

Growing Beyond

Entrepreneurs speak out

A call to action for G20 governments

The Nice Côte d'Azur 2011 Entrepreneurship Barometer

Produced for the G20 Young Entrepreneur Summit, October 2011



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Even during the most challenging times,
entrepreneurs are able to grow.

High-growth companies run by the world's leading entrepreneurs are able to find opportunity in adversity and not only navigate through, but thrive within, today's difficult economic conditions. And by doing so they support economic growth and create jobs. Analysis conducted by Ernst & Young revealed that winners and finalists from several of the G20 countries participating in the Ernst & Young Entrepreneur Of The Year® (EOY) award program in total bucked national trends, boosting headcount on average by 18% since 2009. During the same period, the combined jobless rates in many of the G20 countries increased by at least 10%.

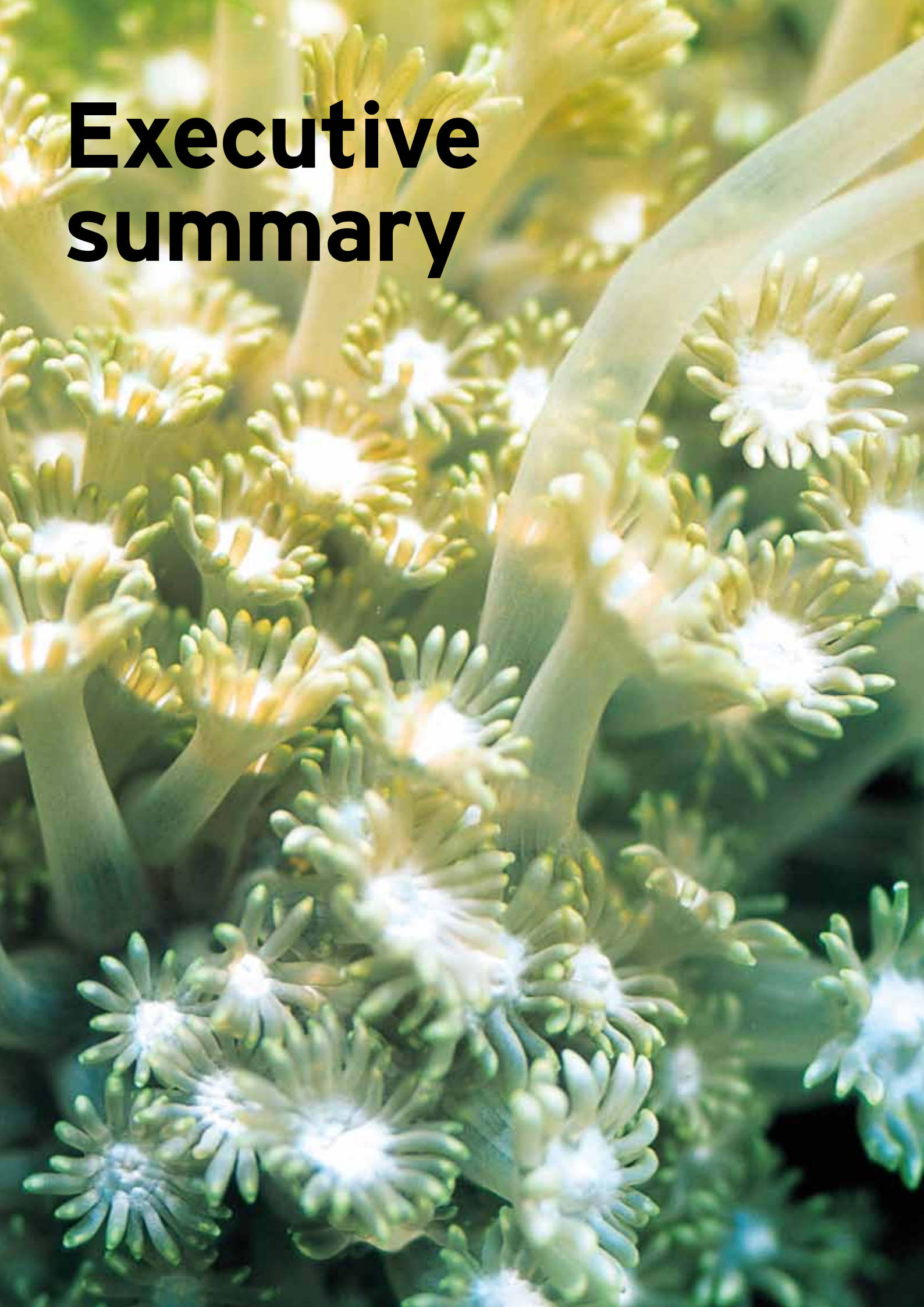
EY have a deep commitment to promoting entrepreneurship, and we are the world leader in advising, guiding and recognizing entrepreneurs – our EOY program takes place in over 140 cities in over 50 countries. We make this investment because we passionately believe that encouraging entrepreneurship and innovation results in economic growth and prosperity.

