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Role of Universities in Fostering an Entrepreneurial Ecosystem

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EXECUTIVE SUMMARY

Entrepreneurial ecosystem of the country is governed by a multitude of policy instruments that lay down the vision for development and posit policy asks from different stakeholders. Role of universities and research institutes is well recognized however their nexus with the stakeholders is yet to be spelled out. Entrepreneurial ecosystem may be better understood through internal ecosystem of universities and the larger external entrepreneurial ecosystem. Only a strong internal system centered at entrepreneurial teaching and training can cultivate the needed external linkages with stakeholders. Internal ecosystem of universities, access to finance, market dynamics, and regulatory regime governing start-ups play a pivotal role in determining the success of national entrepreneurial ecosystem.

KEY RECOMMENDATIONS

- A comprehensive policy review is undertaken by the custodian of the policy after every two years. Any action plan formulated after the policy approval ought to be the pivot of review process.
- All the documents produced in pursuit of policy review process and policy implementation are made public under the prevalent Right to Information laws.
- Entrepreneurial teaching and training programs are adopted by the universities while catering to the pedagogical needs of students.
- Higher Education Commission (HEC) and provincial HECs issue guidelines for entrepreneurial teaching and training.
- Universities undertake action research on matters concerning entrepreneurship and entrepreneurial ecosystem with tangible action items for planning entities, and other administrative bodies from the public sector.

Policy Context

National Science, Technology & Innovation (STI) Policy 2022 recognizes the critical role of innovation and technology-based start-ups for creating knowledge-based economy in the country. The policy further explores the significance of national STI ecosystem. While STI and its ecosystem have been addressed by this policy, there remain other policies that govern the entrepreneurial ecosystem of the country. Pakistan Vision 2025 regards Private Sector and Entrepreneurship led growth as pillar V of key enablers of growth. Right from strengthening of institutions to the deliberations on Small and Medium Enterprises (SMEs), Vision 2025 outlays a combination of facts and subsequent policy asks. However, the implementation of these policy asks and their impact is yet to be ascertained.

National SME Policy 2021 is another critical policy that shapes the contours of entrepreneurial ecosystem in Pakistan. Most significantly the recommended definitions of small enterprise, medium enterprise, and start-up are going to have far reaching effects on the development of entrepreneurship in Pakistan. One significant policy ask therein is the teaching of entrepreneurship at university level as specialized stream in partnership with the National Incubation Centre, the Higher Education Commission, and provincial departments for education.

SME Asaan Finance (SAAF) Scheme (August 2021) of the State Bank of Pakistan coupled with Prudential Regulations for Small and Medium Enterprises Financing (March 2022) attempt to address the financial constraints faced by SMEs. Companies (Further Issue of Shares) Regulations 2020 by the Securities Exchange Commission of Pakistan aim, among other subjects, to resolve equity related issues for corporate entities. However, for majority of the entrepreneurs SECP is the least likely choice for registration of their businesses as legal entities owing to the stringent measures of compliance that tend to challenge their capacities and capabilities.

The Higher Education Commission Ordinance 2002 explicitly places formulation of policies for higher education institutions that promote socio-economic development in the ambit of HEC besides stressing on the need for developing

industry academia linkages. HEC ORIC Policy 2021 further elucidates the role of universities with respect to intellectual property, innovation and research commercialization. HEC notified ORICs are 72 in number whereas Business Incubation Centres established at public sector universities across Pakistan are 30 in number. The adoption and penetration of HEC initiatives is yet to universalize across the higher education institutions of the country.

Entrepreneurial Ecosystem: Nexus of Universities with Stakeholders

The prescribed and ascribed roles of universities place them as hubs of innovation, knowledge production, technology transfer, and entrepreneurship development within the entrepreneurial ecosystem of the country. As seat of learning they provide impetus to initiation and growth of start ups through incubation and other support services. Emergence of ideas and knowledge production leading to innovation remain subjects within creative space of the entrepreneurial ecosystem of the university and is largely attributed to its conducive and nurturing environment. However, the same may be cultivated and harnessed through strengthening of internal and localized elements of university's ecosystem. Critical aspects of such strengthening include a curriculum that incorporates entrepreneurship, pedagogical techniques that inculcate necessary skills in students, and a pathway that helps students navigate the real-life challenges of entrepreneurship.

