

“This is an Accepted Manuscript of an article published by Taylor & Francis in *International Journal of Public Administration* on 02 Feb 2023, available at:
<http://www.tandfonline.com/doi/full/10.1080/01900692.2023.2173777>

Book review

Rainer Kattel, Wolfgang Drechsler & Erkki Karo: *How to Make an Entrepreneurial State: Why Innovation Needs Bureaucracy* (New Haven & London: Yale University Press, 2022), 288 pp., \$ 35.00 hardcover

Why do many of us have fancy smartphones, why are we close to commuting in autonomous vehicles, and why is personalized medicine becoming available to cure diseases? For many classical economists and dedicated readers of magazines like *The Economist* or *WIRED* magazine alike, the answer is crystal-clear: innovations result from activities undertaken by rogue, geeky-cool, authority-defying entrepreneurs that ride the waves of the market economy. There is, however, reason to believe that there is more to innovation than just a potent mix of charisma, creativity, and market incentives. Empirical studies of research and development (R&D) activities have demonstrated that many innovative products and services would not have been possible without government investment in basic or applied research activities, and many innovations originate in long-term and cooperative relations between government, academic institutions and industry (Leydesdorff, 2010; Breznitz & Ornston, 2013). The Italo-American scholar Mariana Mazzucato has persuasively argued that in dominant economic literatures on innovation and innovation management, governments have been wrongly written out of the R&D success equation (Mazzucato, 2013).

In their book “*How to Make an Entrepreneurial State*”, the academic nuclear family Kattel – Drechsler – Karo (Kattel was Drechsler’s first PhD student, and Karo was Kattel’s first PhD student, and all authors have roots in Estonia, a country that brands itself as a ‘start up nation’) elaborates the idea that for technological innovations to flourish, there is a need for innovation

bureaucracies such as public research institutions, business incubators, and regulators. The book moves beyond the question how innovation policy should look like. Rather, it promises to address the question how governments develop capacities and skills to enable and promote innovation.

The book starts with a bird's eye view of the history and theoretical underpinnings of innovation bureaucracies. Chapter two provides a historical narrative of how in industrial economies, innovation policies – originally merely targeted at remedying market failures - have expanded and have become more and more blended with political concerns and societal demands (think of the need to provide more sustainable energy solutions). In chapter three, some of the tensions and paradoxes of the implementation of innovation policies are reflected upon, in relation to questions like how to balance organizational stability with agility, how to coalesce exploration and exploitation, and how to combine organizational capacity with organizational learning capabilities. The book's arguably most impressive contribution to our understanding of how innovation comes about is its impressive collection of detailed, well-documented cases of how, in the global West and the global East, and in various decades in the 20th and at the dawn of the 21st century, innovation bureaucracies have emerged and developed. Chapter four documents how in the post-Second World War era in the US, Europe and East-Asia, generic national economic growth and industrial innovation systems (including full-fledged innovation bureaucracies) emerged in parallel with a military mission-oriented system focusing on international security. In chapter five, the authors analyze how in the 1970s the war narrative lost its legitimacy and, also in response to the 1970s oil crisis, the focus in innovation policies and programs transitioned into making domestic companies internationally competitive through public-private partnerships around innovation bureaucracies. Chapter six then presents the narrative how in the New Public Management-decade of the 1990s, neoliberal

innovation policies emerged with which state-guided development was deemphasized and how commercialization and competitiveness of industries was the guiding principle.

In “How to Make an Entrepreneurial State”, Kattel, Drechsler and Karo make a persuasive case for mission-oriented innovation bureaucracies within which societal innovation policies are implemented. The book provides a rich and compelling account of the tensions, paradoxes and challenges with coordination within these bureaucracies. The authors can also be praised for bringing back Weber in the study of innovation and innovation policies in society, and in the exploration of structural aspects of neo-Weberian innovation bureaucracies. The flip side of this emphasis on structure is that the actual management challenges of making an entrepreneurial state are underexposed, which leads to the question whether there is more to say about the concept of ‘agile stability’ than that is a beautifully crafted oxymoron. By introducing the concept of ‘bureaucracy hackers’ (external actors that challenge bureaucratic stability), Kattel, Drechsler and Karo introduce some agency in their analyses of innovation bureaucracies’ external environments, but the analysis could arguably have benefitted from a more elaborate discussion of literature on public management and public leadership behaviors with which paradoxes and dilemmas can be made manageable, reconciled or integrated (see for instance Morse, 2010). Perhaps contrary to the ambitions that the authors set out in the introduction of the book, ‘How to Make an Entrepreneurial State’ is more about innovation policy making and the institutional analysis of innovation policies around the world and across time, than about designing, developing and managing innovation bureaucracies that are required for the entrepreneurial state to adequately function – rendering the subtitle of the book (‘Why Innovation Needs Bureaucracy’) more telling than the actual title.

This having said, ‘Why Innovation Needs Bureaucracy’ is an extremely well-documented account of the indispensable role innovation bureaucracies played in societal innovation in the past decades in the US, Europe and East-Asia. As such it is a *tour de force*, and a must-read

for innovation management scholars, as well as for those policy makers and bureaucrats that are involved in addressing the wicked problems of the current and upcoming decades, ranging from fighting pandemics, promoting international security, to mitigating climate change.

References

- Breznitz, D., D. Ornston. (2013). The revolutionary power of peripheral agencies: explaining radical policy innovation in Finland and Israel. *Comparative Political Studies*, 46(10), 1219-1245.
- Leydesdorff, L. (2010). The Knowledge-Based Economy and the Triple Helix Model. *Annual Review of Information Science and Technology*, 44(1), 367-417.
- Mazzucato, M. (2013). *The Entrepreneurial State: Debunking the Public vs. Private Myth in Risk and Innovation*. Anthem.
- Morse, R.L. (2010). Integrative public leadership: Catalyzing collaboration to create public value. *The Leadership Quarterly*, 21(2), 231 – 245.

Vincent Homburg

Full professor & ERA Chair “e-Governance and digital public services” at the Johan Skytte Institute of Political Studies, University of Tartu (Estonia) and Associate Professor Public Administration at Erasmus School of Social and Behavioral Sciences, Erasmus University Rotterdam (the Netherlands).

Funding

This work was supported by European Union's Horizon 2020 research and innovation program under grant agreement No 857622 ”ERA Chair in E-Governance and Digital Public Services - ECePS.”