

Global Entrepreneur Indicator

from the Entrepreneurs' Organization

Global Entrepreneurial Efficacy Indicator

Interim Findings Summary - First Survey (May, 2010)

Adapted from detailed Interim Report 28 June, 2010 by Dr. Sally Ernst

Summary of findings

Globally, entrepreneurs take a holistic view of a country's ability to foster entrepreneurship, with Canadian entrepreneurs appearing slightly more optimistic about this than other countries. Entrepreneurs rely heavily on the advice of their peers and the economic environment, and despite a generally stagnant prediction on the economy, many are saying yes to starting a new business in their home countries – although they are less bullish for foreigners interested in doing business abroad.

Nearly three quarters of entrepreneurs believe government policies (such as tax and regulatory) in their countries negatively affect the development of entrepreneurship and that current government programs, entrepreneurship education and R&D transfer need significant improvement to foster entrepreneurship.

Global: Interim Findings - First Survey (May, 2010)



With an Indicator benchmark of 4.94 (out of a possible 10), entrepreneurs, globally, are neutral but slightly negative in their prediction of countries' and regions' ability to foster entrepreneurship.

This benchmark, however is boosted by entrepreneurs' notable positive predictions about their businesses (8.15), access to physical infrastructure (7.1) and some positivity about the economic environment (5.7).

Entrepreneurs take a holistic view of a country's ability to foster entrepreneurship, and Canada comes out slightly on top.

With a spread of 2.83 to 3.95 on a scale of 1-5, entrepreneurs appear to take a holistic approach to assessing a country's ability to foster entrepreneurship. The two most important influencers in entrepreneurs' decision making are 1) the advice and experience of other entrepreneurs, and 2) the economic environment (both ranked at 3.95). This is followed by government policies such as the tax and regulatory environment (3.70).

On the whole, entrepreneurs are fairly neutral, although slightly negative, about countries' and regions' ability to foster entrepreneurship (4.94 out of a possible 10). Canada comes out slightly on top with an Indicator of 5.41 placing it slightly above the global Indicator, boosted by its access to physical infrastructure that supports entrepreneurs (7.8) and government policies (5.1) which were the highest scores against the Global Indicator and other countries and regions.

Entrepreneurs rely heavily on the advice of their peers and the economic environment, and despite a generally stagnant prediction on the economy, many are saying yes to starting a new business in their country – although they are less bullish for foreigners.

The vast majority (86%) of entrepreneurs would start a new business in their own country. Slightly fewer, although still over three quarters, (77%), would recommend foreign entrepreneurs invest in doing business in their country. Of these, just over half (53%) would strongly recommend a foreigner do business in their country whereas locally over two thirds (68%) would invest in starting a business in their own country – indicating a stronger local recommendation.

This is important as the advice and experience of other entrepreneurs is the most important influencer in an entrepreneurs' decision making process when considering starting up a business, along with the current economic environment (3.95 on a scale of 1-5).

Entrepreneurs also rely heavily on the economic environment as an indicator of a country's effectiveness in fostering entrepreneurship; however given their propensity for starting businesses, entrepreneurs are clearly not seeing it as a massive barrier. The majority of entrepreneurs globally (80%) believe the economic environment in their country will improve or remain the same over the coming quarter, with over a third (34%) expecting it to actually improve.

Globally, well over half of entrepreneurs (58%) believe they have good accessibility to physical infrastructure which fosters and supports entrepreneurship, such as communications, transportation systems and land in their country, with over half of those rating the infrastructure as excellent.

Just over half of entrepreneurs believe the government policies in their country negatively affect the development of entrepreneurship.

Globally, around half of entrepreneurs (51%) believe that tax and regulatory policies in their country negatively affect the development of entrepreneurship, with over one in five (22%) believing it has a very negative effect. Government policies such as the tax and regulatory environment are ranked third among the 10 leading indicators measured.

Current government programs, entrepreneurship education and research and development transfer need significant improvement to foster entrepreneurship.

Globally, only just over one third (35%) of entrepreneurs believe local, regional, and government programs are effective in supporting entrepreneurs in their country. Almost two thirds of entrepreneurs (62%) believe entrepreneurship education and training are not included or poorly incorporated in the education system at all levels. And, only one in five entrepreneurs (21%) believe national investments in research and development are effective in generating new business opportunities for entrepreneurs.