Ernst & Young's 2011 World Entrepreneur Of The Year, Olivia Lum, is an excellent example of this entrepreneurial spirit. She founded Hyflux in 1989 with two staff members and start-up capital of US\$15,000. Today, Hyflux has become one of the world's leading desalination suppliers with revenues of US\$450 million, employing more than 2,300 people.

It is meeting and working with entrepreneurs such as Olivia that truly inspires us. It also provides us with great opportunities to learn from their experiences. And we have been working with entrepreneurs for over three decades. We bring this experience to bear in this report, as well as providing access to our leading class network of past EOY award winners to share their stories and insights with you.

We are delighted to be associated with the G20 Young Entrepreneur Alliance, which enables young entrepreneurs to learn from the most successful entrepreneurs across the world, and to facilitate constructive dialogue to support entrepreneurs' calls for action to G20 governments. Ultimately the barometer will enable us to track and measure the long-term impact of the recommendations of the G20 YES. It will be repeated for Mexico's G20 YES Summit in 2012.

Executive summary



Entrepreneurs have a crucial role in determining the future prosperity of the G20. With countries haunted by the prospect of a return to recession, it is the creation of new business that will have the greatest impact on growth and employment.

For policy-makers in the mature-market economies, until recently focused primarily on reducing fiscal deficits and containing the size of public debt-to-GDP ratios, the goal of sustained economic growth has, in recent months, become an increasingly elusive ambition. This means there is scope for these governments to be much more creative as they seek to strengthen their economies.

While the G20 rapid-growth economies have been basking in consistent expansion, this growth has often been overly dependent on the global commodity price boom or on low-cost exports. Policy-makers in these countries must also take creative steps now to reduce vulnerabilities and safeguard the future of their economies.

And yet while governments are united in lauding the importance of entrepreneurship, in all G20 countries there is room for improving aspects of the environment in which entrepreneurs operate. This report outlines in detail where each G20 member's areas of greatest potential improvement are, and recommends what should be done to realize that potential.

This report also goes further and emphasizes not only what governments can do, but also what entrepreneurs can do to seize opportunities presented by the environment in which they operate. Ultimately, the success of a country's entrepreneurship environment will be judged by the number of leading entrepreneurs that emerge from it and the successful businesses they create. This report aims to be a useful tool for helping to increase that number.



Philippe Peuch-Lestrade

Global Government & Public Sector Leader,
Ernst & Young

The proliferation of cross-border policy challenges and the resulting need for global solutions has been escalating for years, but the recent and ongoing financial and economic crisis has significantly increased the speed of change.

With fears over sovereign debt escalating once again, the G20, World Bank and International Monetary Fund have played important roles in protecting countries around the world from the worst of the turbulence. The broader membership of the expanded G20 leaves it better placed to effectively agree truly global solutions to global challenges.

But with the threat of recession looming large, the role of governments in nurturing and protecting one of their most important engines of growth – entrepreneurs – has never been more important. Over the past 25 years, these business leaders have done more than any other group to stimulate innovation and create jobs during periods of prosperity, and in more challenging economic conditions.

As policy-makers scramble to avert a return to recession, much depends on entrepreneurs' ability to help generate economic growth. While large corporations in particular must build and sustain innovation-oriented cultures to retain their roles as market leaders, effective public policy is also critical. With regulators

needing to work together more closely, governments have to facilitate, assist and support entrepreneurs wherever possible. Providing the necessary infrastructure – from current proven techniques broadband to modern transport links – is just one of many ways they can help.

With the economic outlook darkening, decision-makers around the world are in urgent need of answers. Critical to sustained recovery will be entrepreneurs. Now, then, is the perfect time for governments to support entrepreneurs and innovators at all levels of their economies.



