THE LISBON AGENDA AND ENTREPRENEURSHIP POLICY: GOVERNANCE IMPLICATIONS FROM A GERMAN PERSPECTIVE

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With the Lisbon Strategy and mandate, the European Commission committed itself to promoting entrepreneurship as a major driver of innovation, competitiveness, and growth. This paper demonstrates that the renaissance of entrepreneurship policy along with the implementation of the Lisbon Agenda resulted in the localization of policy-making, and re-strengthened policy-makers on the ground to successfully mobilize directly at the supranational level. Furthermore, it shows that EU entrepreneurship policy-making has contributed to a shift from hierarchical government to a more horizontal and interactive form of governance in the new German Laender which were highly exposed to Structural Funds and the Lisbon Agenda. The focus of analysis on the sub-national level helps to fill an academic void in Europeanization and governance literature. By integrating a region- and policy-specific perspective, this contribution goes beyond theorizing the regional dimension of Europeanization in a multi-level governance scheme.

INTRODUCTION

When the European Council met in Lisbon on the 23rd and 24th of March 2000, it sent out a signal to anchor entrepreneurship in a comprehensive policy framework to endorse a European knowledge-based society. With the Lisbon Agenda, the European Commission agreed on a new approach to address socio-economic challenges, and committed itself to encourage entrepreneurship as a major driving force to maintain global competitiveness. Throughout the 1990s, entrepreneurship has emerged as the focal point of European growth policy. Public policy supporting small and medium-sized enterprises (SMEs) shifted to entrepreneurship policy as the predominant engine for economic development after scientific evidence demonstrated that new firms serve as the missing link to economic growth, innovation and employment creation (Reynolds et al. 2002; Gilbert et al. 2004; Audretsch et al. 2006; Acs et al. 2009; Haltiwanger 2009). During the 2000–2006 European Union (EU) programme period, various cohesion policy instruments – primarily the Structural Funds – were employed to implement the Lisbon Strategy with a strong policy commitment to promote entrepreneurial activity in the EU member states (Audretsch et al. 2009).

Against this background, it is important to shed light on the evolution of the new European growth strategy as formulated by the Lisbon European Council at a supranational level to better understand how it was translated into a development strategy with a central role of entrepreneurship at the national and sub-national levels. This article contributes to the exploration of policy-making within a complex European multi-level delivery scheme by specifically focusing on the emergence, development and implementation of entrepreneurship policy in the New German Laender (NGL). In my hypothesis, EU policy-making has contributed to a shift from hierarchical government to a more horizontal, interactive, and flexible form of governance in the NGL over the past ten years. I will demonstrate a considerable top-down impact caused by EU entrepreneurship.
policy-making diffused by the Lisbon Agenda and Structural Funds at the state and, above all, local level with crucial implications on domestic policy-making. The Lisbon Agenda and the European Structural Funds programming period 2000–2006 had a perceptible impact on the development of new public policies as well entrepreneurship policies in the NGL. In contrast, the strong emphasis of EU cohesion policy on promoting entrepreneurship has contributed to a transformation of governance at the NGL level. To the author’s knowledge, the impact of EU entrepreneurship policy on local governance and domestic policy has previously not been investigated in terms of process-tracing research from a political science and public administration perspective. Surprisingly little attention has been paid to the regional dimension of European governance, which is an area that Macphail (2008) and Elias (2008) identified as crucial field of research.

From an entrepreneurship policy and governance perspective, two major research questions emerge and will be addressed in the following contribution: (1) whether the shift from industrial and SME policy to entrepreneurship policy has successfully been accomplished in regions which were highly exposed to EU policy-making and the Structural Funds (such as the NGL since unification); and (2) how EU entrepreneurship policy-making has affected regional (meaning sub-national) policy-making and existent governance modes in such regions.

I will then further introduce the theoretical research context and explain the methodology before elaborating on the European entrepreneurship policy framework. The sections that follow explore how the Lisbon Agenda has been transferred into national and state programming and policy-making frameworks. A new German state is then selected as a case for in-depth analysis to assess when, how and towards which direction EU entrepreneurship policy-making influenced domestic policy-making as well as governance schemes. The results are summarized in the conclusions.

EUROPEANIZATION, LISBON AGENDA AND GOVERNANCE IMPLICATIONS

It is important to track the evolution of the new European growth strategy as formulated by the Lisbon European Council on a supranational level to better understand how it was translated into a development strategy with a central role of entrepreneurship at the national and sub-national levels. With the proclamation of the Lisbon Agenda, the EU member states adjusted the thematic and geographic focus of policy delivery and spending in order to meet its objectives (Bachtler and Wishlade 2005). The German government, on the one hand, reconfigured policy priorities and developed the so-called German National Reform Programme (NRP), which accompanied the start of the new 2007–2013 programming period as a response to the new European cohesion policy. The German Länder, on the other hand, translated EU strategies and policies into so-called Operational Programmes (OPs). In other words, policy tools were designed which integrated the EU strategies into ‘multi-level’ (Bachtler and Yuill 2001, p. 6) governing frameworks of entrepreneurship and other related policy objectives.

Reconfiguration of economic policy-making

Together with the Lisbon Agenda in 2000, the promotion of an entrepreneurial knowledge-based society became a cornerstone of the European policy framework (Audretsch et al. 2009). EU policies were designed to offer a useful framework for the promotion of start-ups and SMEs inherently accepting the assumption that the main impetus for the promotion of economic growth is expected to derive from local policies. Bachtler and...
Yuill (2001) observed a significant shift in the ‘paradigm’ of regional development and policy-making from the 1980s onwards. Until then, central governments across Western Europe were responsible for strategic development and implementation of economic policies at the regional level. The main policy objective was equity, or rather equalizing variations, in standards of living across territories. The focus of policy was concentrated on the promotion of economic growth through industrial locations. Policy design and delivery was handled top-down from central government to sub-national entities. From the 1980s onwards, the importance of the central government for regional and industrial policy-making diminished, shifting towards the encouragement of endogenous growth variables. In this context, we observe the rise of the regional and local dimension of policy-making and the re-discovery of the importance of SMEs and entrepreneurship for economic development. This shift to endogenous, locally driven, region-specific policies to generate economic development was supported by the so-called new growth theory, which estimates technological progress as the prime mover of economic development and places high attention on human capital, knowledge and ideas to induce technological change (Romer 1986). New growth theory holds that technology is endogenous; the amount and quality of technology depends on the amount of resources we devote to it. In other words, the rate of technological progress is not given in a growth model but appropriate government policies can permanently raise a country’s growth rate, particularly if they lead to a higher level of competition in markets and a higher rate of innovation. From the 1990s onwards, this theory crucially influenced European policymakers, who aimed at creating an environment that is perceptive to new ideas and creative people and, therefore, integrated entrepreneurship into policy-making (Lucas 1988; Romer 1993).

