

Simon Johnson, Entrepreneurship Without Borders

Excerpted from the course syllabus (MIT Sloan, 15.395, fall 2013)

Schedule of Classes and Assignments

Part I – The Environment for Entrepreneurship

Thursday, September 5 (class #1): Introduction -- Who has more entrepreneurs and why? An overview of economic history and current policy issues.

Required Reading:

Global Entrepreneurship Monitor 2012 Global Report

<http://www.gemconsortium.org/docs/download/2645>

Read the sections of this report that deal with methodology (e.g. Section 1.4), what they are trying to measure (see Figures 1.1 and 1.2), and some of the interesting numbers across countries (Chapter 2). You do not need to read the entire report, but look at any parts that strike you as interesting or informative.

Study Guide Questions

1. How does the Global Entrepreneurship Monitor measure entrepreneurship?
2. Which countries have the highest rates of entrepreneurship and why?
3. Is the US losing its edge in entrepreneurship? Does that matter?

Comments

This class serves as a general introduction to the course, including both substance and style of learning. If you don't find this appealing, please drop the course to make room for those on the waitlist.

The reading is an essential input into the class but we will typically cover more than is in that material (and this session is no exception). The discussion is intended to be wide-ranging and to allow you to learn from all the perspectives present in the classroom.

I will generally provide a summary of the day's discussion and main take-away points.

This will be posted on Stellar. An edited form may also appear on

<http://BaselineScenario.com>. Publicly available materials always reflect only my personal views. **Our classroom discussion is confidential and is not to be recorded in any fashion without express written permission.**

Tuesday, September 10 (class #2): The European Recovery – what will be the role of new business creation?

Guest: André Júdice Glória, PwC Portugal

Required Reading:

“[The European Crisis Deepens](#),” by Peter Boone and Simon Johnson, Peterson Institute for International Economics, January 2012, Policy Brief 12-4. This is the broader macroeconomic context for how Europe reached the current situation.

“[If you think Europe is fine, look at Italy](#),” by Simon Johnson, Bloomberg View, August 6, 2013. We need to think about barriers to entry and where these come from.

Also, our guest suggests the following so that you can better understand his business (these are all short items):

- “[After a Recession in Portugal, the Tiny Green Fruits of Success](#),” by Raphael Minder, The New York Times, August 28, 2013.
- To understand more precisely some of the new opportunities in this crisis
 - P.16, top point on regulated professions, of [this 2011 IMF document](#)
 - P.14, point 31 on reforms in the services sector, [of this 2013 IMF update](#)
- For more context: These short updates on the current situation, a few paragraphs from [The Economist](#), and the key comparative European data summarized in [graphical form](#)
- And, if you want more detail and the official perspective, here is [the \(long\) view from the finance ministry](#) and two paragraphs [on the latest official macro data](#) (these items are strictly optional)

Study Guide Questions

1. What is the underlying economic problem in Europe today?
2. How could more business start-ups help?
3. Will entrepreneurship lead the way to recovery?

Comments

We are working on understanding the link between macroeconomic conditions – prosperity or panic or something in between – and the creation of new firms.

André Júdice Glória comes to us from the front lines – he is working to build an office and to help others in the Portuguese business community. Our discussion with him will

range from the broad determinants of the prolonged European crisis to what is likely to happen next – and how this will (or will not) help various kinds of entrepreneurs.

However, in order for this interaction to work, you need to be well-prepared. Look at the material listed above and also search for any recent relevant articles on Portugal. (Feel free to send me anything you think is particularly helpful.)

This class session will cover the full range of substance in this course. Subsequent sessions will build on and reinforce ideas introduced here.

Important: remember that your first write-up must cover either class #2 or class #3, so if you don't write up this class, you must do the next class. (You can also write up both classes if you would like – you need to do four individual write-ups in total.)

Required Reading:

[“Root causes: A historical approach to assessing the role of institutions in economic development,”](#) by Daron Acemoglu

[Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises.](#)

Yes, it's 282 pages, so I don't expect you to read the whole thing. I recommend: the executive summary, one case study (that's the second section of the report), and one or more “topic notes” (those are the items in the second section). But if you have a more productive way to distill key data from the report, please use that. Their webpage (<http://www.doingbusiness.org/>) is also a great resource for thinking about individual countries and regions.

Simon Johnson, “How the World Bank Makes Doing Business Easier,”

<http://economix.blogs.nytimes.com/2013/06/13/world-bank-on-verge-of-making-a-good-decision/>

Study Guide Questions

1. What are “institutions” and why do they matter for economic growth?
2. Is it possible to tweak or otherwise adjust the restrictions on business entry – so as to promote entrepreneurship and economic growth?
3. Why don't all countries simply adopt pro-business rules, as defined by Daron Acemoglu or by the World Bank?

