

Global Entrepreneur Indicator

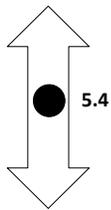
from the Entrepreneurs' Organization

Global Entrepreneurial Efficacy Indicator

Interim Findings Summary - Second Survey (November 2010)

US Region Entrepreneurial Efficacy Indicator

Summary of Findings



With an Indicator benchmark of 5.4 (out of 10), American entrepreneurs have maintained a neutral view about the effectiveness of the US in fostering entrepreneurship.

Compared to the other regions, entrepreneurs in the US are the least optimistic about the economic environment in the next quarter.

Well more than half (57%) of entrepreneurs in the US predict a deteriorating economic environment in the quarter. The US is the least optimistic among regions in this Indicator series— similar to the Latin American-Caribbean region. By contrast, Asia Pacific is by far the most optimistic about their economic environment improving (78%). Canada came in second after Asia Pacific on this Indicator, with more than two-thirds (68%) of Canadian entrepreneurs predict an improvement in the economic environment.

US-based entrepreneurs are the least positive about the likelihood of starting a business in their own country, and also in recommending the US to a foreign entrepreneur to start a business.

With a rating of 6.2 (out of 10), US entrepreneurs are the least positive about the likelihood of starting a business in their own country. By contrast, the Asia Pacific region entrepreneurs are the most positive (7.3).

Almost one-third (33%) in the US would not recommend their country as a place to do business for foreign entrepreneurs. This is a significant decrease on the vast majority (85%) of US entrepreneurs who recommended their country in the previous survey.

US entrepreneurs continue to value the influence of fellow entrepreneurs more than any other region.

The US is similar to Canada in having a strong belief in the importance of factors that influence a country's effectiveness in fostering entrepreneurship.

US entrepreneurs rated the advice and experience of fellow entrepreneurs (7.6) and the economic environment (7.5) as their top two most influential factors on entrepreneurship. The next most influential factor was tax policy (7.4). The significant majority (74%) of US entrepreneurs think tax policy has a significant influence on the fostering of entrepreneurship. Regulation (7.3), financial support (7.2) and access to physical infrastructure (7.0) also scored highly.

Along with Latin America-Caribbean, the US gave the lowest score to the potential influence of government programs to foster entrepreneurship (4.3 out of 10). Just as in Latin America Caribbean, just less than half (47%) of US entrepreneurs were positive about the influence of government programs to foster entrepreneurship.

US entrepreneurs in this global survey reported the largest gap between the potential of factors and the actual effectiveness of these factors to foster entrepreneurship.

US entrepreneurs scored the effectiveness of government programs to foster entrepreneurship in their country second lowest (4.3), just above the Latin America and Caribbean region. Only Canada reported a positive score (5.7). Additionally, only 40% of US entrepreneurs reported positively about their own government programs, a similar result to Asia Pacific where well more than half (61%) hold negative opinions.

US entrepreneurs were slightly negative about the effectiveness of national research and development programs generating new business opportunities (4.8), regulation (4.6), tax policy (4.8) and inflation (4.6).

As with Canadian entrepreneurs (6.5), US entrepreneurs were the most positive about the effectiveness of access to physical infrastructure (6.6), the highest score in this Indicator series. Like Canada, the US had the highest proportion (66%) of entrepreneurs saying positive things about the effectiveness of access to physical infrastructure. US entrepreneurs also gave positive average scores to the effectiveness of financial support (5.8), and entrepreneurship education and training (5.8) in fostering entrepreneurship.

Overall, entrepreneurs in the US gave a score of 5.4 for the effectiveness of factors fostering entrepreneurship. When taken together with the score for level of influence, the US has the highest gap between potential of factors to foster entrepreneurship and the actual effectiveness of those factors.

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 Efficacy

The Entrepreneurial Efficacy Indicator measures entrepreneurs' views on a country's effectiveness in fostering entrepreneurship. Five versions of the Global Entrepreneur Indicator: Entrepreneurial Efficacy have been produced: including the Global Indicator and reports for the United States, Australia, Canada and the Asia region.

Detailed Interim Research and Regional reports will appear at <http://www.entrepreneurindicator.com/>.

At the time of writing, and although similar in some measures and approaches to the GEM index, the Global Entrepreneur Indicator for Entrepreneurial Efficacy is the first of its kind globally, which measures successful entrepreneurs' views on the ability of countries and regions to foster entrepreneurship.

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

- 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.

Founder or Co-Founder	53%
Owner	34%
Controlling Shareholder	9%
Other	4%

Response Rates Summary

	Number of Respondents	Responses Analyzed
Global	1477	906
Australia	67	46
Asia	120	84
Canada	101	84
U.S.	564	506
Europe/Middle East/Africa	120	120

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