterprises, apart from raising capital, is to achieve branding. SMEs do not spend enough on this important area. "I saw it as make or break." But protection and import barriers are problems in breaking into other developing country markets.

Finally, she said that business people were not just interested in making money. "It brings a sense of accomplishment that we are helping to provide a better world," she said.

Spreading the word

But just how transportable is a risk-taking culture, moderator Ron Marchant wanted to know before throwing the debate open to the floor. Dragnich said that the fact that so many innovators in the United States were foreign-born shows that it was widespread. In Singapore, Hoan noted that bankrupts can be discharged after three years, which encourages some risk-taking. On the issue of IP and security, Regis said that IP provides incentives to authors and other innovators.

From the floor, a participant from Mauritius highlighted the need to use the media to spread the word about the advantages and benefits of entrepreneurship. The panel agreed that success stories can stimulate others. It was also agreed that government officials should gain experience from working in business.

A Caribbean export strategist worried about the high cost of trademark protection for small businesses. Sometimes, foreign buyers are interested in a product only if it comes free of a trademark so they can sell it as theirs.

Regis observed that trademarks are relatively inexpensive and worth the investment. Hoan warned that if SMEs did not use trademarks, then they risked seeing their products copied. She cited an example of a Chinese company copying her company's packaging.

Companies have to fight to secure their niche, Regis said, pointing to the example of Jamaican Blue Mountain coffee. Seed funding could help in some cases, he added. One problem in seeking to trademark aspects of traditional knowledge is that such protection may only be local, since other countries may be able to point to a similar cultural heritage.

Lacking venture capital

A delegate from Uganda bemoaned the lack of venture capitalists in his country. He noted that when somebody came up with a way of using banana powder to replace wheat in bread-making, there were no takers. Eventually, the government stepped in with US \$5 million, but the launch was not a success.

The moderator said that only goes to show how researchers are not business people. However, Dragnich pointed out that in the United States it is perfectly possible to pursue an academic and business career, with many professors in technical areas receiving one day a week to devote to their business interests.

Hungary has been very successful in asserting its credentials as a generator of technological innovation, he noted.

Regis remarked that the Ugandan example could be matched by similar experiences in developed countries.

Disconnects

A trade specialist from South Africa lamented the “disconnect” between public policy and entrepreneurs. A delegate from Costa Rica stressed the importance of education in developing entrepreneurs.

Dragnich agreed on the need for a change in culture. Brazil has great scientists, but their worth is measured in how many books and articles they have published rather than their impact on the economy.

Another concern was ‘braindrain’. Only 10 countries employ 75% of the world’s highly skilled workers, the session was told. Dragnich offered a contrasting view. In his experience, countries have the workforce if they can use it. But this triggered a strong rejection from other participants. A strategist from Romania observed that countries face a serious problem in holding on to their highly skilled people.

Regis noted that in some cases the situation was being reversed. Highly skilled technicians are now moving back to India, for example.

On the high cost of patents, Regis said this issue is being addressed, particularly with regard to countries with a per capita income of less than US \$3000.

Summing up, the moderator said that the needed skills exist but the needed infrastructure, laws, environment and business-friendly government are lacking. “Governments around the world do not understand the needs of entrepreneurs,” said Marchant. Hoan added: “The most important thing is that someone has the courage to pursue their beliefs.”