

1. Executive Summary

The Spanish economy's growth pattern, while it has indeed enabled the huge progress seen in last fifteen years, **has become stale in the current climate**, and it is a model which large-scale public spending stimulus plans are no longer capable of reviving. It is increasingly obvious **that a change of direction is required** in our economic policy, **to focus on measures aimed at creating real capacity for sustained growth**. These measures must enable us to overcome the current slump and help build a sound, flexible and balanced economic model going forward.

Círculo de Empresarios has often advocated the adoption of reforms to equip our economy to grow in an increasingly integrated and competitive international environment. We want to insist on this message. By postponing the necessary structural reform, we are running a greater risk of becoming embroiled in a long period of stagnation, regardless of when the much-craved recovery in the global economy takes place. The task is by no means simple. **Replacing the previous growth model with one that is more modern, competitive and flexible, means taking action on almost all economic fronts**. Naturally enough, some should take priority in any reform programme implemented. **This is the case of the education system, the cornerstone on which to build an economy based on knowledge and, therefore, human capital.**

This document is a continuation of our efforts here at *Círculo de Empresarios* to contribute ideas and proposals to a debate that concerns all of us: **"Where do we want to place our economy in the near future?"** and **"What can, and must, we do, to achieve this?"**

Whatever approach is taken, the **spirit and initiative of entrepreneurial people will be the key to overcoming the current crisis and paving the way for Spain** to become a dynamic and competitive economy. Entrepreneurial people generate and **foster innovation**; and they also **afford greater flexibility and capacity of adjustment** to the economy as a whole. This makes them irreplaceable parts of the growth engine, and drivers of job creation. Without them, the objectives of competitiveness and prosperity are simply unattainable for society. This view is taken by the **European Union, which has included fomenting entrepreneurial spirit in its strategy to boost the European economy's competitive capacity.**

Spain must step up to the plate unequivocally and take a leading role in this endeavour. Particularly at a time like this, we need **people who show the drive to transform their innovative and entrepreneurial ideas into real, value-generating activities**. This is not merely a question of fostering business initiatives (i.e. setting up companies) but of encouraging all kinds of favourable approaches to transforming and improving the economic system, **at any level and in all kinds of organization**, from public administrations to SMEs, and including major corporations and civil society organizations.

However, **in Spain there are a number of conditioning factors** that dampen entrepreneurial spirit and restrict its chances of actually being transformed into initiatives that create added value. There have been steps in the right direction, such as simplifying certain administrative procedures. But there are still alarming signs that should be cause for grave concern to us. **Our economy ranks among the worst in the EU-25** in the European Commission's tables of **business activity and climate**. This is due to a combination of factors.

The **socio-cultural framework** for economic activity in Spain does not encourage the establishment of a strong entrepreneurial spirit. In general, **risk aversion** is higher in Spain than in neighbouring countries. This cultural characteristic is closely linked to another, namely a tendency to **stigmatize failure**. Unlike in other countries, in Spain people do not easily accept the fact that quite often an initial failure is the first step towards success in a business venture. Furthermore, at best, Spanish society **takes an ambivalent view of the business community and its activity**. Accordingly, while recognizing that companies generate wealth and employment, they are afforded less social prestige and recognition than in other developed countries.

The **institutional framework** does not exactly encourage entrepreneurs either. Entrepreneurial spirit and business initiative still come up against huge difficulties deriving from a jumble of red tape that actually prevents markets from working properly. In Spain, there are sectors that suffer from a clear **lack of competition**. The **tangled web of regulations** is a heavy burden weighing down on business dynamism. Key markets, such as the labour market, are governed by **rigid rules** that discourage people from taking risks.

Against this backdrop, entrepreneurial spirit can only grow if these unfavourable structural elements are changed. **There are two lines of action here**. On

the one hand, **we must foster entrepreneurial spirit in its deepest sense**: that of a person's attitudes, preferences and skills, which means fomenting the values that define that spirit. On the other hand, **we must create an adequate incentive system to transform entrepreneurial ideas and skills into activities that generate value**, in a bid to strengthen the capacity of business initiative to feed growth and employment.

The **proposals** we present connect seamlessly with those which *Círculo de Empresarios* has reflected in all its documents on the various essential aspects of competitiveness. There are four broad areas where action is needed and into which our proposals can be classified:

1) **Social recognition of entrepreneurs.**

- **Development and establishment of a clear political-administrative and social awareness regarding the importance of entrepreneurial spirit.** All public and private institutions must get involved in fostering entrepreneurial spirit as a key element in the country's competitiveness.
- Widespread awareness of the importance of the issue, and of the **huge economic and social value** of business initiative and spirit.
- **An effort by institutions, civil society and the media to convey a true picture of the vast benefits associated with enterprise**, to help bring all Spanish society on board.

2) **Integration of entrepreneurial spirit in education.** All education systems must include the following objectives in their teaching methods, organization and content:

- **Conveying basic values** for personal, social and economic development – **hard work, responsibility, recognition of merit**, etc.– which are also at the very heart of entrepreneurial spirit.
- **Fostering creativity, initiative, responsibility and independence.**
- **Teaching the necessary skills and knowledge** for business initiative, making entrepreneurial spirit the cornerstone of the education process.
- **Specifically tailoring curricula to include subjects** aimed at creating entrepreneurial spirit.

- Teachers must be entrepreneurial in their own activity. In this regard, it would be positive **for persons with business experience to go into teaching.**

3) **Institutional support and adaptation to create a favourable environment**, especially in areas with the greatest impact on entrepreneurial spirit and on its capacity to generate prosperity:

- **Reducing and rationalizing regulatory burdens on** entrepreneurs.
- **Boosting competition, efficiency and flexibility** in all markets where over-rigid regulation is an issue, including the labour market.
- **Improving legal security** and ensuring adequate legal treatment of the circumstances of entrepreneurial activity, such as insolvency.
- Improving **tax incentives** for entrepreneurial activity.

4) **Business leadership in promoting entrepreneurial spirit.**

- **Companies must foster entrepreneurial spirit within their own organizations**, with innovative internal administrative and management systems that tend to align employees' objectives with those of the company.
- They must be **intra-entrepreneurial**, in other words, they should launch new businesses from the companies themselves, for example by outsourcing or creating spin-offs.
- **They must seek to attain optimum scope and achieve cooperation with other companies.** Entrepreneurial, like innovating, is helped by the existence of appropriate networks to which companies themselves belong (incubators, technology parks, etc.).

By taking the right measures in these four areas, combined with other structural reforms and the active involvement of society as a whole, initiatives will be set in motion to catalyze and invigorate the Spanish economy, and this is especially necessary if we are to emerge victorious from delicate situations such as the present one.