

Global Entrepreneur Indicator

from the Entrepreneurs' Organization

Business Environment Report – June 2011

Report prepared by Dr. Sally Ernst, Entinno

Introduction

The Global Entrepreneur Indicator Business Environment Report assesses entrepreneurs' ability to access capital, their predictions on the economy and, more importantly, their willingness to start a new business given the current overall business environment.

Based on the research of previous Global Entrepreneur Indicator reports, the advice of peers and the economic environment are the two most important factors that influence entrepreneurs' assessments of a country's ability to foster entrepreneurial activity. If peer advice and the economy are the factors which dictate entrepreneurs' *willingness* to conduct new business activities, than the ability to access capital dictates their *ability* to do so.

Together, these factors showcase the entrepreneurial community's willingness and ability to assertively conduct new business— precisely the type of activities that healthy (or recovering) economies require.

Key findings include:

- Half of the global entrepreneurial community expects the state of the economy in their countries to improve, but only slightly. Canada and the Latin America / Caribbean regions hold the most positive predictions, and by a significant margin.
- Entrepreneurs are polarized in their views regarding:
 - The accessibility of capital:
 - It is apparent that there is no one trend dominating entrepreneurial access to capital. In fact, while one in 10 respondents indicated that it is very easy for them to acquire capital, the same proportion reported extreme difficulty.
 - Starting a new business:
 - Significantly fewer entrepreneurs would recommend starting a new business now than a year ago.
 - Entrepreneurs are newly polarized in their opinions: one in three entrepreneurs is very likely to recommend starting a new business, while one in five entrepreneurs is very unlikely.
- Canada and the Latin America / Caribbean regions are the most positive about the business environment overall.

When combined with the findings from the two previous Global Entrepreneur Indicator reports (Business Environment; Fiscal Performance), the clear message is that - despite an overall



lackluster view on the current business and economic environment - entrepreneurial firms are showing a strong, positive trend toward business performance and job creation.

Economic environment

Well more than half (61%) of entrepreneurs globally expect the state of the economy in their countries to improve, although they do not expect to see a large improvement (Figure 1). Entrepreneurs in Canada and the Latin America / Caribbean region have the highest expectations of a positive change in the economic landscape. The overwhelming majority of entrepreneurs (91%) in Canada expect an improvement, with 11% predicting a significant improvement. A sizeable majority (74%) of entrepreneurs in the Latin America / Caribbean region expect the economy to improve, although not greatly.

