Entrepreneurial State, Innovative Financing: Seeking a Policy for Turkey

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Extensive Summary

The new structure of the today’s world economy which has recently been taken a shape with the concepts based on knowledge and technology, focused on 4th Industrial Revolution in other words Industry v.4.0. This new progress urges states and firms to produce innovative products and services, in a similar way forces human capital resources to be competitive regarding to new job opportunities and to get accustomed to alternative work. Progressing new products and services is just possible creating innovative process and maintaining innovative process in a steadfast and permanent way. In this context it is possible to say that the state as the top regulator and legislator mechanism is mainly responsible for preparing, developing and supporting innovative policies. As commercializing innovative ideas and transforming them into high value added products and services both would be a simplifying effect in the direction of growth and development targets for the states and but also would decrease external dependence and would additionally prevent waste of resources in a route that based knowledge and technology importing.

Today it is widely accepted that innovation is a key concept for economical development and competitiveness in a micro, mezo and macro level. This concept, while sometimes being described as radical, destructive and incremental and classified as product innovation, process innovation, organizational innovation and marketing innovation, mainly represents a development, application and diffusion of the newly technologies (and new methods for the social innovation) in regard to economical growth and development. The resources of the innovation can be sorted out as national technologic efforts (or internal firm), learning based labour and/or technology transfer (Tiryakioğlu, 2015). As pointed out in Exhibit-1, state’s innovative policies are strongly determinant with a direct or indirect way over both effectiveness of financing innovative activities for firms and also ensuring effective learning from imported technologies that transferred.
Exhibit-1: Resources of Innovation and the Role of State

Developmental, Innovative, Entrepreneurial STATE

Learning-based Technology and Labour Transfer
National and Regional Innovation Systems, University and Industry Collaboration

National Technological Effort
National, Regional and Sectoral Supports and Incentives, Prioritization and Exemptions

Innovation

Resources: The exhibit has been created by writers.

It is vitally strengthened up the state’s importance as a capable coordinator for innovative centers and also creating and disseminating an innovative eco-system just because of the state are drawing a route with several support mechanisms and policy instruments for the basis resource of innovation. Today it is seen that even most important representatives of the capitalist doctrine are defending the idea allowing the state being included to arrange and organize innovative infrastructure in a direct or indirect way even though they are firmly stick to open-market based entrepreneurship and free-market ideology. The recent experienced progresses and crisis that affected World economy prominently underlines the importance for re-debating of the knowledge-based development policies. Especially global financial crisis in 2008 states obligatorily out to redefine the necessity of state and it’s role in economy and accordingly brings out the concept of “new developmentalism”.

Whilst the developmentalist state took place an important place specifically in a matter of catching success in the literature of development economy, recently referred as developmentalist state, it appears in today’s world as “entrepreneurial state” in the shape of a newly-developmental state (Mazzucato, 2013) and as “innovative state” (Chopra, 2014). According to Mazzucato (2013), just the one entrepreneur of ten entrepreneurs become successful and the return on investment ranges from 20 years to 30 years. Despite that the expectation in return on investment for the entrepreneurs in a short-time unveil the significance of state’s innovative and entrepreneurial role in emerging and having low-savings rate countries. Although having a metaphorically meanings, the state substantially encourages, promotes and directs development, industrialization, innovation and competitiveness in several ways and sometimes shoulders some missions as “invisible hand”. Looking at the chronological development of the world economy, it is almost not encountered a country that not having governmental intervention in their industrialization progress. It is absolutely not possible any alternative way for abandoning governmental intervention especially for those that are coming from behind and stays late on the destination of industrialization and development. Contrariwise, it is essential to own a governmental mentality
(developmental, innovative, entrepreneurial) and state policy adopting an industrial prioritization in order to sustain effective industrial efforts for this countries and not to miss any opportunities for this purposes.

The main point of our study, as evaluated the role of state in economical activities is to finance, to support and to encourage innovative activities in the level of innovative firms, emphasizes financial supports presented by the state in Turkey. Our conclusion from the study is that the state must ensure an institutional and governmental structure in the context of available and sustainable framework as well as developing a co-ordinated innovative background. With this way there will be an innovative environment for the business that finally constitutes national innovation and learning progress in a coordination and collaboration systems.

It is possible to summarize this study that we aim to point out the new role of the state in light of technology and innovative policies and to examine mentioned transformation process within the concepts of innovative and entrepreneurial state in the second section following the introduction. As the third section handles the institutional structure of the R&D activities, technology and innovation policies in Turkey and also analyses National Innovation System. As to the fourth section, it is aimed to point out the state’s financial reinforcements provided to innovative firms in Turkey and it also circles the legal regulations frame in this context. While following the fifth section that does include handling the innovation, finance and resources of the innovative ideas, the study ends with a sixth section emphasizes the financial problems of innovative firms in Turkey although the conclusion presents some ideas and recommendations related to role of innovative and entrepreneurial state. In accordance with all sections and established literature, the financial problems of the innovative firms can be ultimately stated here as (a) absence of equity, (b) general economic instability, (c) difficulties in finding external finance, (d) deficiencies of financial management and (e) lacking of policies that supporting entrepreneurship and innovation.