This development was driven by European political integration, further contributing to political and economic decentralization and the emergence of new sub-national clusters (Rodriguez-Pose and Gill 2003; Benz 2007). As a consequence, the strategic management of places became a major task for local policy-makers resulting, among other things, in the evolution of clusters and ‘learning regions’ (Florida 1995; Porter 2000; Porter and Stern 2001) which are characterized by close local networks of high-tech firms, research institutes, universities, industries, and other organizations. Such clustering activities strengthen the role of sub-national locations as drivers of policy-making, and require the active participation of local, civic actors (CEC 2001). The involvement of new societal and other actors in developmental questions became evident from the local but also from a cross-sectional perspective resulting in an increasing interaction of supranational, national, regional, and local governments, which are embedded in a comprehensive interconnected policy network. The literature emphasizes both the increasingly frequent and complex interactions between governmental actors and the increasingly important dimension of non-state actors that are mobilized in cohesion policy-making specifically and in the EU polity more generally (Marks and Hooghe 2004).

Europeanization and domestic policy implications
The re-emergence of sub-national entities in the economic policy-making arena results in new challenging questions about how to govern in a multi-level governance scheme, how to develop local places with new strategies and economic policies, and how to integrate new and diverse local actors into the policy process (Keating 2001). Elias (2008, p. 484) summarizes that the processes of European integration together with decentralization offered unforeseen opportunities for regional actors and transformed Europe in a polity...
away from a Europe of states to a Europe of regions. This transformation was a gradual process. At the beginning of the new millennium, the Europe of regions rather had ‘failed to materialize’ (Elias 2008, p. 485). Most European regions had not become involved in developing and implementing regional policies and spending programmes together with the European institutions and the member states who acted as gatekeepers to EU policy-making (Bache 1998). Under the pressure of reaching the goals of the Lisbon Agenda together with European integration, sub-national policy-making and policy priorities then changed affecting European polity and European governance.

This process affected European decision- and policy-making considerably and resulted in the emergence of a system of multi-level governance defined as ‘a system of continuous negotiation among nested governments at several territorial tiers – supranational, national, regional and local – as a result of the broad process of institutional creation and decisional re-allocation that has pulled some previously centralized functions of the state up to the supranational level and some down to the local/regional level’ (Marks 1993, p. 392). The intensified political and economic interaction between actors at every potential government and territorial level contributed to a so-called Europeanization process. The term Europeanization is defined in manifold ways and underlies critical and vivid academic discussions pushed forward by diverse research communities. This paper will not indulge in any form of background conceptualization but applies a systemized concept (Adcock and Collier 2001, p. 530) by looking at the ‘Europeanization of public-policy’ in a transformational context to assess its impact on domestic policy formulation and implementation, regional administrative innovation, cultural change and even identity formation (Radaelli 2003, pp. 31–3). In other words, a minimal concept of Europeanization – defined as the emergence and development of distinct structures of governance at the European level (Risse et al. 2001, p. 3) – is used referring to the impact of EU (entrepreneurship) policy-making on governance and institutions at and below the level of the nation-state (Featherstone 2003; Bache 2008). Inspired by Risse et al. (2001, p. 4ff), who draw on the sociological literature (for example, see March and Olsen 1989), I refer to institutions (formal and informal) as domestic political and societal structures. Börzel has demonstrated that Europeanization and EU policy-making had a crucial impact on domestic institutions and policy-makers (Börzel 2005, p. 48). ‘What is still controversial, however, is how and when it matters’ (Börzel 1999, p. 574; Börzel and Risse 2003). The when and how questions posed by Börzel will be tackled below. Major emphasis is placed on the design and implementation of a specific policy (entrepreneurship policy) in a specific transformational region (NGL) which allows us to better understand when and how Europeanization had a domestic impact.

The extent and direction of Europeanization at the sub-national East German level will also be specified (Radaelli 2003). Drawing on Börzel (1999), Risse et al. (2001), and Héritier and Knill (2001), four possible directions or rather outcomes of Europeanization can be observed: inertia, retrenchment, absorption and transformation. I will demonstrate that neither inertia, defined as lack of change, nor retrenchment, defined as negative impact of Europeanization, became evident in the NGL after unification. Rather, I hypothesize that absorption defined as accommodation to policy requirements without fundamental changes in the logic of political behaviour was caused at the NGL level by Structural Funds, EU as well as national policy-making, from 1991 until 1999. Further, I hypothesize that the proclamation of the Lisbon Agenda was a major driving force for the transformation of domestic governance, institutions and actor’s behaviour which shifted from simple learning to cognitive development throughout the transformation process.
In this context, the proclamation of the Lisbon Agenda in the year 2000 serves as a time threshold. Drawing on Laird’s (1999) distinction between simple learning and cognitive development, Radaelli (2003, p. 39) underlines that this ‘chimes with the distinction between adaptation and transformation’.

