Entrepreneurial Efficacy Indicator: 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 4.62 (out of a possible 10), entrepreneurs in the Europe and Middle East are neutral about the region’s ability to foster entrepreneurship, marginally outdone by their global peers. This benchmark, however, is boosted by entrepreneurs’ notable positive predictions about their own businesses.**

Entrepreneurs in the Europe/Middle East region would recommend starting a new business in their country, but are neutral about the region’s ability to foster entrepreneurship. When assessing a country’s ability to foster entrepreneurship, the most important influencers for entrepreneurs in Europe and the Middle East are access to physical infrastructure, such as land, communications and transport, (3.94 out of a possible 5) and advice of other entrepreneurs (3.90).

With a benchmark of 4.62 (out of a possible 10), European and Middle Eastern entrepreneurs are neutral, though slightly less positive than their global peers (4.94), towards the region’s ability to foster entrepreneurship. This benchmark was boosted by the entrepreneurs’ recommendations for starting a new business in the region, particularly if you are a local.

Interestingly, the majority of entrepreneurs (79%) in the European/Middle Eastern region would start a new business there, but only just over half (57%) would recommend a foreigner invest in doing business there. While positive towards local start-ups, the recommendation to foreign businesspeople was significantly less bullish than their global peers (77%), and individually those of Australians (89%), Americans (85%), Canadians (85%), and Asians (86%).

1 in 4 entrepreneurs believe the economy in the region will actually improve in the coming quarter. However, this is far less optimistic than in Canada and the Asia region, where almost half of entrepreneurs believe their economies will improve during the same span.

Notably below the global benchmark (80%), 70% of European and Middle Eastern entrepreneurs believe the region’s economic environment will improve or sustain over the coming quarter. Just over a quarter (27%) expects it to actually improve. For comparison, 47% of Canadians, 44% of Asians and 34% of Australians believe their economies will improve in the coming quarter.
European and Middle Eastern entrepreneurs are marginally less negative than their global peers, and notably less negative than the US, about their governments’ effectiveness at fostering entrepreneurship through policies, such as taxation and regulation. 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 it has a very negative effect.

The Europe/Middle East region’s data (45% for negative, 19% for very negative) shows this region’s entrepreneurs are marginally less negative about their tax and regulatory environments.

Entrepreneurs in Canada and the Asia region believe their tax and regulatory environments are more conducive to entrepreneurship, with well under half (40% and 41% respectively) believing the tax and regulatory policies are negative.

Just over half (56%) of US entrepreneurs believe the tax and regulatory policies in their country negatively affect the development of entrepreneurship, and 28% believe they have a very negative effect.

Almost two thirds of entrepreneurs in the Europe/Middle East region believe the integration of entrepreneurship in the education system needs improvement. The region lags behind its global peers, with the exception of Asia, in effectiveness of the region’s investments in research and development in generating new business opportunities.

Almost two thirds (63%) of entrepreneurs in Europe and the Middle East believe the region needs to improve the integration of entrepreneurship into the education systems at all levels. This is broadly in line with the global trend (62%), though notably better than the Asia Pacific region (72%).

In line with the Asia region (9%), very few entrepreneurs in Europe and the Middle East (8%) believe the region’s investments in research and development are effective in generating new business opportunities. While all Indicators rate their respective countries and regions poorly in this respect, Europe and the Middle East is rated less than half as effective as the global (21%) and Australian (18%) benchmarks, and significantly less than Canada (27%) and America (26%).
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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