Comments

We are thinking about the deeper determinants of economic growth – to get at why it is not always so easy to be an entrepreneur.

Keep in mind that environments with “weak institutions” do not necessarily have only a few entrepreneurs (think back to class #1 on this point). But it is hard to build businesses and to create jobs when there is corruption, political instability, and weak protection for property rights.

The World Bank's *Doing Business* approach is appealing – offering some policy levers that can be pulled. But how much effect should we expect these to have?

Should potential entrepreneurs pay any real attention to this broader picture? Or is it inherent in the nature of entrepreneurship just to face the risks in whatever form they are manifest?

Part II – Helping Entrepreneurs

Tuesday, September 17 (class #4): Strategies for Helping Entrepreneurs, part 1

Required Reading:

HBS case: “Endeavor: Creating a Global Movement for High-Impact Entrepreneurship,” (available via Study.net)

Study Guide Questions

1. What was the original idea behind Endeavor? Why did this make sense?
2. How has Endeavor been successful? What are the main issues it now needs to confront?
3. Who should be chosen at this particular selection panel? Does it matter for economic development or how values could change in the Middle East?

Comments

Part I of the course was focused on environments – taking them largely as given, unless you control policy or run the World Bank. Part II looks at ways that smaller-scale private and public initiatives can have an impact.

Endeavor is fascinating both as a global model and in terms of how it operates in particular countries. We are fortunate that Catherine Halaby, one of our TAs, will be on hand to guide us through the intricacies of how Endeavor operates and what lessons we can learn.

However, this is not any kind of guest lecture in which you can sit back and relax. Rather, Catherine will serve as a form of expert witness in our discussions. It is essential that you come to this class with a very precise recommendation for the Selection Panel decision -- with strong reasoning to back it up. You will be put on the spot to explain your position and it needs to hold up under cross-examination from your peers.

Required Reading:

HBS case: "Location Choice for New Ventures: Cities," (available via Study.net)

HBS case: "Start-Up Chile: April 2012," (available via Study.net)

Study Guide Questions

1. What matters when thinking about where to build your business (use the worksheet in the "Location Choice" case)? What weight would you give to various elements – and how would this vary based on what you are trying to achieve?
2. Chile has come up with an innovative way of helping stimulate entrepreneurship. Will it work?
3. What other ways to help entrepreneurs would you recommend? (Feel free to draw on real world examples of the government trying to help private business in this way.)

Comments

Can the government really help private individuals become more successful entrepreneurs? Once the government becomes involved in this process, doesn't that open the door to all kinds of "rent-seeking" (economics jargon for spending your time getting favors from the government, including measures that keep out other new entrants; think back to the Acemoglu points in class #3).

Alternatively, perhaps nothing is ever possible without government support – or at least benign neglect?

We will, no doubt, have a somewhat ideological discussion on this point – at least with regard to the United States. But we need to get beyond that because we are trying to consider the other 190 or so countries in the world also – most of which (with a few notable exceptions) just want to find a pragmatic and sustainable way to build a stronger private sector.

Important: one of your write-ups must be for either class #4 or class #5. You may write-up both classes (as you need to do four write-ups in total).

Guest: Heidi Crebo-Rediker, formerly US State Department

Required Reading:

Heidi Crebo-Rediker, “Pushing Forward Gender-Driven Growth,”
<http://www.state.gov/e/oc/rls/2013/211088.htm>

Simon Johnson, “The Case for Women,”
http://economix.blogs.nytimes.com/2013/06/27/the-case-for-women/?_r=0

Chapter 1 in Global Entrepreneurship Monitor: 2012 Women’s Report,
<http://www.gemconsortium.org/docs/download/2825>

Study Guide Questions

1. What is “gender-driven growth” and how can we measure it?
2. How are women doing around the world, in terms of economic opportunities and rewards?
3. Can and should US policy change, either within the US or vis-à-vis other countries, in an attempt to secure more equitable and more efficient growth with full rights and participation for women?

Comments

This is an important topic that can no longer be overlooked. Heidi is a leading world expert on the subject – as well as an influential former policymaker.

Without question, women have not had a fair share of opportunities and benefits in many countries and over many years. Is this now changing? Is any such positive dynamic likely to be sustained?

The US helps a lot of countries with aid and other forms of assistance, trade, and economic engagement. What is the responsible and appropriate way to do that? How much and in what way exactly should US policy include consideration for these gender-related issues?

This is a pressing policy question that will only grow more prominent over time – including, most likely, in the next presidential election.

Anyone interested in the intersection of business and politics should seek to engage with Heidi during her day-long visit to MIT.