This research applies Radaelli’s concept of Europeanization by emphasizing on the public policy domain of Europeanization to be distinguished from the domains ‘macro-domestic structures’ and the ‘cognitive normative structures’ (Radaelli 2003, pp. 34–5). Radaelli refers to Europeanization as ‘the processes of (a) construction), (b) diffusion, and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, “ways of doing things”, and shared beliefs and norms which are first defined and consolidated in the making of EU policy process and then incorporated in the logic of domestic discourse, identities, political structures, and public policies’ (Radaelli 2003, p. 30). Highly simplified, he distinguishes between the process leading to the formation of a certain EU policy and the feedback by the domestic policy environment and politics to such policy. Following this line of thought, John (2001, p. 13) refers to Europeanization as a process ‘whereby European ideas and practices transfer to the core of local decision-making as well as from local policy-making arenas to the supranational level’. According to his definition, Europeanization has both ‘download’ and ‘upload’ components (Marshall 2005, p. 671). This paper consciously restricts itself to the top-down perspective while demonstrating that the Lisbon Agenda had crucial ‘reverberations’ in national arenas (Radaelli 2003, p. 319). While specifically exploring the second vein of Radaelli’s concept, I hypothesize that entrepreneurship policy-making (promoted through the Lisbon Agenda) had a significant impact on domestic governance. It is demonstrated that national and sub-national policy-making had been re-oriented as a consequence of the Lisbon Agenda leading to decentralized or co-operative modes of governance.

Nonetheless, the contribution will go beyond the ontological focus on the issue whether European integration strengthens the state as a dominant force of policy-action and delivery (inter-governmentalist approach) (Moravcsik 1994; Grande 1996); or weakens the nation-state by re-strengthening sub-national actors though by-passing national governments (Marks 1993; Börzel 1999, p. 576); or transforms the state in a sense that new forms of co-operative governance schemes emerge in the course of Europeanization between state and non-state actors (Kohler-Koch 1998). The issue is not only whether EU policy-making matters for domestic change (as hypothesized above) but also when, how, and in what direction.

The NGL serve as an interesting regional example due to the high degree of policy as well as institutional misfit between European and highly fragile East German policies, processes and institutions, after unification (Risse et al. 2001; Börzel and Risse 2003). A high degree of misfit implies strong adaptational pressure on domestic institutional and administrative structures; whether this pressure becomes effective depends on a variety of mediating factors. Risse et al. (2001, p. 9ff) differentiate between five mediating factors: multiple veto points in the domestic structure, facilitating formal institutions, a country’s organizational and policymaking structures, the differential empowerment of domestic actors, and learning. This paper will specifically explore the role of two agency-related mediating factors, namely the differential empowerment of domestic actors (and it is assumed that the Lisbon Agenda and European entrepreneurship policy-making re-strengthened sub-national actors who exploited the opportunity to circumvent national policy directives) as well as learning in the form of cognitive learning of actors in the course
of transformation. The NGL underwent a dramatic transformation process after unification and faced fierce pressure to adapt to West German and EU standards in economic, political but also socio-cultural perspectives. How did the Europeanization of entrepreneurship policy promoted through the Lisbon Agenda affect actors, policy instruments and policy style in a region which is still characterized by an all-encompassing transformation? The article sheds light on the degree of ‘learning, adaptation, and policy change’ (Ladrech 1994, p. 71) in a transformational context.

METHODOLOGY

With this approach, I aim at filling an academic void. Surprisingly, scholars have not yet examined the policy dimension of regional participation in new modes of governance (Macphail 2008). Empirical observation is missing to explain how sub-national policy-making and policies changed along with the Europeanization of entrepreneurship policy and the diffusion of the Lisbon Agenda. Bursens and Deforche (2008, p. 2) point out that the impact of Europeanization on the sub-national level has not received much scholarly attention so far. Whereas scholars emphasize the processes of Europeanization, the literature remains very much ‘region-free’ and ‘region-specific’.

The NGL are an ideal region to study how the Lisbon Agenda was translated into the local level primarily through the Structural Funds. The NGL are embedded in a multi-level governance scheme and have been part of Structural Fund activities since 1991. Research provides us with evidence that a significant proportion of Structural Funds expenditure was highly relevant for reaching the goals of the Lisbon Agenda and for inducing endogenous growth in Objective 1 regions which qualify for this status if the GDP per capita for the region is below 75 per cent of the EU average (Danish Technology Institute 2005). Socio-economic transformations in the NGL were very much driven by the availability of large amounts of EU Structural Funding. As a consequence, the diverse local actors in the NGL were exposed to EU funding and programming, often for the first time, after German unification. The Lisbon Agenda and the European Structural Funds programming period 2000–2006 had a perceptible influence on domestic policy-making. Therefore, the NGL are perfectly suited to explore how and when EU entrepreneurship policy-making affected local policy-making.

In the following sections, I describe which frameworks of actions and policies have been designed and delivered at the European, national and Laender levels resulting from a new European strategy to spur entrepreneurship and innovation, while differentiating the pre- and post-2000 programming periods at the Laender level. With such ‘before-after’ design the differences of policy-making and the impact of EU policy-making on local governance schemes will become evident. Furthermore, I shed light on the design and delivery process when it comes to the implementation of new entrepreneurship policies at the very local level by selecting the NGL Thuringia as a case for in-depth analysis. Thuringia is one of the most innovative and entrepreneurial new German states, second only to Saxony, measured by the number of patent applications (indicator for innovativeness) and entrepreneurial activity per year (Sternberg and Bergmann 2002; Greif 2008). It has been driven by the new economic growth theory and by adapting policies to promote high technology, innovativeness and entrepreneurship at the state level.

Due to the federal characteristics of the German states, the 16 states differ considerably when it comes to policy-making and delivery. As a consequence, the impact and effect of
policy-making differ considerably across German states and explains the integration of a case study in this paper. While the qualitative case study approach may create limitations with regard to drawing any generalization, it offers important region-specific knowledge on how EU policy-making affected domestic policy-making and how sub-national policy-making changed along with the diffusion of the Lisbon Agenda.