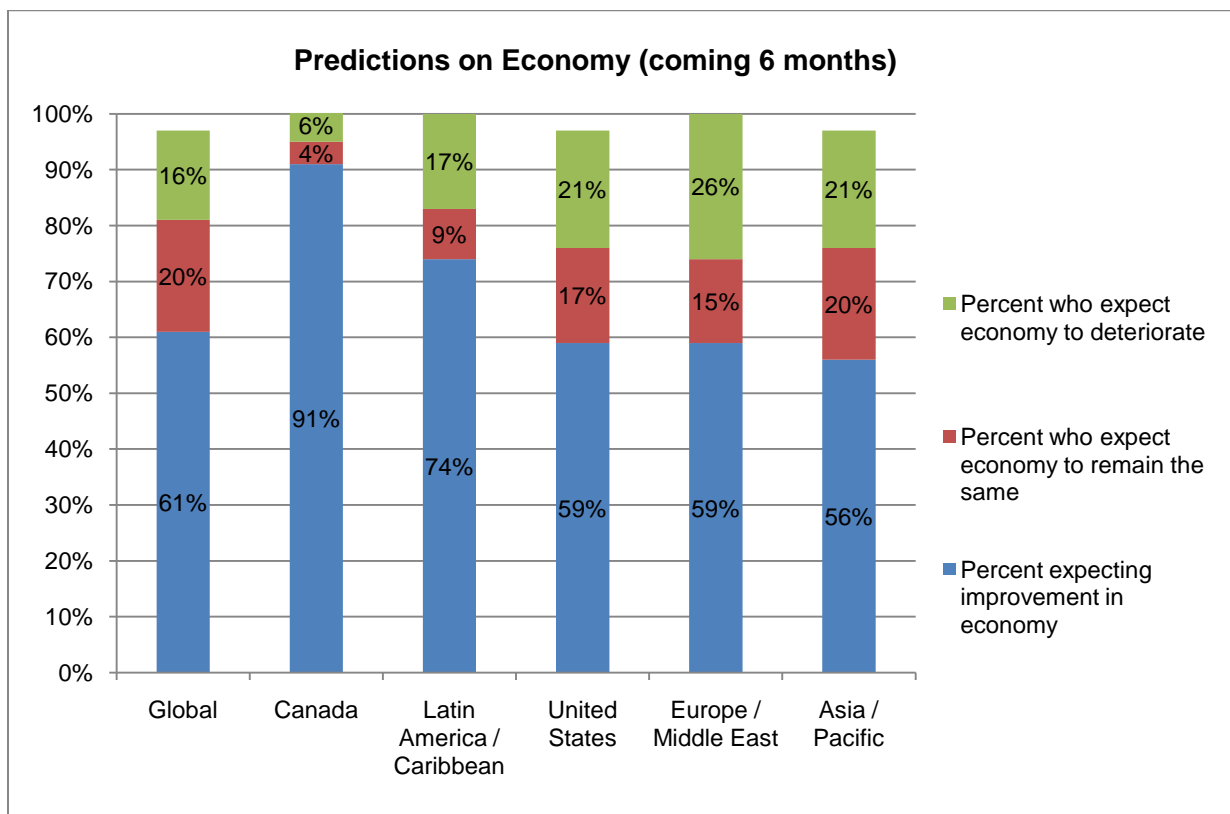


Figure 1: Entrepreneurs were asked about their predictions for the global economy in the coming six months.

Access to Capital

Overall, entrepreneurs globally are polarized about their current and predicted ease of access to capital, and this trend is expected to continue (Figure 2). This finding applies to the outliers as well, with 12% reporting extremely easy access to capital over the past six months and similar numbers (14%) finding it very difficult. This polarization at the extremes, however, is not expected to continue into the coming half year. U.S. entrepreneurs and those in the Europe / Middle East region are broadly in line with this trend.

The Latin America / Caribbean region predicts the greatest increase (20%) in the number of entrepreneurs who are optimistic about their ability to access capital over the coming six

months. Approximately one in 10 entrepreneurs (11%) expect it to be very easy, despite being among the lowest in numbers who currently find it easy. Interestingly, 13% of entrepreneurs in the Asia / Pacific region find it very difficult to access capital, with only a negligible number (6%) finding it very easy.

Canada comes out as the top regional performer with respect to access to capital with 66% of entrepreneurs reporting good access to capital, with 11% finding it very easy. Canadian entrepreneurs expect this trend of good access to drop significantly in the coming six months, however.

