Entrepreneurial Efficacy Indicator: Asia 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 4.73 (out of 10), Asian entrepreneurs are neutral about their region’s ability to foster entrepreneurship, marginally outdone by Australia, Canada and the US. This benchmark, however, is boosted by entrepreneurs’ notable positive predictions about their businesses, and a higher benchmark for the economic environment (6.55) and financial support (4.65). The overall number was tempered by low marks in entrepreneurship education and training (1.85).

Asian entrepreneurs would recommend starting up a business in the Asia region but are neutral about its ability to foster entrepreneurship, marginally beaten by Canada and the US, but broadly in line with Australia. The Asia region, however, ranked highest for its economic environment and the effectiveness of its financial support in fostering entrepreneurship.

In line with the global indicator, the two most important influencers in Asian entrepreneurs’ assessing countries’ and regions’ effectiveness in fostering entrepreneurship are the economic environment (4.13 out of a possible 5) and the advice and experience of other entrepreneurs (3.86).

Interestingly, Asia was the only region to rank the economic environment above the advice of other entrepreneurs.

With an Indicator of 4.73 (out of a possible 10), Asian entrepreneurs are in line with the global benchmark (4.94) about the region’s ability to foster entrepreneurship, ranking it marginally less than did Canada (5.41) and the US (5.07), but broadly in line with Australia (4.79). This benchmark was boosted by Asian entrepreneurs’ recommendations for starting a new business in the region, and also by the Asia region having the highest benchmark (6.55) among countries for its economic environment and financial support (4.65).

The Asia region needs to provide better access to physical resources, such as communications and transport, to foster and support entrepreneurship.

Asia (37%) sits notably below the global (58%), Australian (55%), US (64%) and Canadian (67%) benchmarks in accessibility to physical infrastructure which foster and support entrepreneurship, such as communications, transportation systems and land.
Asian entrepreneurs are more optimistic than their global peers about the economic environment in their region, where almost half believe their economies will improve in the coming quarter. The majority of Asian entrepreneurs (87%) believe the economic environment in the Asia region will improve or remain the same over the coming quarter, is notably more optimistic than the global (80%), Australian (79%) and US (75%) benchmarks.

Almost half (45%) of Asian entrepreneurs believe the economy will actually improve in the coming quarter.

Entrepreneurs in the Asia region are slightly more positive than their global peers towards their governments’ policies, such as the tax and regulatory environment and perceived effectiveness in fostering entrepreneurship. Globally, more than half of entrepreneurs (51%) believe the tax and regulatory policies in their country negatively affect the development of entrepreneurship, and more than 1 in 5 (22%) believe it has a very negative effect.

More entrepreneurs in the Asia region believe their tax and regulatory environments are more conducive to entrepreneurship, with well under half (41%) believing the tax and regulatory policies are negative and far fewer believing it is very negative (6%). In contrast, more than half (56%) of US entrepreneurs believe the tax and regulatory policies in their country negatively affect the development of entrepreneurship, and more than a quarter (28%) believe they have a very negative effect.

More than two thirds of Asian entrepreneurs believe entrepreneurship education and the effectiveness of research and development in generating new business opportunities needs to improve dramatically in the Asia region. Entrepreneurs in the Asia region (72%) hold negative views of their respective countries’ incorporation of entrepreneurship education and training into their education systems at all levels.

America is broadly in line with, however marginally better than, the global (62%) and Canadian (62%) figures, with 58% of US entrepreneurs believing entrepreneurship education and training is not included or poorly incorporated in the US education system at all levels.

Entrepreneurs in the Asia region view their national investments in research and development negatively, as less than 1 in 10 (9%) of them believe the investments are effective in generating new business opportunities for entrepreneurs. For contrast, Canadian (27%) and American (26%) entrepreneurs believe their national investments in R&D are actually effective in this area.

In line with their global peers, Asian entrepreneurs believe their government programs aimed at supporting the development of entrepreneurship need improvement. In line with the global benchmark (35%), just over a third of Asian entrepreneurs (35%) believe local, regional, and government programs are effective in supporting entrepreneurs in their country. The findings are similar in Canada and the US (36% for both). A slightly higher number of Australian entrepreneurs (41%) believe Australia’s local, regional, and government programs are effective in supporting entrepreneurs.
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 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

- 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

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>1477</td>
</tr>
<tr>
<td>Australia</td>
<td>67</td>
</tr>
<tr>
<td>Asia</td>
<td>120</td>
</tr>
<tr>
<td>Canada</td>
<td>101</td>
</tr>
<tr>
<td>U.S.</td>
<td>564</td>
</tr>
<tr>
<td>Europe/Middle East/Africa</td>
<td>120</td>
</tr>
</tbody>
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Just under 10,000 words of free text were recorded.

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