I will build on a policy assessment generated from a research co-operation with the State Development Agency in Thuringia which implemented a European cross-regional programme for the promotion of start-ups from 2004 until 2006 (Audretsch et al. 2009). The policy initiative was driven by the Lisbon Agenda and funded by EU Structural Funds as well as matching funds from the state. I will then summarize to what extent the Lisbon mandate to reinvigorate European growth by creating an entrepreneurial Europe has involved local implementation and whether the emphasis to promote entrepreneurship was translated into the national and local levels and has resulted in the evolution of new forms of governance.

The article is based on a review of academic literature, complemented by a detailed assessment of entrepreneurship policy programming documentation related to area designation (EU, national and NGL level), supplemented by interviews with key actors involved in implementing entrepreneurship policies (Laender level) working for the State Development Corporation and the Ministry of Economy, Technology and Labour (TMWTA) in Thuringia in the 1991–1993, 1993–1999 and post-2000 programming periods. The paper integrates findings from the evaluation of the so-called ENABLE project (ENABLing European Entrepreneurship – an INTERREG III C project) finalized on behalf of the State Development Corporation of Thuringia, in 2005. Based on this report, the author was able to establish close co-operation with the Ministry of Economics, resulting in regular discussion rounds from 2005 until 2009. The outcomes of these regular meetings are internal reports which include a careful evaluation of the 2000–2006 programming period and an assessment of the implementation of the Structural Funds in Thuringia. Furthermore, attention was paid to future policy-making with regard to the programming period 2007–2013. This co-operation enabled the author to initiate a series of in-depth interviews with employees of the Ministry of Economics, specifically with government employees of the department of economic development and EU affairs, from 2005 until 2009. As part of the study, the government and policy web sites listed in box 1 were accessed and evaluated. Crucial statements are integrated in the discussion below.

THE EUROPEAN ENTREPRENEURSHIP POLICY FRAMEWORK

In 2000, the European Commission, pursuing the goal that the EU should become the most competitive and dynamic knowledge-based economy in the world, put forward the Lisbon Agenda (European Council 2000). The Lisbon European Council concluded that Europe had to place a policy priority on creating knowledge infrastructure, encouraging innovative activity and creating an educational system appropriate for the knowledge-based economy.

Along with these priorities, SME policy shifted to entrepreneurship policy as the engine for the promotion of innovation, growth, and employment. Differing from SME policy, entrepreneurship policy aims at promoting new (not yet in existence) enterprises and at stimulating the entrepreneurial behaviour and potentials of EU citizens across member states (Audretsch and Beckmann 2007). It therefore has a much broader policy outreach
and focus than SME policy. As a result, a wide range of government agencies and ministries in charge of economic, trade, innovation, education and even immigration issues are involved in creating an entrepreneurial environment for start-ups. Stevenson and Lundström (2005) point out that this carries policy implications, particularly affecting the instruments used to implement new public policy. A wide range of instruments have been developed and applied at decentralized, specifically state (Laender), city and municipal levels along with the evolution of entrepreneurship (Grimm 2005). In other words, the promotion of entrepreneurship results in the decentralization and localization of policy-making processes and decisions. In 2003, such processes were further accelerated by the European Commission, which put pressure on the member states to implement the Lisbon Agenda. It demanded a stronger entrepreneurial orientation from private as well as public actors (CEC 2003, pp. 7–10). In 2005, the Barroso Commission re-energized the Lisbon Agenda in Gothenburg after ‘the growth performance of the EU has stayed far behind the expectations from the time launching of the Lisbon Strategy’ (CEC 2005a, p. 2, 2005b). The Commission encouraged national programmes of action, targeting the fact that the competences for implementation of the Strategy do not lie primarily on the nation states but lie particularly at the local levels within the nation states. Within the EU, local and regional initiatives gained importance, described as follows by David Walburn of the EU Enterprise Policy Group (EPG): ‘In the absence of major macro initiatives, a concentration on programmes that are delivered at the level of the local economy has the potential to make a significant contribution to realizing the new Lisbon objectives’ (Walburn 2005, p. 305). Cohesion policy and Structural Funds contributed significantly, both directly and indirectly, to the Lisbon strategy and its subsequent updates. The objectives of the Lisbon Strategy and those of the Structural Funds (programming period 2000–2006) were largely overlapping. Economic growth was a shared objective, which in the case of the regional programmes suggested the promotion of the convergence of per capital GDP across European regions. The content of the programmes was consistent with the Lisbon mandate, in part due to the allocation of European Structural Funds
to projects in the fields of employment, information technology infrastructure, research, human capital, enterprise development, social inclusion, and sustainable development. The total of about €257 billion used for structural instruments between 2000 and 2006 represented approximately 37 per cent of the EU budget.

Each of the four existing Structural Funds has its own specific thematic area: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Financial Instrument for Fisheries Guidance (FIFG), and the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF Guidance).

Entrepreneurship policy and delivery is primarily assigned to the ERDF. It was deemed to be a key regional policy task of Objective 1 regions, which benefited from EU financial support for so-called Joint Tasks delivered by the Laender governments (an example being the Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur (GA) which aimed at the improvement of the regional economic structure).

Entrepreneurship policy-making in Germany and the NGL was and still is heavily dependent on the financial aid stemming from the Structural Funds. In the new German states, regional policies are closely related to and co-ordinated with European strategies. SMEs, for example, receive funding through the GA embedded in the Landesinvestitionsprogramm (LIP), which is in turn partly funded by the ERDF (TMBV 2004). Actors throughout the European Union are strongly encouraged to work together in regional networks to exchange good practices. These networks are often supported by EU cross border co-operation instruments that complement the Structural Funds, such as the Community Initiatives (namely INTERREG III, URBAN II, EQUAL, and LEADER+).

During the period from 2007–2013, all five NGL are scheduled to receive substantially less funding. Many former Objective 1 regions (among them, the NGL) are now categorized as convergence or phasing-out regions. In the new programming period, Germany is the fourth largest recipient of the Structural Funds. Around €26.3 billion will be available for all German regions for ‘Convergence’ and ‘Regional Competitiveness and Employment’, the largest amount directed to an EU member state after Poland, Spain and Italy. Around €15.1 billion will flow to the NGL.