► **Entrepreneurship drives economic growth**

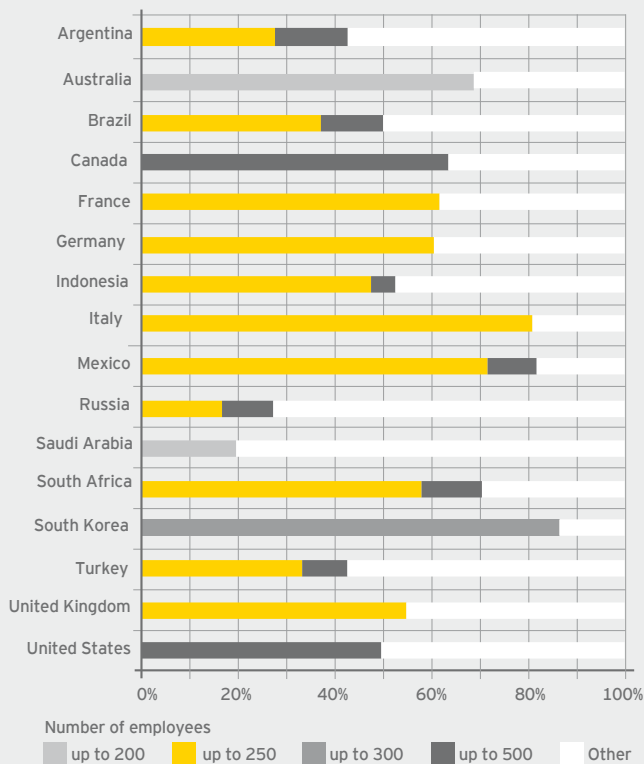
This report is our first barometer that examines entrepreneurship across the G20 group of large economies. Together, these economies are responsible for 75% of global GDP. They represent a diverse range of countries, and include both mature market economies and rapid-growth markets.¹ This diversity is reflected not only in different growth paths

and economic structures, but also in the degree to which entrepreneurship thrives. The G20 countries have much to learn from each other's experiences of how to encourage entrepreneurship. If they are successful in identifying the key lessons and learning from them, the boost to long-term economic growth will be very substantial.

1. Based on the International Monetary Fund (IMF) country grouping definition

An entrepreneur is someone who starts or accelerates a business – but entrepreneurs contribute more than just that to an economy. The economist Joseph Schumpeter saw the role of the entrepreneur as central to capitalist development, by providing new products, new production methods, new markets and new forms of organization, thereby acting as an agent of change. Indeed, the entrepreneur is someone who drives forward several factors that together stimulate economic growth – thereby helping to address governments' fiscal challenges.

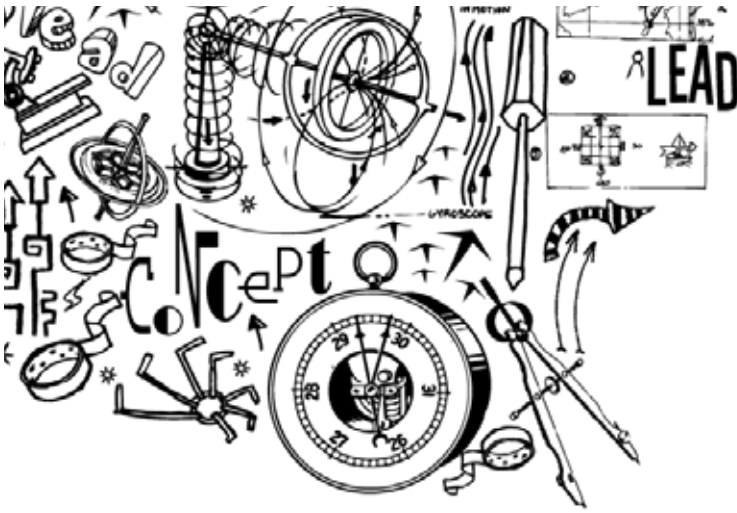
SME contribution to employment shares



Data from 2004 (South Korea), 2005 (Argentina, Mexico), 2006 (South Africa), 2007 (Australia, Turkey, United States), 2008 (Brazil, France, Germany, Indonesia, Italy, Russia, Saudi Arabia, United Kingdom) and 2009 (Canada). Source: World Bank, *Small vs. young firms across the world*, 2011.

These factors include testing innovative technology, offering opportunities for young people, alleviating poverty and making a positive impact on society. Another key factor – perhaps the most critical one in today's economic climate – is job creation. Small and medium-sized enterprises (SMEs) with less than 250 employees represented, on average, two-thirds of total employment in the OECD countries in 2007.² And the European Commission showed in its SME Performance Review³ that the number of jobs in SMEs had increased at an average annual rate of 1.9%, while the number of jobs in large enterprises increased by only 0.8% between 2002 and 2008.

2. OECD (2011), *Entrepreneurship at a glance 2011*, OECD Publishing.
 3. *European SMEs under Pressure: annual report on European Union small and medium-sized enterprises, 2009*, European Commission.



