Global Entrepreneur Indicator: Entrepreneurial Performance

Interim Findings - First Survey (May, 2010)

Adapted from detailed Interim Report 28 June, 2010 by Dr. Sally Ernst

Summary of Findings

Entrepreneurs are creating jobs with real employment, and few are leveraging a flexible workforce.

Over the past 12 months, more than three quarters of entrepreneurs (79%) globally have maintained or increased their headcount, with about half (53%) actually increasing their number of employees. In more than three quarters of cases (77%), at least 70% of jobs created were filled by full-time employees rather than employing a flexible workforce.

Over the coming 12 months, almost all entrepreneurs globally (96%) predict their headcount will increase or remain the same, with more than three quarters (76%) predicting an increase.

Entrepreneurs are focusing on debt reduction and profit.

The significant majority (82%) of entrepreneurs globally saw their net profit stay the same or increase over the past quarter, with a little more than a third (37%) actually seeing it increase. An even greater majority (89%) are predicting their net profit to stay the same or increase over the coming quarter, with almost a half (48%) predicting it will actually increase.

Around half of entrepreneurs globally (49%) have seen their exposure to debt remain the same with almost one in five entrepreneurs (19%) seeing a significant decrease. Almost none of the respondents (3%) had increased their debt significantly. Globally, entrepreneurs predict this trend to continue over the coming 12 months, with the percentage of entrepreneurs decreasing debt predicted to rise to represent one quarter of the population.

Entrepreneurs are snubbing carbon offsetting and consultancy, instead focusing on recycling and lowering office paper usage to reduce their carbon footprint.

The top two tactics for entrepreneurs globally seeking to reduce their carbon footprint are reducing office paper usage (58%) and recycling (57%). Interestingly, more than one quarter (27%) of entrepreneurs globally have no plans to lower their carbon footprint and almost none are considering carbon offsetting (5%) or consultancy (3%).
About the Research

This report is part of the Global Economic 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 is generally very difficult to gain access to and poll. However, the Entrepreneurs’ Organization holds a member base fitting these criteria that are captive to the organization, providing 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.

Global Entrepreneur Indicator: Entrepreneurial Performance

This Indicator extracts select business performance data from the Entrepreneurial Efficacy Indicator and the Alternative Asset Class Indicator to measure entrepreneurs’ views on current and future business performance and hiring.

Key Themes

For this first survey the emerging themes of apparent importance were the combination of interesting findings around:

- Access to capital
- Hiring predictions
- Net Profit predictions
- Changes in exposure to debt

Implications for future research

Debt load over the past year: Exploration of the combination of limited access to capital and leaner, more conservative lean business practices employed as a result of the recession may provide a direction for future Indicator research.

Profit changes last quarter: Exploration of the combination of leaner business models and reduced exposure to debt and its potential correlation with higher profit predictions. With such limited access to outside capital, entrepreneurs may need higher profit margins to self-fund their ventures. This may provide a direction for future Indicator research.

Predicted number of employees added in coming year: Exploration of a large contributor to the predicted increases, which appears to be that successful entrepreneurs are building up their sales teams to take advantage of the business opportunities being created as we emerge from the recession. Historically, entrepreneurs are at the forefront as economies emerge from recessions and may provide a direction for future Indicator research.
Methodology

Survey

The survey incorporates elements of subjective measures for understanding the view of entrepreneurs on their current and future performance. These measures may change over time as 1) interesting findings from the survey data emerge within each Indicator, and 2) the environment entrepreneurs impact, and are impacted by, changes.

Four key categories, measured in the first survey, emerged to form this first Entrepreneurial Performance Indicator:

- Jobs and hiring
- Business Profit
- Debt Exposure
- Carbon/"Green" Efforts

Some additional questions (‘insight questions’), which are not used in the calculation of the Alternative Asset Class Performance and Entrepreneurial Efficacy Indicators, have also been included in the survey for other insights into topical areas of interest from time to time. The Entrepreneurial Performance Indicator sits independently of the Alternative Asset Classes and Entrepreneurial Efficacy Indicator, however may incorporate data from questions from these Indicators or the insight questions. The Entrepreneurial Performance Indicator provides a description of findings, from a subset of the data which may change over time, rather than the calculation of a single numerical output from questions which remain constant over time.

Detailed Interim Research and Regional reports will appear at [http://www.entrepreneurindicator.com/](http://www.entrepreneurindicator.com/).

Limitations

- Not all respondents may have received the email.
- 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.
- Per the below statistics, most of the membership base is categorized as founder or cofounder, however, more founders and cofounders could be included in the owner and major shareholder categories. Members in these additional categories could potentially be categorized as entrepreneurs, dependent on the nature of intent to innovate or innovation.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder or Co-Founder</td>
<td>53%</td>
</tr>
<tr>
<td>Owner</td>
<td>34%</td>
</tr>
<tr>
<td>Controlling Shareholder</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
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</tbody>
</table>
Response Rates Summary

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Respondents</th>
<th>Responses Analyzed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>1477</td>
<td>906</td>
</tr>
<tr>
<td>Australia</td>
<td>67</td>
<td>46</td>
</tr>
<tr>
<td>Asia</td>
<td>120</td>
<td>84</td>
</tr>
<tr>
<td>Canada</td>
<td>101</td>
<td>84</td>
</tr>
<tr>
<td>U.S.</td>
<td>564</td>
<td>506</td>
</tr>
<tr>
<td>Europe/Middle East/Africa</td>
<td>120</td>
<td>120</td>
</tr>
</tbody>
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