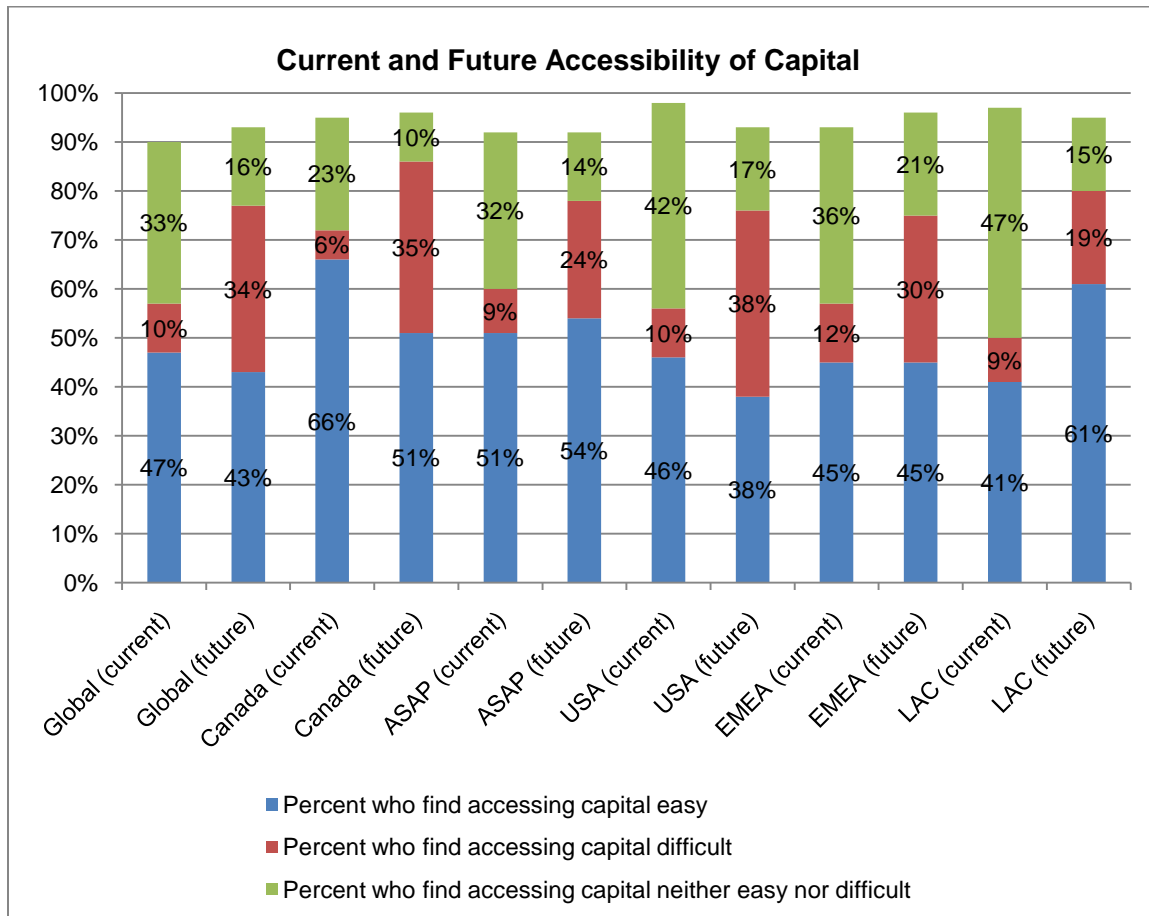


Figure 2: Entrepreneurs were asked about their current and future access to business capital. Each region reports both current accessibility, as well as the predictions for the change in the coming six months.

Proclivity to Start a Business

A key finding of this research is that, of all factors entrepreneurs take into account when deciding whether or not to start a new business, the advice of peers is globally the most important factor, followed closely by the economy.

A concerning trend (Figure 3) is that, unlike a year ago where the vast majority of entrepreneurs (86%) would have started a new business in their country, just more than two-thirds (68%) of entrepreneurs would do so now. Still, only 30% of entrepreneurs are very likely to recommend starting a business, and one in five entrepreneurs is very unlikely to do so.

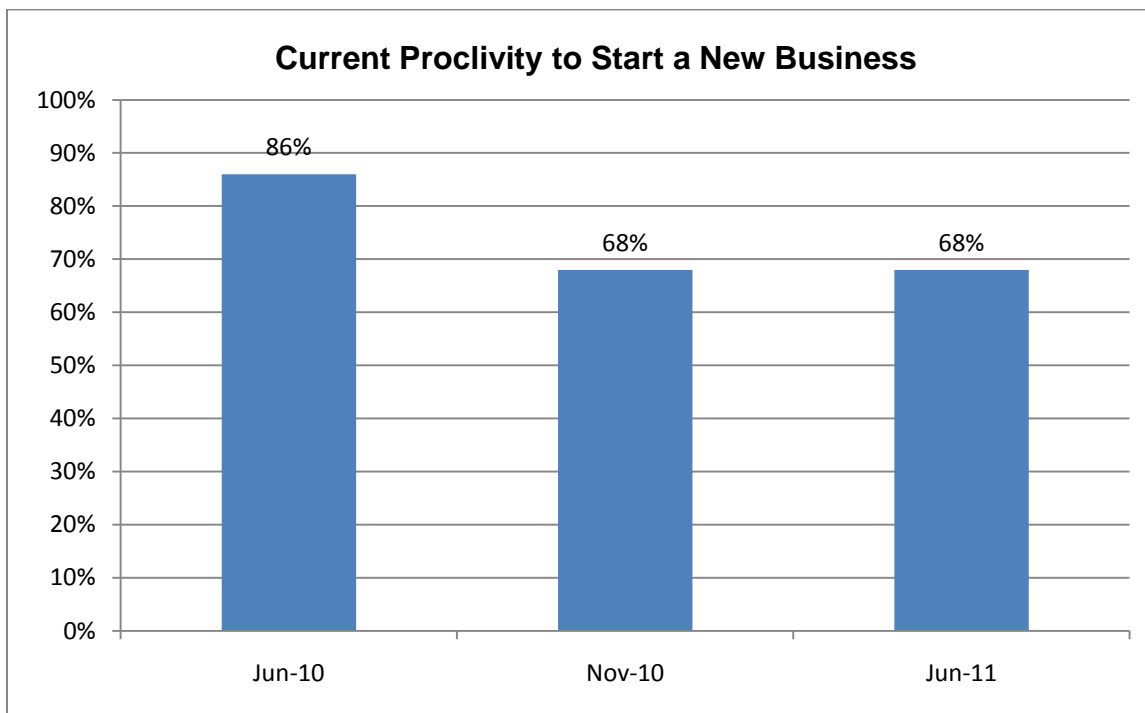


Figure 3: A timeline of the global percentage of entrepreneurs who would be willing to start a new business.

In stark contrast to their generally positive assessment of the economy, but perhaps explained somewhat by their lackluster predictions on access to capital, Canadian entrepreneurs were the least positive about starting a business (Figure 4). In alignment with the polarized global indicator at its extremes, 30% of entrepreneurs stated that they would be very likely to recommend starting a business in Canada.

