

Global Entrepreneur Indicator

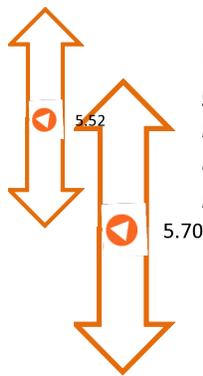
from the Entrepreneurs' Organization

Alternative Asset Class Predictions: United States

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 5.52 (out of a possible 10), US entrepreneurs are generally ambivalent on alternative asset class performance predictions. This benchmark, however, is boosted by positivity about their businesses as an alternative asset class investment. This score is marginally below the global benchmark of 5.70.

Entrepreneurs, relying on the advice of their peers, are saying yes to starting a business in the US.

The vast majority of American entrepreneurs (87%) would start a new business in the US. This is in line with the findings of the Global Indicator (86%), as well as the benchmarks for both Canada (89%) and Asia (87%). It is slightly less than Australia, where the overwhelming majority would start a business there (93%).

American entrepreneurs are also in line with Canadian (85%) and Asian (86%) entrepreneurs in whether they would recommend a foreign entrepreneur invest in doing business in their country (85%). This is significantly higher the global indicator benchmark (77%).

This figure is important, as entrepreneurs rate the advice and experience of their peers as the most important influencer in their decision making about starting a business in a country, along with the economic environment (3.95 on a scale of 1-5).

US entrepreneurs are creating jobs with real employment, but the US is still outperformed by Australia and Asia.

77% of American entrepreneurs have maintained or increased their headcount during the past 12 months, with about half (51%) actually adding jobs. This figure was higher than Canada's (46%), but significantly less than Australia's (60%) and Asia's (59%).

In 76% of the cases in which American entrepreneurs generated jobs, at least 70% of those jobs were filled by full-time employees, rather than a flexible workforce.

For the coming year, 96% of entrepreneurs in the US predict their headcount will increase or remain the same, with 76% actually predicting an increase.

US entrepreneurs are focusing on debt reduction and profit.

The significant majority of US entrepreneurs (84%) saw their net profit remain the same or increase over the past quarter. This is broadly in line with, but slightly higher than, the global benchmark (82%), and significantly higher than the Canadian figure (72%). However, it was slightly lower as compared to Australian (88%) and Asian (87%) entrepreneurs.

Encouragingly, well more than a third (37%) of American entrepreneurs saw an actual increase in their net profit over the past quarter. This was also significantly higher than Canadian entrepreneurs (24%), but significantly lower than Australian (47%) and Asian (42%) entrepreneurs.

A great majority of US entrepreneurs (89%) predict their net profit will stay the same or increase over the coming quarter, with almost a half (49%) predicting it will actually increase. Interestingly, far fewer Asian entrepreneurs (70%) are predicting their net profits will remain the same or increase in the coming quarter.

In line with the global Indicator, approximately half of American entrepreneurs (51%) have seen their exposure to debt hold steady in the previous 12 months, with 22% decreasing their debt load significantly. Almost no entrepreneurs had increased their debt significantly (1%). American entrepreneurs predict this will continue over the coming 12 months, with the exception of those decreasing debt rising to a represent more than a quarter of entrepreneurs.

Entrepreneurs' predict biotechnology to be the sector most poised for growth.

US entrepreneurs are broadly in line with the views of their global peers, predicting biotechnology (45% of all respondents) to be the hottest sector, followed by health and medical services (44%), computer services (34%) and environmental (31%).

US entrepreneurs are sitting on the fence on alternative asset class performance

With a score of 5.70 (out of a possible 10), entrepreneurs globally are predicting no significant increases in any alternative asset class over the coming 12 months. The US score is marginally lower at 5.52.

More than two-thirds of US entrepreneurs (68%) are predicting the price of gold will stay the same or increase, with about half predicting it will actually increase over the coming 12 months. This is significantly less positive than the global (74% and 58%, respectively), Canadian (83% and 62%), Asian (82% and 66%) or Australian (80% and 62%) Indicators.

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.

US entrepreneurs are more negative when compared with Australia and Canada on commercial and residential property and other alternative asset class investments.

Just less than three-quarters of American entrepreneurs (72%) predict US residential property prices will remain the same or increase in the coming 12 months. This is broadly in line with, although slightly less than, the global benchmark (76%). However, this figure is notably less than Canada (79%) and overwhelmingly less than Australia (91%) and Asia (90%).

Just more than a third (36%) predict residential property prices will actually increase with very few (3%) predicting it will increase significantly. This is significantly less than the global Indicator benchmark (46%), and overwhelmingly less than Canada (63%), Australia (79%) and Asia (77%).

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

Only a third of US entrepreneurs (33%) predict commercial property prices will remain the same or increase. Very few (10%) believe it will actually increase with negligible numbers (<1%) believing it will increase significantly. This is dramatically less than Global (50% and 23%, respectively), Canadian (73% and 33%) and Australian (79% and 44%) figures.

US entrepreneurs currently have alternative asset class investments in residential (30%) and commercial (18%) property, private equity (17%), art (9%), real estate equities (8%) and precious metals (7%). This is again a different profile, with lower investment rates, to the global indicator of residential real estate (54%), private equity (30%), commercial real estate (29%) real estate equities (14%), art (14%), precious metals (10%), commodities (10%), VC funds (10%) and coins (10%).

Over the coming 12 months, US entrepreneurs intend to invest in residential (17%) and commercial (14%) property and private equity (12%). These are similar alternative asset class choices to the global benchmark, however at a significantly lesser rate.

US Entrepreneurs are snubbing carbon offsetting and consultancy, instead sticking with office paper usage reduction and recycling

American entrepreneurs are lowering their carbon footprint by recycling (55% of all respondents) and reducing office paper usage (54%). This is broadly in line with the global benchmark (58% and 57%, respectively).

Interestingly, a full third of American entrepreneurs have no plans to decrease their business's carbon footprint, a higher rate than in the global benchmark (27%).

The significant majority of Asian entrepreneurs (86%) are planning to decrease their carbon footprint. This is well above the global benchmark, which shows that just less than three-quarters of entrepreneurs (73%) have green business plans.

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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