Required Reading:

HBS case: “Inge Wassertechnologies, GmbH,” (available via Study.net)

HBS case: “Financing New Ventures,” (available via Study.net)

Study Guide Questions

1. What are the main features of the entrepreneurial environment in Germany?
2. How has Inge Wassertechnologies developed in this setting?
3. Are emerging markets today more like the US or more like Germany? What is likely to change over the next 10 years?

Comments

Here’s a cynical perspective. Perhaps none of our broader discussion about environments really matters that much. Perhaps the real question is much simpler – who can access capital and on what terms?

Europe is interesting in this regard because the broader institutions (think Acemoglu or *Doing Business*) look good in general. But entrepreneurs do not have the kind of success that has become more common in the US.

And Germany is fascinating because, without question, it has the human capital (engineers, managers, and workers) needed to make world-class products and to push the frontier in terms of quality. But start-ups often struggle there. We need to know why.

Part III – New Frontiers

Tuesday, October 1 (class #8): What next for Africa?

Required Readings:

“Which Comes First – the Chicken, or The Egg? The Ghana Poultry Project,” MIT Sloan Case, September 2013.

“An Analysis of “Feed Co.” Investment for Ghana’s Poultry Market,” by Mark Leggate, Elana Shapiro, Lindsay Wilber, and Joanna Zhou.

Note these materials are currently being reviewed by the company. We will post them on Stellar once we have approval.

Study Questions

1. Is an investment in layer feed financially attractive for FeedCo.?
2. What is the effect of import and tariff policy in Ghana? Do these policies help or hurt the development of local industry?
3. How can entrepreneurs be effective when so many complementary investments need to be made?

Comments

The goal in Part III of the course is to apply what we learned in Parts I (business environments in general) and II (what entrepreneurs really need – or don’t want to encounter).

In particular, we are looking for new frontiers – what is coming next in terms of ideas, models, products or anything else around the world.

Of course there is risk – this is entrepreneurship after all. But where do we see potential returns that are large relative to the likely risks? How should we think about these issues in both conceptual terms and as anything that can be quantified?

And this brings us to the most interesting and perhaps hardest question: How can a team of outsiders add value to the thinking, analysis, and potential actions of someone who is deeply immersed in local business opportunities?

We use the experience from a recent GLAB team to shed light on all these issues. At the end of the day, they need to make a sensible recommendation. What should it be?

Required Reading:

HBS case: “micro Home Solutions: A Social Housing Initiative in India,” (available via Study.net)

Study Questions

1. Should we think of this case more as a business or as some form of charity?
2. Can social entrepreneurship transform dimensions of the developing world in the same way that new technology-based companies have had impact (e.g. think about mobile phones)?
3. What are the limits on social entrepreneurship?

Comments

We are interested not just in new product ideas – or ways to apply standard models and sensible thinking to new situations – but also potential new models.

Can entrepreneurs working on “social” issues have major impact, for example by providing housing or healthcare or lighting or any other essential service? Or should we expect most of the transformation to come from for-profit businesses (either local or multinational)?

What are the main barriers to social entrepreneurs? Is this about *Doing Business* type issues or a broader limitation in what social entrepreneurs can do (think back to the issues covered in Part II).

Required Readings: to be added

Study Questions: to be added

Comments

This is your opportunity to expand our horizons. Students are invited to propose material for us to discuss – for part or all of the class session.

Draw on your network to bring us new issues, in terms of technology development and application – or any kind of business model.

The more surprising to me and to your classmates, the better will be the proposal. But we can also have a very productive discussion that builds on themes already discussed in the course – you could bring material that either agrees with points that have been made or that pushes back.

Do not shy away from controversy – we can make sure that all points of view are represented fairly and in a reasonable fashion.

Providing this material is also a very good way to earn class participation points.

Thursday, October 10 (class #11): topic and readings to be decided

Required Readings: to be added

Study Questions: to be added

Comments

See the comments for class #10

No class on Tuesday, October 15 (student holiday; Columbus Day)

Thursday, October 17 (class #12): Wrap-Up

This is a review and summing up session

Required Reading: review materials from previous classes, as needed

Comments

We will integrate the discussion from Parts I, II, and III of the course. We can also cover additional “new frontier” material, depending on whether we have more than would fit in sessions #10 and #11.

Returning to the questions posed at the bottom of page one on this syllabus – where do we expect new businesses to grow (and in what ways): the US, Europe, “emerging markets”, or other places? Does this matter for who becomes rich, who faces what kinds of social pressures – and who has what kind of power in the global economic and financial system?

We will also look ahead at potential entrepreneurial opportunities you can pursue, either through GLAB (working in the first instance with an established entrepreneur outside the US) or in some other fashion at MIT or after you graduate (including potentially building your own business).