TRANSLATING THE LISBON AGENDA INTO NATIONAL PROGRAMMING

In 2005, the German government published the German National Reform Programme (NRP). It was, among other things, created as a response to the new European cohesion policy. A policy tool was designed which integrated the national level into the multi-level governing framework (Yesilkagit and Blom-Hansen 2007). The new NRP is focused on strategic aims such as innovation and the expansion of the knowledge society; strengthening the competitiveness of firms; and (in terms of the business environment) making the regions more attractive to investors and inhabitants. Strengthening research, innovation, and education is regarded as the key to ensuring long-term competitiveness of the German economy. Consequently, these areas are of priority for the government, and were at the centre of the NRP published by the federal government, in December 2005. In this context, programmes and initiatives for the aid of innovative regions have been further developed and implemented. The Entrepreneurial Regions Initiative that aims at supporting an innovative Standortpolitik in the NGL is one example.

The government’s national development plan stresses to a great extent the importance of entrepreneurship for the economy, and has set specific policies and development plans to identify and remove obstacles to entrepreneurial activities. Some of these policy
objectives are embedded in other policy frameworks, such as in SME policy and innovation policy. The federal government and the federal Ministry of Economics and Technology set specific targets for increasing the start-up rate. Efforts have been made to examine the barriers to entry and exit and the time and cost of starting a business. The government has reviewed its competition policy to ensure open competition for the entry of new firms in all sectors. Initiatives such as tax reduction and relaxed administrative burdens for newly started enterprises are in place.

Indeed, a clear objective is to increase the broad-based awareness of entrepreneurship and to promote an entrepreneurial culture in Germany (OECD 2007). Policies have been designed to promote the integration of entrepreneurship into all levels of the educational system. Another policy objective of great importance is the increase in the amount of funding available to finance new and early stage companies. The government has undertaken a review of financing gaps for new entrepreneurs. Furthermore, government-supported micro-financial programmes are enabling more people to start up a business and micro-loan programmes have been developed and installed for groups that may have difficulty accessing conventional financing. In addition, the government stimulates the availability of venture capital funds for early stage firms and supports the development of ‘angel networks’ which offer seed funding for innovative start-ups and collaborate closely with young entrepreneurs. Databases have been developed to bridge gaps between entrepreneurs and informal investors.

The federal government has made provisions to ensure that the needs of nascent and early stage entrepreneurs are met through existent SME service delivery networks. Networks of business enterprise centres in all regions as well as government-sponsored web portals have been set up to provide information and assist new entrepreneurs. The development of mentoring programmes for new enterprises and growth firms has been facilitated. A national ‘incubator strategy’ was put in place with government funding to subsidize the initial funding of incubators in key regions.

**TRANSLATING THE LISBON AGENDA INTO THE NEW GERMAN LAEN DER**

**EU programming and governance implications, 1991–1999**

Germany was unified in October 1990 and the NGL became eligible for Structural Funds support in January 1991 (Objective 1 regions). Economic transformation in the NGL was spurred by high financial transfers, which have been supplemented by EU funding (Structural Fund programming period 1991–1993; 1994–1999; 2000–2006; 2007–2013). Within the first two programming periods, the EU, together with the federal German government, focused on priority topics in the NGL, most prominently the promotion of (1) productive investment and production-related infrastructure; (2) support and stimulation of investments in SMEs; (3) support of innovation and research and development (R&D); (4) measures to protect and improve the environment; (5) measures to combat unemployment, promote manpower, human capital and vocational training; and (6) to promote agriculture and the development of rural areas (Documentation 1995). The majority of Structural Funding (60 per cent) was invested in the policy priorities (1) and (2) from 1994 until 1999. A surprisingly low priority and investment was placed into the promotion of innovation, R&D, and entrepreneurship (Europäische Kommission 1995, p. 56; Spudulyte 2003, pp. 193–5) which indicates an accommodation to rather than an incorporation of EU entrepreneurship policy-making at the NGL level.
Throughout the first Structural Funding period (1991–1993), programming was mainly drafted and administered by the federal government with very limited involvement of Laender or other sub-national actors. Programming did not vary significantly across the NGL (Wirtschafts- und Sozialausschuss der Europäischen Gemeinschaften 1993, p. 27; Hartwig 1999). The reasons for the federal top-down policy approach were manifold: time constraints, a lack of administrative structures and fragile institutions in the NGL, a vested interest on the part of Germany to profit from EU funding quickly, and a lack of interest from the European Commission in using an integrated approach (Dininio 1996). During the second programming period (1994–1999), the Laender were more involved in the programming process, but the involvement of local actors at the sub-Laender level during initial programming phase – when policy priorities were set – was again ignored. This in turn contributed toward a trend of centralization by allocating more and more fiscal and economic responsibility to the federal government, thereby diminishing its capacity to act politically and economically at the local level. Despite the slowly extended participation of the Laender, the Commission was not convinced that the development strategy pursued by the German government corresponded with the needs of the regions (Hartwig 1999, p. 11).

Initially, German unification had decreased the capacity of local policy-makers to shape the entrepreneurial environment, resulting in a trend toward ‘renationalization’. Throughout the first decade of unification, the national policy-makers succeeded in gatekeeping the access to the European policy-making platform (Beyme 1993; Sinn and Sinn 1993; Bache 1998, p. 127; Pollack 2003, p. 348).

EU programming and governance implications, 2000–2006

According to assessments by employees of the State Development Agency as well as the TMWTA in Thuringia, during the 2000–2006 EU programming period, when various cohesion policy instruments were created to implement the so-called Lisbon Strategy (Europäische Kommission 2000; Audretsch and Grimm 2005; Audretsch et al. 2009) a trend toward ‘reterritorialization’ (Keating 2001) took place in the NGL. Diverse actors at the Laender and sub-Laender levels, as well as social and economic partners, were involved in the design and implementation phase. Moreover, co-operation between and within ministries in the state were strengthened and actively supported by EU policy-makers. The European Commission had called for interactive, horizontal processes of policy debate, analysis, and consultation of a wide range of actors and partners (Bachtler and Yuill 2001), and the sub-national actors responded by trying to mobilize directly at the supra-national level.