Further, the vast majority of entrepreneurs globally (84%) believe access to financial support for entrepreneurs in their country will remain the same or deteriorate, with just under a third (31%) believing it will deteriorate.

About the Research

This report is part of the Global Economic Indicator research program conducted by the Entrepreneurs' Organization in partnership with The Standard Chartered Private Bank. This research program began in May of 2010 and consists of a five-year series of quarterly surveys of Entrepreneurs' Organization members. The full report and findings are available at: <http://www.entrepreneurindicator.com/>.

The significance and uniqueness of this global research program lies in the very tight definition of a successful entrepreneur represented by the Entrepreneurs' Organization's membership base. All those surveyed have successfully founded a business grossing more than US\$1 million in revenue annually. Overall, EO members average US\$18.4 million in revenue per year. Between them, these entrepreneurs employ more than 1.3 million workers, with an average of 191 employees per entrepreneur. The average age of the entrepreneurs surveyed is 40. This group is generally very difficult to gain access to and poll. However, the Entrepreneurs' Organization holds a member base fitting these criteria that are captive to the organization, providing the ability to gain an entree to this highly important sample of the successful entrepreneur population.

This initial research surveyed more than 7,300 entrepreneurs in 42 countries from the Entrepreneurs Organization, achieving a response rate of 20% based on a minimum reach of 7,300.

Global Entrepreneur Indicator: Entrepreneurial Efficacy

The Entrepreneurial Efficacy Indicator measures entrepreneurs' views on a country's effectiveness in fostering entrepreneurship. Five versions of the Global Entrepreneur Indicator: Entrepreneurial Efficacy have been produced: including the Global Indicator and reports for the United States, Australia, Canada and the Asia region.

Detailed Interim Research and Regional reports will appear at <http://www.entrepreneurindicator.com/>.

At the time of writing, and although similar in some measures and approaches to the GEM index, the Global Entrepreneur Indicator for Entrepreneurial Efficacy is the first of its kind globally, which measures successful entrepreneurs' views on the ability of countries and regions to foster entrepreneurship.

Methodology

Survey

The survey incorporates elements of cited measures for understanding the view of entrepreneurs on the effectiveness of countries and regions to foster entrepreneurship. Many of the measures have been drawn from the GEM index as described in the research report literature scan. The litmus test for the choice of key indicators for the purposes of this research is that they are measurable in a single question to reduce survey size and increase response rates.

There are 10 categories measured in the Entrepreneurial Efficacy Indicator:

- Advice and experience of other entrepreneurs
- Government programs supporting entrepreneurship
- Entrepreneurship education and training
- Research and development transfer
- Access to physical infrastructure
- Economic environment
- Financial support

- Government policies
- Inflation
- Currency

Some additional questions, which are not used in the calculation of the Indicator, have also been included in the survey for other insights into topical areas of interest from time to time. These, as well as data from Indicator questions, may be used in the Entrepreneurial Performance Indicator or other Entrepreneurs' Organization Indicators.

The Indicator is calculated as the category score, or averaged upper end and neutral percentages divided by 10, which are then averaged across all category scores with equal weighting to give the final Indicator benchmark out of 10.

Limitations

- Not all respondents may have received the email.
- Over 50% surveyed were based in the U.S., however they only represented 38% of respondents thereby reducing the impact of this limitation.
- The EMEA and Asia regional Indicators have a small response rate relative to their size. These reports can perhaps be used in the context of the longitudinal data as a benchmark made richer over time.
- 42.5% of responses for the EMEA Region Indicator were from the Netherlands.
- There may be anomalies in the membership data, such as an owner or major shareholder rather than founder may be included in respondents or other anomalies.
- There may be anomalies caused by technology in the process from data extraction, to survey delivery, to responses, to first stage analysis. While noted as a limitation, this is for probity as these are estimated to be minimal.
- Per the below statistics, most of the membership base is categorized as founder or cofounder, however, more founders and cofounders could be included in the owner and major shareholder categories. Members in these additional categories could potentially be categorized as entrepreneurs, dependent on the nature of intent to innovate or innovation.

Founder or Co-Founder	53%
Owner	34%
Controlling Shareholder	9%
Other	4%

Response Rates Summary

	Number of Respondents	Responses Analyzed
Global	1477	906
Australia	67	46
Asia	120	84
Canada	101	84
U.S.	564	506
Europe/Middle East/Africa	120	120

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