

# Global Entrepreneur Indicator

from the Entrepreneurs' Organization

## Alternative Asset Class Predictions: Europe/Middle East Region

### Interim Findings Summary - First Survey (May 2010)

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

#### Summary of Findings



***With an Indicator benchmark of 5.64 (out of a possible 10), entrepreneurs in the EMEA region are neutral in their predictions of alternative asset class performance, brought down in the main by predicted property performance. EMEA's indicator, however, is boosted by their notable bullishness about Gold and their businesses as alternative asset class investments.***

***This score is slightly lower than the global benchmark of 5.70.***

**Entrepreneurs, relying on the advice of their peers, are generally saying yes to starting a business in the EMEA region, particularly if they are local. However, they are notably less bullish about starting a business than their global peers and particularly Australian entrepreneurs.**

More than three-quarters (79%) of EMEA-based entrepreneurs would start a business in the region, but are notably less bullish than their global peers, particularly Australian entrepreneurs. They are also significantly less likely than their global peers (77%) to recommend a foreigner invest in doing business in the region (57%).

The overwhelming majority of Australian entrepreneurs (93%) would start a new business in Australia. This is slightly more than as benchmarked against the Global Indicator (86%), as well as the US (87%), Canada (89%) and Asia (87%) Indicators.

Australian entrepreneurs are also slightly more likely to recommend a foreign entrepreneur do business in their country (89%) than Canadian (85%), American (85%) and Asian (86%) entrepreneurs. However, they are notably more likely to recommend foreigners invest in doing business in their country as benchmarked against the Global Indicator (77%).

According to the Entrepreneurs' Organization Global Entrepreneurial Efficiency Indicator which measures countries' effectiveness in fostering entrepreneurship, this is important as the advice and experience of other entrepreneurs is the most important influencer in an entrepreneur's decision making about starting a business in a country, along with the economic environment (3.95 on a scale of 1-5).



**Entrepreneurs in the EMEA region are creating jobs with real employment, but they are outperformed by their global peers and particularly by the Asia Pacific region. Few are leveraging a flexible workforce.**

More than two-thirds (70%) of entrepreneurs in the EMEA region have maintained or increased their headcount, which is notably less than their global peers (79%). About half of EMEA-based entrepreneurs (51%) have actually increased headcount, which is directly on par with the Global Indicator (51%).

The vast majority of Australian entrepreneurs have maintained or increased headcount (87%) over the past 12 months, with a good number (60%) actually increasing it. This was notably above the Global (79% and 51% respectively), the US (77% and 51% respectively), Canada (80% and 46% respectively) benchmarks and on par with the Asia region (86% and 59% respectively).

Broadly in line with the global benchmark, at least 70% of jobs generated by EMEA entrepreneurs were filled by employees rather than a flexible workforce in more than three-quarters of cases (80%) and at least 85% in two-thirds of cases (66%).

Interestingly, Canada (83% and 70% respectively) was slightly more likely to employ workers rather than use a flexible workforce, and Asia was notably less likely (74% and 58% respectively).

Over the coming 12 months, almost all EMEA entrepreneurs (98%) predict their headcount will increase or remain the same with more than three-quarters (78%) expecting an increase. This is broadly in line with the Global Indicator (96% and 76% respectively). However, the Asia Pacific region is clearly more bullish in their outlook for job creation.

Australian entrepreneurs (98%) predict their headcount will increase or remain the same. This is slightly above the Global, US (both 96%) and Asian (95%) Indicators. This is also in line with Canada's Indicator (also 98%). The overwhelming majority of Australian entrepreneurs (91%) predict headcount will actually increase. This is slightly above the Asian Indicator (87%) and significantly above the Global (76%), US (76%) and Canadian benchmarks (72%).

**The majority of entrepreneurs in the EMEA region saw their profits increase or sustain over the past quarter, with one-third experiencing an actual increase. Broadly on par with their global and US peers, the majority expect this to continue. However, this is notably more bullish than the Asia region.**

Just more than three-quarters of entrepreneurs in the EMEA region (78%) saw their net profit sustain or increase over the past quarter, and more are predicting this to continue over the coming quarter (88%).

These figures are slightly lower in terms of past profit performance, but this is broadly in line with predicted profit performance, and against the global benchmark (82% and 89% respectively) and US entrepreneurs (84% and 89% respectively). Interestingly, far fewer Asian entrepreneurs (70%) are predicting their net profit will remain the same or increase into the coming quarter.

Only just more than one-third (36%) of entrepreneurs in the EMEA region saw an actual increase in net profits over the past quarter. While this is low, it is on par with the global (36%) and US (37%) benchmarks, and slightly lower than the Asia Pacific region (42%).

