

Global Entrepreneur Indicator

from the Entrepreneurs' Organization

Entrepreneurial Efficacy Indicator: 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 5.07 (out of a possible 10), US entrepreneurs are neutral in America's ability to foster entrepreneurship. This benchmark, however, is boosted by US entrepreneurs' notably positive predictions about their businesses (8.6), and higher benchmarks than other countries and regions for turning national investments in research and development into business opportunities (4.35).

American entrepreneurs would recommend starting a business in the US, but are neutral about the US's ability to foster entrepreneurship; however, the US is notably more effective than Australia or the Asia region. The US ranked highest for the nation's ability to generate new business opportunities through national investments in research and development.

The data suggests that American entrepreneurs take a fairly holistic approach when assessing a country's ability to foster entrepreneurship. However, three key influencers emerged from the data; the most important factor is the advice and experience of other entrepreneurs (4.07 out of a possible 5), followed by the economic environment (3.92) and government policies, such as the tax and regulatory environment (3.68).

With a benchmark of 5.07 (out of a possible 10), American entrepreneurs are similarly neutral to the global Indicator (4.94) on the US's ability to foster entrepreneurship. US participants ranked marginally lower than Canada (5.41), but view America as marginally more effective than Australia (4.79) and the Asia region (4.73). This US benchmark was boosted by the entrepreneurs' positive outlook on starting new businesses in their country. The US also had the highest score among countries and regions for its ability to generate business opportunities from national investments in research and development.

Interestingly, it was found that the vast majority of American entrepreneurs (87%) would start a new business in the US in the current environment, which is in line with the global findings (86%). American entrepreneurs would also overwhelmingly recommend that foreign entrepreneurs do business in their country (85%), which is strongly above the global benchmark (77%).

US entrepreneurs are notably ahead of Australia and Asia in good accessibility to physical infrastructure that fosters and supports entrepreneurship.

Sitting notably above the global benchmark (58%), 64% of American entrepreneurs believe they have good accessibility to a physical infrastructure that fosters and supports entrepreneurship, including communications, transportation systems and land.

Fewer American entrepreneurs are optimistic about the US economic environment than Canadian entrepreneurs. The Asia regions are about equal, where the overwhelming majority of entrepreneurs believe their countries' economic environment will improve or remain the same over the coming quarter.

Slightly less than the global benchmark (80%), 75% of US entrepreneurs believe the US economic environment will improve or remain the same over the coming quarter, with 30% expecting it to actually improve.

Canada and Asia were significantly above the global benchmark, as 47% and 44% (respectively) expect their economies to improve.

US entrepreneurs are fairly negative than on government policies that affect the development of entrepreneurship.

Just more than half (56%) of US entrepreneurs believe the tax and regulatory policies in their country negatively affect the development of entrepreneurship. This is generally in line with the global benchmark (51%). However, 28% of US entrepreneurs believe they have a very negative effect, a notably higher proportion than the global benchmark (22%).

Canada and Asia region entrepreneurs believe their tax and regulatory environments are more conducive to entrepreneurship. Less than half of respondents (40% and 41%, respectively) believe the tax and regulatory policies are negative, with far fewer believing they are very negative (13% and 6%).

More than half of US entrepreneurs believe entrepreneurship education and research and development need improvement. However, Australia and the Asia region are notably more negative.

More than half of US entrepreneurs (58%) believe entrepreneurship education and training is not included or is poorly incorporated in the US education system at all levels. However, Australia (69%) and the Asia region (72%) have notably worse issues in integrating entrepreneurship education and training into their respective education systems. The global benchmark is 62%.

Globally, only 21% of entrepreneurs believe national investments in research and development are effective in generating new business opportunities for entrepreneurs. American entrepreneurs believe the US is slightly more effective in this area with (26%) believing national investments in research and development are effective. In Asia, entrepreneurs are far more negative on their R&D investments, as only 9% of entrepreneurs there believe they are effective in generating new business opportunities for 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

| | 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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