The Structural Funds have, therefore, contributed significantly to a deepening of new forms of multi-level governance in the EU where power is shared and even re-distributed between supranational, national, and sub-national actors. From 2000 onwards, power was directed to sub-national actors at NGL level through new entrepreneurship policies according to the goals of the Lisbon Agenda. The theory that the economy will grow by increasing knowledge and entrepreneurship rather than labour or capital influenced local policy-makers who integrated factors providing incentives for knowledge creation such as R&D, the education system, entrepreneurship and the tolerance for diversity in a local development strategy (GEFRA 2002, 2006). New entrepreneurship policies became a cornerstone for economic policy-making at the Laender and local level supported by Structural Fund programming for Objective 1 regions.
It is interesting to observe that from 2000 onwards all NGL governments have intensified the implementation of new entrepreneurship policies to induce economic growth and to improve the entrepreneurial environment for start-ups and SMEs (Sternberg and Bergmann 2002). From a governance perspective, it is essential to mention that entrepreneurship policy is implemented at various levels of government and governance. While the federal government provides a general framework for entrepreneurship policy-making at the federal level, the Laender have the responsibility to substantiate the federal strategic approach and policy framework with clear policy goals and instruments that should correspond to the economic, social, and cultural conditions in the individual Laender. It should be stressed that the federal and Laender levels each have full competence to independently design their policy in various fields including innovation, entrepreneurship, education and others. The ministries of economics (and/or labour) and education are primarily responsible for entrepreneurship policy-making and implementation.

In a nutshell, the NGL have more or less accepted the view that economic growth correlates with a favourable entrepreneurial environment. Therefore, the Laender have successfully developed regional and local image campaigns, strategies, and policies for the promotion of start-ups and for new firms to compete inter-regionally and in a global context. Strong emphasis is also placed on the financial support of start-ups, and the design and implementation of a huge variety of new loan and support programmes for potential entrepreneurs. The support of ‘local heroes’, understood as new, innovative, mostly small firms and self-employed individuals, has became an important growth issue (Audretsch et al. 2005). The shift to entrepreneurship policy as a driver of economic development affected domestic governance modes as demonstrated in the case analysis that follows.

TRANSLATING THE LISBON AGENDA INTO THURINGIAN PROGRAMMING

Thuringia is the smallest of the NGL with 2.27 mio. (2008) inhabitants and located in the centre of Germany. GDP has increased constantly since 1991 amounting to €50.4 billion (2008). However, productivity is on average 30 per cent lower than in West Germany. The Thuringian per capital income amounted to €14,898 (€18,411 in all German Laender), in 2007. Thuringia has a long tradition of manufacturing high-quality goods and products in a variety of industries, including the optical and automotive industry. In the course of transformation, the government focused on the promotion of innovation and R&D with the result that a few clusters emerged around the cities of Jena, Erfurt and Eisenach, specializing in automotive supply, optical technologies, solar power, and biotechnology. In 2009, Thuringia’s academic education and research rested upon nine public universities and 11 non-university research institutes, among them the Leibniz, Max-Planck and Fraunhofer Institutes.

The Thuringian Ministry of Economics, Technology and Labour is responsible for the programming and implementation of the Structural Funds. On the 26th of October 2007, the European Commission approved the OPs for Thuringia for the period 2007–2013. The programme involves Community support in the framework laid out for the Convergence Objective and has a total budget of around €1.97 billion. Community investment through the ERDF amounts to €1.48 billion, which represents approximately 5.6 per cent of the total EU investment earmarked for Germany under the Cohesion Policy for 2007–2013. The overall aim of the Thuringian OP is to support sustainable economic growth, and to encourage the transition toward a knowledge-based society by encouraging capital
investment and promoting attractive regions. It is an outspoken goal of the OP to pursue and meet the Lisbon and Gothenburg objectives. Technology policy has become the major focus of the Thuringian economic policy to aid strong specializations and improve the state’s image. Most attention is given to the emergence of new innovative firms and to SMEs, since these especially characterize the Thuringian economy. The vast majority of small companies in Thuringia are not able to undertake their own R&D due to their small size and lack of competitiveness. In order to increase the innovative ability of these companies, the technology policy of the state government concentrates on the development of an efficient R&D infrastructure; strengthening networks between higher education, academic entrepreneurs, technological institutions, and local industries; the support of R&D projects at individual company level; and aid in placing highly qualified personnel in businesses.

The entrepreneurship policy framework at the local level can be characterized as follows. With regard to financial aid for entrepreneurs, the departments for business and tourism promotion support young businesses in the municipalities. Other business support institutions are the Chambers of Industry and Commerce, which provide information about financial aid and advice for start-ups and the Thuringian start-up network (a partnership of universities, technology centres, business incubators, and chambers of industries and commerce for technology- and knowledge-based start-ups). Many initiatives, such as the Business Plan Competition, have been launched to create a ‘culture of entrepreneurship’. In addition, several grants and financial and technology support programmes are offered (OECD LEED 2007). Policies in specific priority areas are further supported by financial state aid programmes. Examples include investment aid with subsidies and low-interest loans, as well as offers in the area of corporate financing (provision of subordinated loans and venture capital). Since 2004, the Thüringer Aufbaubank has offered Thüringen-Kapital to improve the equity capital base of SMEs. New programmes have been initiated such as Thüringen-Invest and Thüringen-Dynamik, which are financially covered by ERDF funding (75 per cent) and state funding (25 per cent). The particular significance that the state government ascribes to the support of regional entrepreneurship and innovation is reflected in the ways in which the ESF are used. Until 2013, €612 million (including state matching funds) will be invested to promote R&D, education and innovation; €744 million will serve to ‘increase the competitiveness of the region’ (priority axis). In addition, money from the ESF will be used to create a ‘culture of entrepreneurship’ or for supporting innovative networks (€629 million in total). The state promotes university-industry technology-transfer and academic entrepreneurship and applied successfully for the EXIST programme which is a component of the government’s ‘Hightech Strategy for Germany’ and co-financed by funding of the ESF (Grimm 2010). EXIST comprises three pillars: (1) the programme line ‘Culture of Entrepreneurship’ supports projects at universities and non-university research institutes by providing skills and support for technology and knowledge-based company start-ups; (2) the pillar ‘Business Start-Up Grants’ helps with the preparation of innovative business start-up projects at universities and research establishments; (3) the programme line ‘Transfer of Research’ promotes sophisticated technology-based business start-up projects in the pre-start-up and the start-up phase (BMBF 2000).