**One in five entrepreneurs in the EMEA region have significantly reducing their exposure to debt over the past 12 months. This is in line with the Global Indicator.**

Less than half of entrepreneurs in the EMEA region (41%) have sustained their exposure to debt and expect this to continue. Broadly in line with their global peers, one in five (24%) have significantly

decreased their exposure to debt over the past 12 months with one in eight (16%) predicting this to continue over the coming 12 months.

**EMEA entrepreneurs predict the hottest sectors to be biotechnology and waste management.**

In line with their global peers (42%), entrepreneurs in the EMEA region (51%) predict biotechnology will be the hottest industry sector. However, their predictions for the other top sectors vary markedly from their global peers, with waste management (41%) coming in second, and computer services and health and medical services coming in equal third (38%) followed by multimedia and online (36%).

By contrast, the Global Indicator shows entrepreneurs are predicting the hottest sectors will be biotechnology (42%), health and medical services (37%), and computer services and the environment (33%).

**Entrepreneurs in the EMEA region are fairly neutral about alternative asset class performance, which is about the same as their global peers. The EMEA Indicator score is increased, however, by their outlook on their own businesses and precious metals.**

EMEA entrepreneurs are fairly neutral (5.64 out of a possible 10) in their prediction of alternative asset class performance over the coming twelve months, broadly on par with their global (5.70) and US (5.52) peers. This score is boosted by their notable bullishness about the businesses and - to a lesser extent - precious metals. Entrepreneurs in Canada (6.22) and the Asia Pacific region (6.64) are notably more bullish driven by their outlook on their businesses, property and gold prices.

The majority of entrepreneurs in the EMEA region (88%) are predicting the price of gold will sustain or increase with almost three-quarters (71%) predicting it will actually increase over the coming 12 months. This is notably more positive than the Global Indicator (74% and 58% respectively).

Over the coming 12 months, entrepreneurs globally are broadly predicting that major currencies will remain neutral (average 3 out of 5) against their own or are too volatile to have a clear view. Entrepreneurs globally are also neutral on managed futures and returns on hedge funds.

The top three alternative asset classes that entrepreneurs in the EMEA region intend to invest in over the coming 12 months are residential property (43%), private equity (32%) and precious metals (17%)

Currently, EMEA entrepreneurs have investments in residential (48%) property, private equity (37%), commercial property (17%) precious metals (13%) and art (12%).

**Entrepreneurs in the EMEA region are bearish on residential and commercial property prices. However, American entrepreneurs are significantly more bearish. This is in stark contrast to the Asia Pacific region, which is remarkably bullish, particularly on commercial property— although no significant increases are expected.**

Almost two-thirds (65%) of entrepreneurs in the EMEA region are predicting residential prices will sustain or increase. This is significantly lower than the Asia Pacific region (90%) and notably lower than their global peers (76%). In line with the Global Indicator (46%), less than half (41%) predict residential property prices will actually increase, which is significantly lower than the Asia Pacific region (77%).

Asian entrepreneurs are significantly more bullish than their global peers on commercial property performance, with the vast majority (83%) predicting it will increase or remain the same, well more than half believing it will actually increase (57%) and almost a quarter (24%) believing it will increase significantly.

Significantly less bullish than their Asia Pacific peers - and again in line with their global peers - just more than half of entrepreneurs (51%) in the EMEA region predict commercial property prices will sustain or increase with less than a quarter (24%) predicting it will actually increase. This is a better outlook than the US, where only one-third (33%) predict commercial property prices will increase or remain the same and one in 10 entrepreneurs (10%) predict an actual increase.

**Entrepreneurs in the EMEA region are lagging behind the Asia Pacific region in green business planning. Entrepreneurs globally are snubbing carbon offsetting and consultancy, and instead are focusing on recycling and lowering office paper usage.**

Entrepreneurs in the EMEA region are in the main in lowering their carbon footprint by reducing office paper usage (59%) and recycling (49%). This is in line with the global benchmark (58% and 57% respectively). Interestingly, almost none are considering carbon offsetting or consultancy, which is also broadly in line with the global benchmark (5% and 3% respectively).

More than three-quarters of EMEA entrepreneurs (77%) are planning to decrease their carbon footprint. While better than the Global Indicator (73%), this is markedly lower than the Asia Pacific region where the significant majority of entrepreneurs (86%) are planning to decrease their carbon footprint.

## About the Research

This report is part of the Global Entrepreneur 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 provides 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.

## Methodology

### Survey

The survey incorporates elements of cited Alternative Asset Class investments 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 later measurable against actual asset class performance.

There are 7 categories measured in the indicator:

- Currency
- Residential real estate
- Commercial real estate
- Precious metals
- Managed futures
- Hedge funds
- Selves/own businesses

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 Alternative Asset Class 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

- 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.

### Response Rates Summary

	Number of Respondents
Global	1477
Australia	67
Asia	120
Canada	101
U.S.	564
Europe/Middle East/Africa	120

Just under 10,000 words of free text were recorded.

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