The Latin America / Caribbean region is the most positive about starting a venture, with 40% being very likely start up a business and the vast majority 80% at least likely to recommend starting one. Asia / Pacific entrepreneurs were also generally positive (71%) about starting a business. The Europe / Middle East region (64%) is more closely aligned with the global indicator, but without the clear polarization of their global peers.

U.S. entrepreneurs were almost directly aligned with the global indicator in terms of their likelihood to start a business. However, the number of U.S. entrepreneurs who would be very unlikely to start a business (11%) is less than half of the global average.

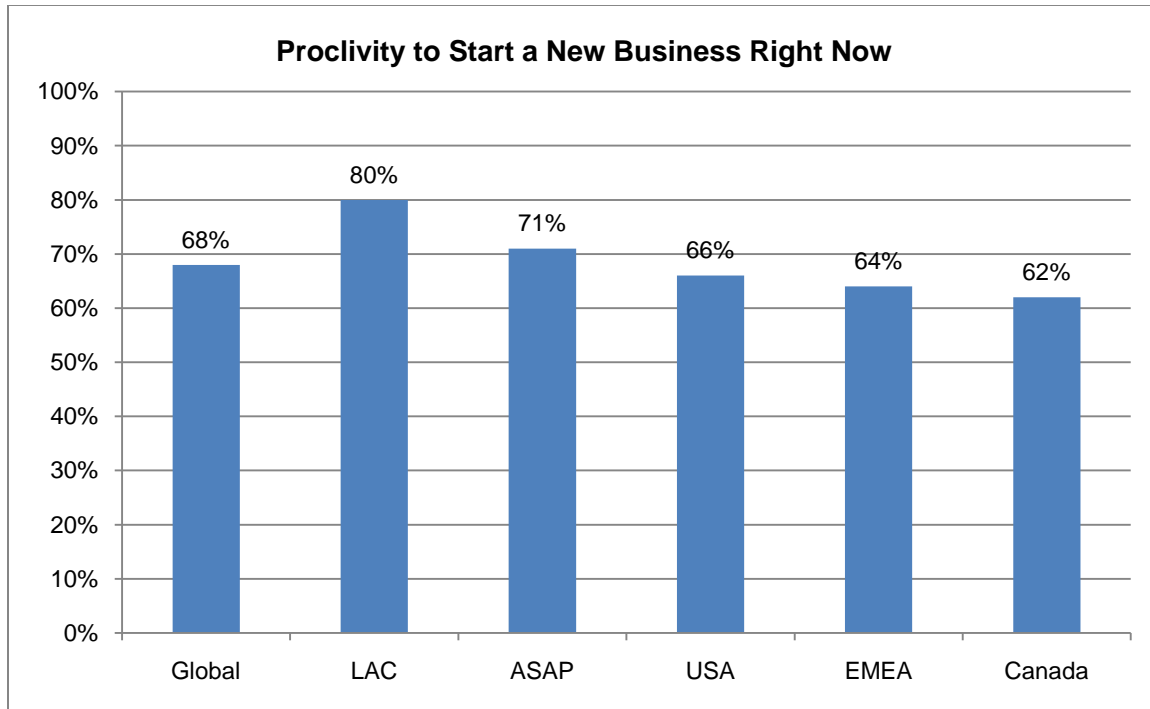


Figure 4: The percentage of entrepreneurs who would be willing to start a new business right now, by region.



About the Research

This report is part of the Global Economic Indicator research program conducted by the Entrepreneurs' Organization (EO) in partnership with The Standard Chartered Private Bank. This research program began in May 2010 and consists of a five-year series of surveys of EO 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 demographics of the survey respondents. All EO members who were surveyed have successfully founded a business grossing more than US\$1 million in revenue annually. Overall, the average respondent grosses US\$18.4 million in revenue per year and employs 191 workers. Globally, these entrepreneurs employ more than 1.3 million workers and the average age of respondents surveyed is 40 years.

Though this demographic can offer unique insights into business and economic trends, it is generally very difficult to gain access to and poll a pure sampling of these individuals. However, the Entrepreneurs' Organization holds a membership base fitting these criteria, providing the ability to gain access to this highly important sample of the entrepreneurial population.

This research collected responses from nearly 1,200 entrepreneurs in 38 countries.

For Further Information about the Research:

Research Contact:
Dr. Sally Ernst
Entinno
+44.777.8510.397
sal@entinno.com

Media Contact:
Ryan Meyer
Entrepreneurs' Organization
+1.571.481.2427
rmeyer@eonetnetwork.org