Thus a shift in policy-making and priority setting becomes evident. Thuringia (along with other NGLs such as Saxony and Saxony-Anhalt) moved away from a policy approach which aimed at subsidizing as many individuals and firms as possible, without geographical or other explanation (Gießkannenförderung), to an approach which aims at promoting a few, extremely innovative clusters (Leuchtturmpolitik). A new entrepreneurship policy
framework has been developed in line with the goals of the Lisbon Agenda resulting in the emergence of new local networks which integrate a wide range of state and non-state actors who successfully interact directly and interactively with the national and, above all, supranational levels.

SUCCESSFUL EXAMPLES OF DOMESTIC POLICY-DELIVERY AND REGIONAL PROFILING

This paper has a strong policy perspective and aims at going beyond theorizing the regional dimension in a multi-level governance scheme. The following best practice examples of successful policy delivery in Thuringia further support the arguments of the (multi-level) governance approach. In the NGL, we observe the emergence of new forms of co-operative governance schemes transforming the state by integrating domestic state and non-state actors in the policy cycle who directly interact with the supranational level.

New programmes emanating from the EU growth strategy

A successful local, good-practice programme that perfectly corresponded with the EU vision of an entrepreneurial and innovative Europe was initiated and recently finalized in Thuringia. The so-called ENABLE programme was an important component of the new EU growth strategy strongly focused on promoting entrepreneurship (Audretsch and Grimm 2005). It began in 2004 and was completed at the end of 2006. Partly financed by the EU within the framework of INTERREG III, ENABLE provided a good example of how to implement overall EU objectives at the regional level. Four regions participated in the ENABLE programme: Carinthia (Austria), Kaunas County (Lithuania), Thuringia (Germany), and the sub-regions Sogn og Fjordane and Hordaland (Western Norway). The programme met a number of goals formulated by the Lisbon European Council of 2000. The Lisbon strategy focused, among others, on the establishment of a European Area of Research and Innovation, cross-border co-operation as well as supportive environments for start-ups and innovative businesses. ENABLE put emphasis on the promotion and improvement of those conditions fostering the start-up of new firms as well as existing SMEs on a regional level. It combined the efforts of four regions, all of which are peripheral from the economic centres of their countries, and face similar challenges and opportunities. Thus, it involved a compatible match of regions that needed to develop alternative strategies for the strategic management of places to compete in a global environment. It is clear that the tri-partite focus of the ENABLE Programme on technology transfer, SME networks, and facilitating the start-up of new firms mirrors the policy priorities and approach set out by the European Commission in its Green Paper on Entrepreneurship. Thus, one can conclude with confidence that the implementation of the ENABLE programme in the context of both the economic development policies of Thuringia as well as the European entrepreneurship and growth policies was not only compatible but also mutually reinforcing. The ENABLE programme linked the local and European levels in a partnership, one that could be said to have helped in shaping the future of Europe (TMBV 2004).

New clusters and networks

Structural Funds significantly contributed to the evolution of the OptoNet/Photonik-Cluster as well as the association and network OptoNet, in Thuringia. A total of 87 members (2010) from companies, universities, research institutions, banks, municipalities and
regional establishments have joined together to play an active role in the national and international development of optical technologies, for instance, by taking up research themes and helping to work out areas for the concentration of promotion. The cluster initiative promotes sector-related entrepreneurial activity of new and small-sized firms within the region. OptoNet is actively involved in at least one ENABLE project aiming at the intensification of regional networks across Europe.

An example resulting from successful entrepreneurship policy initiatives is ‘Solarvalley Mitteldeutschland’. It is a network that serves as a good practice example of how regions in the NGL enhance co-operation at the local level while specializing in an innovative niche. Firms (n = 25) and research institutes (n = 12) from Thuringia, Saxony and Saxony-Anhalt that specialize in the solar energy and solar technology sector created a new network to better cooperate and promote their expertise. Among the participants are the Fraunhofer CSP in Halle, as well as research institutes and firms from Halle, Erfurt and Dresden. This initiative also goes along with the Thuringian government’s goal of becoming the world’s largest producer of solar wafer panels by the year 2012. One special success story in this context is the development of renewable energy sources in Thuringia, which has become one of the key locations of the European solar power industry. Currently, 47 companies, with approximately 2000 employees, are directly or indirectly operating in this sector.

New innovation hot spots
The city of Jena stands out as one of the few cities in the NGL which has successfully performed in economic and other terms in times of transition. Jena was the home of Carl Zeiss, the renowned optical firm, which moved its headquarters to West Germany after World War II. With its roots in the old Zeiss company, the local firm, Jenoptik, which was re-established after 1989, has a tradition of precision engineering and technology. Today, the firm mainly produces star sensors that navigate satellites in orbit. It further specializes in making lasers used in medical devices and microchip factories. In Jena, the unemployment rate, 16.3 per cent in 1998, declined to 11.1 per cent in 2006. ‘With two universities, a clutch of scientific research institutes and a park for high-tech start-ups, Jena bustles like a transplanted Silicon Valley’ (Landler 2007).