Entrepreneurial-university ecosystem rightly refers to the preparedness and contribution of universities towards entrepreneurship that functions within the larger knowledge economy structure of a country and whose effects are discernible through socio-economic development. Besides the notion of a robust internal ecosystem contributing towards innovation and technology development, the entrepreneurial outcomes largely depend on exogenous and policy factors.

Creation and functionality of Offices of Research Innovation and Commercialization (ORIC) and Business Incubation Centres (BICs) are the policy instruments designed to leverage the contribution of higher education institutions towards development of knowledge economy.

Active role of ORICs and BICs does channelize the operationalization of start-ups and scale-ups however the most pertinent influencing factor here is the identification of a market (niche) for a start-up. The innovation developed under research may be equated with market niche per say but in terms of commercialization it posits a long and complicated process. Optimization of market ready results, time to market, market need assessment, business planning, and return on investment are few of the leading areas of consideration.

Universities of Pakistan struggle on both accounts i.e. development of internal eco-system and creation of linkages with external eco-system. Internal eco-system centred at entrepreneurship and entrepreneurial education is not a commonly practiced structure in universities and they further struggle with mechanics of making a shift from conventional education systems. Like wise is the more complicated case of examining and assessing the potential of entrepreneurship initiatives within the larger sectoral business environment. Notions like ease of doing business, sectoral growth, and market disruptive initiatives posit not only challenges of theory but also of policy, both public and organizational, and practice. Therefore, one may view each university of the country in the light of its positioning within the larger entrepreneurial eco-system.

Development of Human Capital

Teachers and students form two ends of the equation of knowledge creation and knowledge dissemination in higher education institutions in historic sense and conventional mode of learning. Students, though a partner in knowledge creation, mostly stand at the receiving end of knowledge creation and dissemination. Role of teacher in the context of entrepreneurial eco-system has far exceeded the historic boundaries and has become diversified in multiple ways.

A university geared at fostering entrepreneurial ventures presupposes the existence of a vibrant internal eco-system having strong linkages with external eco-system and commits to keeping itself to abreast of multifarious sectoral developments. Development of human capital with the lens of entrepreneurship lies at the core of university wide activities. It is essentially different from

conventional mode of teaching and learning practiced at universities. Mentors, coaches, industry experts, legal experts, business planners, marketeers etc. are some of the key professionals whose presence not only creates the needed entrepreneurial eco-system but the quality of their expertise also determines the strength of the existing system. These professionals ought to function within a well-structured system that allows for actualization of outputs and outcomes determined for the learners. Creation of such system along with its sustenance emerge as challenges for universities on account of their structural and functional design. Teaching of curriculum and periodic assessment of student in a disciplined environment is the most simply put functional design of a university. Add to it the complexities of promoting innovation, cultivating and streamlining of business ideas, incubating businesses, scaling up businesses and one arrives at the procedural and knowledge needs of a system that houses an effective entrepreneurial ecosystem.

In light of the above, the development of human capital is that of students as well as of teachers along with the professionals engaged for strengthening the entrepreneurial ecosystem. An institute of higher education ought to have its human development plan as a pre-requisite of developing a system that supports and strengthens an entrepreneurial ecosystem.

Reflections on the Regulatory Regime

National SME Policy 2021 provides for the basis that subject SMEs to regulatory enforcements through its definitions of micro, small, and medium organizations. Moreover, access to finance has been recognized as another facet of regulatory regime negatively affecting the performance of MSMEs despite some encouraging measures by the State Bank of Pakistan (SBP). The SBP guidelines do support the medium and large scale firms / entities but little evidence is available for them being supportive for start-ups.

Scant evidence exists on universities informing the policy makers on creation of a facilitating regulatory regime for entrepreneurial ventures. The legal instruments governing registration and working of firms / entities may be classified as lax,

in form of association of persons etc., as well as stringent because of the stipulations by the Security Exchange Commission of Pakistan. The stark difference may be partially covered with attribution to the scale of business but the financial aspect of regulations remains cumbersome for start-ups. SMEDA itself recognizes access to finance as an impediment for development of small-scale organizations. Formalization of action plan or at-least a road map for actualization of easy access to finance can contribute positively to the strengthening of entrepreneurial ecosystem of the country.

