Review book Rudy Aernoudt "Entrepreneurship. A mindset"

'Bureaucracy is a powerful obstacle to entrepreneurship'[1]

It is a pleasure to read the book on Entrepreneurship by Professor R. Aernoudt. It is clear, the chapters are short and I am certain, that persons looking for a definition will find a reply to their questions. The most important aim of the book is to change the mentality towards entrepreneurship.

However, a change in mentality is always slow. Europe has a culture of caution. The daredevils left for the US a few centuries ago. The fearful (or the people who had a comfortable life) stayed in Europe. As a result of this mentality, the subsidy culture was created, as we know it today.

There are however entrepreneurs -also in Europe-who have the courage to set up an enterprise or company. Their difficulties, obstacles (the possibility of bankruptcy) and also support (Business Angels, Investors) has been described by Rudy Aernoudt in this book. He expressively rules out managers who do not run any risk; who just receive a salary and -in case he/she fails- receives a bonus, when leaving the company.

First of all, the writer starts with the definition of Entrepreneurship by Machiavelli. Entrepreneurs are simply those who understand that there is little difference between obstacle and opportunity and who are able to turn both to their advantage. Wow! Machiavelli knew how to make definitions! There are more definitions: The Austrian School of Economics for example distinguishes three kinds of entrepreneurship:

1. Schumpeterian Creative destruction ("The Theory of Economic Development" 1934), that means the introduction of new means of production or of new products, like Steve Jobs created some time ago. Schumpeter's entrepreneurship manages to break the cycle in order to create a new balance.
2. Kirzner ("Competition and Entrepreneurship" 1973) on the other hand reasoned that the actions of the entrepreneur are essentially aimed at competition. But he also considered entrepreneurs as an equilibrating force in the economy. For example when a bookstore in New York sells his books for a lower price and the shipping costs to another town are low, then it is profitable to buy the books at a lower price and hence to create a new equilibrium.

[1] L. von Mises in "The Austria School of Economics in the 21st Century", 2023, p. 281.

3. Another aspect of the market economy is mentioned by Lachmann nl. he emphasized two seemingly obvious but forgotten facts: first that capital is heterogenous and second that we cannot predict the future.
   He also made a connection between the methodological individualism of Hayek and the market economy. The question which form the market economy should have, was answered according to Lachmann by von Mises and Hayek: the market is a process of constant changes. ("Methodological Individualism in the Market Economy" in "Roads to Freedom")

But when ranking the choices young people make for their lives, being an entrepreneur is the last option. It is a mindset and changing that is very difficult.

For example in countries where the social security is well developed, the necessary entrepreneurship hardly exists. In the US the entrepreneurs are considered heroes, and can start over and over again, while in Europe there is no second chance "because of bankruptcy laws and bank attitudes and those who are successful face discriminatory tax laws".

There are other difficulties Disruptive innovation is often extremely difficult to execute. It is often not possible in mainstream departments, but that is because of the character of disruptive innovation: Disruptive innovation can be defined as an innovation that creates a new market and value network and eventually disrupts an existing market, displacing market-leading firms and products, like Steve Jobs did when introducing the I-phone and ten other inventions.

Do we need disruptive innovation? Yes, absolutely! Gradual innovation does not guarantee success. Examples are Nokia and Kodak. For that, smaller companies are needed, because the large ones make this disruption extremely difficult to execute.

Professor Aernoudt indicates that the role of the EU (and of governments in general) have their limits: they never can replace the private sector. He describes the limits the EU faces: the private sector, subsidiarity and the co-decision procedure. This is important to know because there is this widespread belief, that we need the state or the government to help the economy function well.

There is also another impediment: the EU only deals with questions, projects proposed by them to competitors. There is no possibility to approach the EU with a plan or proposal of your own, that has not been written out by them.

Conclusion:

The items Professor Aernoudt stresses the most are:

Limiting the too big bureaucracy, stop this short-term subsidies culture; access to financing a business should be made more easy. In this role he stresses the importance of Business Angels-this in contrast with the traditional investors, who look at the collateral. Instead of focusing on the risks (linked to the product),

Business Angels focus on the risk linked to the entrepreneur and want to guide a project. That is a totally different approach from the traditional investors.

The writer indicates to different gaps, that have to be bridged: the Risk capital gap the confidence gap, and investment readiness gap.

A supply-side driven policy should go hand in hand with a demand-side gap.

The most important aspect: change the view on entrepreneurship, accept the possibility of a second chance. That is normal in the US, but in Europe not existing.

In this aspect Europe is too manager- focused. The managers of a company have a regular salary and in case they are dismissed, they receive a (enormous) bonus.

The real entrepreneur takes risks, but also creates opportunities. The role of the entrepreneur in the market process is crucial, as it is the entrepreneur who drives the social learning that characterises the discovery process of the market. It is important to highlight the importance of this role in the economy, and the enterprising investor in financial markets, in order to improve our own welfare.

There are a lot of recommendations by the writer and one of them is a suggestion to set up a Round Table for Bankers and SME's.

The book is rich in information, recommendations, examples, and information about the current state of affairs.

Enjoy your reading!

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