Global Entrepreneur Indicator

Entrepreneurial Efficacy Indicator: Australia 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 4.79 (out of a possible 10), Australian entrepreneurs are neutral about Australia’s ability to foster entrepreneurship, marginally outdone by Canada and the US. This benchmark, however, is boosted by entrepreneurs’ notable positive predictions about their businesses (9.1), and a higher benchmark than other countries and regions for Government Programs which develop entrepreneurship (4.85).

Australian entrepreneurs would recommend starting up a business in Australia, but are neutral about its ability to foster entrepreneurship. Among all regions measured, Australia ranked highest in its government programs’ effectiveness in developing entrepreneurship.

In line with the global benchmark, Australian entrepreneurs’ two most important factors in assessing countries’ and regions’ effectiveness in fostering entrepreneurship are the advice and experience of other entrepreneurs (3.95 out of possible 5) and the economic environment (3.90).

Interestingly, the global figures and the US and Canadian regions have a third key influencer in common – government policies, such as the tax and regulatory environment. Australia’s third leading influencer, financial support, lags behind at 3.38.

With an mark of 4.79 (out of a possible 10), Australian entrepreneurs are similarly neutral to the global Indicator (4.94) on Australia’s ability to foster entrepreneurship, ranking it marginally less than Canada (5.41) and the US (5.07). This benchmark was boosted by Australian entrepreneurs’ recommendations for starting a new business in Australia and having the highest score (4.85) among countries and regions for its effectiveness in government programs which support entrepreneurship.

Interestingly, 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%). Australian entrepreneurs are also more likely to recommend a foreign entrepreneur do business in their country (89%) than their global peers (77%).

1 in 3 Australian entrepreneurs believe their economy will improve, which is less optimistic than in Canada and the Asia region, where nearly half of entrepreneurs believe their economies will improve.
Just over a third (34%) of Australian entrepreneurs expect the economy to improve, but in the main not significantly. In contrast, just under half of entrepreneurs in Canada and the Asia region (47% and 44%, respectively) expect it to improve.

More than half of Australian entrepreneurs believe Australia’s government policies, such as the tax and regulatory environment, are ineffective at fostering entrepreneurship, though they are far less negative than their US peers. Globally around 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 they have a very negative effect.

The Australian indicator (56%) shows Australian entrepreneurs are similarly negative about their tax and regulatory environments being effective for fostering entrepreneurship. However, significantly fewer believe their impact is very negative (15%). For contrast, more than a quarter of US entrepreneurs (28%) believe government policies have a very negative effect on the development of entrepreneurs.

More than two thirds of Australian entrepreneurs believe Australia’s entrepreneurship education and research and development aimed at generating business opportunities need to improve dramatically. Australia (69%) is almost in line with the Asia region (72%) in their negative view of their respective countries’ and regions’ incorporation of entrepreneurship education and training into their education systems. These figures are significantly higher than the global (62%), US (58%) and Canadian (62%) Indicators.

In line with the global benchmark (21%), few Australian entrepreneurs (18%), believe national investments in research and development are effective in generating new business opportunities for entrepreneurs in their country.
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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