1 Outline

- 4.5 ECTS
- English
- Blocked course:
  - 20.09.2019, 11:15 - 13:00
  - 04.10.2019, 11:15 - 13:00
  - 29.11.2019, 08:15 - 18:00
  - 06.12.2019, 08:15 - 18:00
- Seminar
  - Written essay on a given topic (10-15 pages)
  - Presentation in class (approx. 45 min)
  - Active participation
- Valid for
  - Master in Economics; Module 7: Economic Theory
  - Master in Economics; Module 8: Industrial Organization
  - Master in Economics; Offer Master list
  - Benefri

2 Content

This seminar covers several themes within the Economics of Innovation and Entrepreneurship. Innovation and Entrepreneurship is not a separate subfield in Economics. Rather, it features prominently in various economic fields, such as Industrial Organization, Individual Decision Making, Finance, or even Macroeconomics. This seminar will resemble this variety, and papers in various fields of economics are discussed. Similarly, the seminar will cover various methodological approaches to economic research, including theoretical, empirical and experimental work on the economics of innovation and entrepreneurship.

The first part of the seminar will cover empirical questions on the profitability of entrepreneurship. Surprisingly, many papers point in the direction that entrepreneurship is, once all costs are considered, not a profitable endeavor for most entrepreneurs. However, recent papers challenge this view. We will discuss the evidence and also look at determinants of successful startups.

The second part of the seminar is concerned with individual characteristics of entrepreneurs, such as overconfidence, risk preferences and the ability to be a generalist. It is a widely held view that entrepreneurs are especially risk seeking individuals, or suffer from massive overconfidence regarding the success probabilities of their ventures. We will discuss the empirical evidence with respect to these preconceptions.

The third part takes a market view on innovation incentives. The regulatory environment and competitive market forces provide strong incentives for firms to innovate. We will discuss innovation incentives in competitive environments as well as in environments in which no such protection exists, such as in open source software.
In the fourth part, we take an organizational view and ask how individual incentives need to be structured in order to encourage innovation and creativity. Employees in organizations do not react to market incentives (discussed in part 3), but to the incentive scheme provided to them by their employer. We will see that effective incentives for individuals to engage in innovative and creative activities differ substantially from standard monetary incentives that are usually thought to encourage high effort.

Finally, we will discuss papers from entrepreneurial finance that study the role of various financing forms, such as venture capital, bank or angel financing on entrepreneurial success. Here, we will take a theoretical as well as empirical view on optimal financing contracts as well as empirically observed financing structures in startups.

3 Expectations

Based on their preferences, each student or group of students will be assigned one of the topics. They are then expected to write an essay (max. 15 pages) and present their topic in class (approx. 45 minutes). Hereby, the goal is to discuss the main ideas of the provided literature, theoretical insights as well as (current) empirical evidence.

Additionally, each student acts as a discussant for someone else’s topic. The goal of the discussant is to provide feedback on the content of their essay and, ad-hoc feedback on the content on the presentation. This evaluation should be a short and constructive critique (approx. 5 minutes) that points out the strengths and flaws of the work by a fellow student. The discussant might add additional perspectives or thoughts on the topic.

Students are encouraged to participate actively in the seminar. Further, we clearly expect students to read the essays of the current week’s topics in advance and to arrive prepared to the presentations.

The final grades consist of the performance in the essay and presentation (70%), the discussion (20%) and active participation during the semester (10%).

4 Teaching assistance

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# 5 Topics

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<thead>
<tr>
<th>Chapter</th>
<th>Topics</th>
<th>Literature</th>
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<tbody>
<tr>
<td></td>
<td>2. The positive view</td>
<td>Hall and Woodward (2010)</td>
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<td>Koning, Saini, and Ferguson (2019)</td>
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<td></td>
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<td>Hoogendoorn, Parker, and Van Praag (2017)</td>
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<td>9. Risk preferences</td>
<td>Åstebro, Herz, Nanda, and Weber (2014). Note: Section Risk Preferences only</td>
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<td>Organizational Incentives</td>
<td>13. Pay-for-Performance</td>
<td>Edler and Manso (2013)</td>
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<td>Engmaier, Grimm, Schindler, and Schudy (2017)</td>
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<td>Entrepreneurial Finance</td>
<td>15. VC contracts</td>
<td>Kaplan and Stromberg (2003)</td>
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<td></td>
<td>18. From Early-Stage to IPO</td>
<td>Bernstein (2013)</td>
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References