Challenges of Policy Implementation

National STI Policy 2022, National SME Policy 2021, Pakistan Vision 2025, and HEC Ordinance 2002 are the overarching national policies that recognize and stress upon the role of innovation, technology-based start-ups, and private sector in making Pakistan into a knowledge economy. However, the aspirations of the aforementioned policies form a different functional dynamic when faced with the regulatory measures and market forces. The unified picture posited by these policies depicts complementary goals and need for harmonized actions by different public and private sector entities. However, the missing action plans with segregated roles for each entity in the public sphere and even from within the public sector are indicative of policy formulation and implementation process in isolation.

The overlapping scope of national policies with varying yet demanding asks from the stakeholders warrants a revisitation by the policy makers. Policy asks when juxtaposed with regulatory measures and market functioning bring to light the need for a system wide restructuring that develops and supports the mechanisms for achieving the policy goals and targets. With the presence of merely 72 ORICS across the country and promises for creation of technology parks, it is hard to see the implementation of policies concerning start-ups. The policy intent of strengthening entrepreneurial ecosystem further exacerbates the issue due to complexity of the public administrative system and its interface with the universities.

The process of policy formulation and implementation contains inherent gaps that not only create new challenges of implementation in the face of

new policy asks but also feed the historic challenges of development.

Conclusions & Recommendations

• Policy Review Process

Policy formulation has been a low hanging fruit for policy makers owing to a number of reasons including political expediency and desire for course correction. However, policy review process has been missing from our national and provincial policy landscape. It is imperative that long term and time bound policies are subject to periodic reviews with respect to their communication to the stakeholders, adoption at various levels, and progress tracking.

Recommendations

- a. A comprehensive policy review is undertaken by the custodian of the policy after every two years. Any action plan formulated after the policy approval ought to be the pivot of review process; in case of absence of an action plan, the review incorporates the planning process for immediate implementation.
- b. The stakeholders identified in the policy and / or action plan made thereof furnish their respective operational plans developed in the light of the policy / action plan. Key performance Indicators (KPIs) mentioned therein serve as performance milestones for the concerned entities and responsible individuals.
- c. All the documents produced in pursuit of review process and policy implementation are made public under the prevalent Right to Information laws.

• Internal Ecosystem of Universities

Internal entrepreneurial ecosystem of universities is developed and strengthened keeping in mind the local requirements and challenges. Local examples / success stories of strong entrepreneurial ecosystems are considered while formulating plans at entity level instead of opting for path dependency.

Recommendations

- a. Entrepreneurial teaching and training programs are adopted by the universities while catering to the pedagogical needs of

students.

- b. Higher Education Commission (HEC) and provincial HECs issue guidelines for entrepreneurial teaching and training after due consultations with the stakeholders.
- c. Indigenous best practices of entrepreneurial teaching and training are recommended for adoption and development of case studies.
- d. Exchange activities at the regional, provincial, and national levels are designed to benefit from local experiences and peer reviews. The exchange activities may be supported by different knowledge and information products.

• National Entrepreneurial Eco System

Universities, especially the ones with functioning ORICs and BICs, need to be consulted over the challenges faced with respect to national entrepreneurial system. Non-cooperation from industry with respect to data reporting may be substituted with data shared by universities thus providing the needed perspective to examine the issues within the national entrepreneurial system.

Recommendations

- a. National and provincial planning entities consult the universities and research institutes over their envisaged role in strengthening of entrepreneurial ecosystem.
- b. Universities and research institutes are required to report back to the planning entities their respective progress with respect to the policy framework and the defined roadmap.

• Continuous Knowledge Production

State of the sector reports, ease of doing business, and localized contribution of sectors / cities to national and provincial GDPs are prime areas of knowledge production for steering the structural reform process at policy and administrative levels. Paucity of information results in non-evidence based policy making and implementation processes. Universities and research institutes may take up knowledge production in this context for making substantive contribution towards building knowledge economy through strengthening entrepreneurial ecosystem.

Recommendations

- a. Universities undertake action research on matters concerning entrepreneurship and entrepreneurial ecosystem with tangible action items for planning entities, and other administrative bodies from the public sector.
- b. Stakeholder engagement is done by the universities as part of knowledge exchange activities on periodic basis in a non-partisan manner.

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