Besides Jenoptik, enterprises such as Zeiss, Schott Jenaer Glas, and Jenapharm with their traditional roots have built up high-tech niches and contributed to the consolidation of the economic region. They develop visionary technologies that attract other, new high-tech enterprises. High quality work, worldwide co-operation, a share of more than 40 per cent of all exports in the industry, well-developed infrastructure, and growing economic potential have all helped Jena establish its reputation as a high-tech location. The effective co-operation of science and the economy has also contributed to Jena’s development as a successful biotech region. Cantner and Graf (2006) assessed Jena’s regional innovation system (RIS) and pointed to the ‘multi-polar’, vibrant and intense public-private as well as industry-university co-operation which is highly supported and promoted by local policy-makers. The largest University of Applied Sciences in Thuringia is located in Jena as are other non-university research institutes. Jena has an extensive network of scientists and academics that in turn collaborate with research institutions throughout Germany and the world.

In a nutshell, two factors played a major role in the development of Jena: the success of big companies such as Carl Zeiss and Jenoptik (both successors of Kombinat VEB Carl Zeiss), on the one hand, and the close collaboration between private firms, local policy-makers, administrations and academia contributing to a successful and interactive RIS, on
the other hand. Graf and Henning (2010, p. 108), who applied a Social Network Analysis to evaluate Jena’s RIS, concluded: ‘The linkages between all the central actors are dense and no separated subnets can be identified’. The ambitious public-private collaboration in Jena was enhanced by local actors with new public policies to foster an entrepreneurial climate.

CONCLUSIONS

This paper has highlighted the regional dimension of European governance. It filled an academic void by following a region- and policy-specific methodology to explain when, how and toward which direction sub-national policy-making and institutions changed along with the Europeanization of entrepreneurship policy and the diffusion of the Lisbon Agenda. With the Lisbon Agenda, the European Commission sent out a strong signal to strengthen and promote an entrepreneurial society. Although a hands-on strategy on how to realize the strategic goals formulated first in Lisbon and then in Gothenburg was (and still is) lacking, regional and local policy-makers seem to have gained a thorough understanding of the meaning of the Lisbon Agenda as well as the importance of entrepreneurship for economic growth. From 2000 onwards, they developed and implemented a variety of new entrepreneurship policies at the German sub-national and sub-Laender level to promote localities in a global economy. Whereas the 1990s were characterized by a top-down policy-making approach in Germany, primarily driven by federal (until 1993) and then also Laender policy-makers and actors (1994–1999), this study assessed a remarkable policy shift starting with the 2000–2006 Structural Fund programming period. By specifically analysing the entrepreneurship policy-making efforts in one new German Land as well as the efforts of cities and municipalities in Thuringia, an astounding commitment to promote entrepreneurship and innovation by designing new tools of policy-making and by integrating new forms of governance became evident. From 2000 onwards, entrepreneurship policy-making and delivery has been characterized by the integration, co-operation and activity of diverse local actors developing strategies and policies tailored to the specific demands and needs of places that find themselves in transition. A shift from hierarchical to more horizontal and interactive forms of governance has evolved not only in many regions that demonstrate promising development but also in peripheral regions of the NGL which were hit tremendously by the impact of transition. This shift of the form of governance at the regional level was illustrated by the introduction of so-called best practice examples of entrepreneurship policy-making, in Thuringia. The paper demonstrated that the renaissance of entrepreneurship policy along with the implementation of the Lisbon Agenda resulted in the localization of policy-making and the re-strengthening of policy-makers on the ground who then successfully mobilize directly at the supranational level. This development weakened rather than strengthened the nation-state as key economic policy-maker. Currently, local policy-makers are ambitious in developing entrepreneurship and innovative policies to cope with future challenges such as reduced funding for convergence regions in the 2007–2013 programming period.

The proclamation and diffusion of the Lisbon Agenda serves as a time threshold to demonstrate a crucial impact of European entrepreneurship policy-making for domestic, sub-national change. With reference to the theoretical framework of this study I can conclude by accepting the hypothesis that the Europeanization of entrepreneurship policy resulted in the transformation of governance and institutions at the NGL level after
2000. Whereas the 1990s were characterized by a domestic accommodation of NGL to national policy-making (rather than to EU requirements), after 2000, local policy-makers became active proponents of an EU entrepreneurship policy paradigm. Promoted by the Lisbon Agenda, local state and non-state actors became actively involved in policy-making as well as catalysts of new, interactive and horizontal forms of governance. The learning process of actors throughout the early years of transformation turned, after 2000, into a cognitive development process. With the Lisbon Agenda, the EU circumvented national policy-making and re-strengthened local actors who were then able to take the initiative and transform existent forms of governance, institutions and policies according to the requirements of an entrepreneurial economy and a knowledge-based society. Interestingly, local actors exploited the opportunity and became agents of change. In other words, I can accept the hypothesis that the agency-related mediating factors served as driving forces for domestic change as assessed in a transformational, region- and policy-specific context.

Although the federal government in Germany provides a useful framework for entrepreneurship policy-making with the NRP, the regional and local actors have regained strength and importance when it comes to the development and delivery of new entrepreneurship policies designed to induce endogenous growth. Although the European Commission has no leverage to directly influence policy-making within the member states, the Lisbon Agenda had a strong top-down impact on the development of new forms of policy-making at the local level. The Commission can only go so far in shaping central-local relations within nation-states. While it can create and re-design networks and promote local activity by involving a diversity of actors, the Commission can do little to change the existent, long-standing power relations and dependencies between central and local government (Bache et al. 1996, p. 317). Interestingly, this research shows that the differential empowerment of local actors can have an impact on the domestic adaptational pressure if the actors exploit such opportunity and move beyond a simple learning process.

This contribution further demonstrated that a successful shift from industrial and SME to entrepreneurship policy has been accomplished by EU policy-making specifically reaching out to the local levels. EU Structural Funds and programmes that were developed in line with the Lisbon Agenda resulted in the introduction of new entrepreneurship policies and domestic implementation. The cross-regional European-wide ENABLE programme serves as a good example of how new and diverse actors became involved in successful policy-making process. Because of new cross-regional co-operation with the goal of promoting entrepreneurship activity, new networks have been created and diverse actors have been involved in policy development and delivery resulting in a participatory working mode that spurs on the transition from government to governance.

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