► The crucial role of governments

While entrepreneurship is, by definition, a private sector phenomenon, G20 governments can influence the health of the entrepreneurial environment to create a fit, high-performance entrepreneurial economy that fuels growth. This does not mean choosing winners and losers, but rather providing the right platform for growth through effective policies, regulation and incentives. This can range from

providing incentives to lenders to fund SME growth, to working with the private sector to provide optimal training opportunities for entrepreneurs. Many G20 governments are already demonstrating leading practices, but all governments can still improve how they target additional areas of the entrepreneurship environment.

► Measurement matters

If done correctly, government involvement in entrepreneurial activities can yield substantial rewards both for the government and for entrepreneurs. Ideally, governments should take a holistic approach, which fosters the strengthening of the entire entrepreneurship environment. However, doing this first requires accurately measuring the multifaceted phenomenon that is entrepreneurship, as well as understanding the impact of a host of different factors on the level of entrepreneurship in a country. These include the quality of the physical infrastructure, the health of the population, the level of education, the pace of adoption of new technologies and many other macro and micro factors.

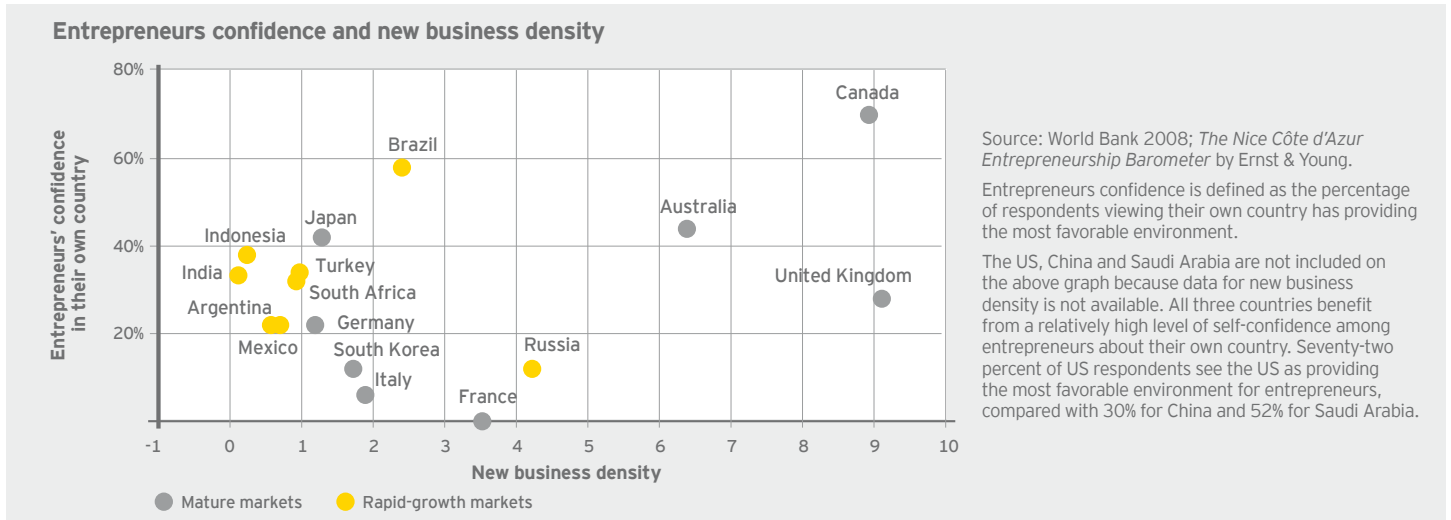
Existing in-depth analyses of entrepreneurship (for example, those by the Global Entrepreneurship Monitor, the World Bank, or the OECD) help to understand and measure particular aspects or dimensions of entrepreneurship. However, the complementary nature of the existing analyses illustrates the complexity of this subject.

Designing a comprehensive framework to measure entrepreneurship would allow governments to evaluate the effectiveness of existing measures, identify leading practices, focus on the enablers that will make a difference and increase

the impact of their incentives. One key element in establishing such a framework is for governments to identify, observe and analyze key performance indicators (KPIs), which will help to gauge the success of past government measures and to plan future incentives.

This report aims to contribute to the development of this necessary framework for measuring entrepreneurship. While our approach touches many of the bases that a detailed measurement framework will need to incorporate, we are the first to recognize that actually establishing such a framework is beyond the scope of a single report. Instead, it will require a sustained, multi-year research process. Moreover, once established, the measurement framework is likely to be dynamic, requiring adjustment over time to reflect new technologies and structural changes to the business environment.

Key findings



► Self-confidence is key

Our overall analysis provides a clear overview of where the G20 member countries stand with respect to fostering entrepreneurship. Combining two of our key findings – entrepreneurs' confidence in their own country, and new business density⁴ – provides a snapshot of entrepreneurship across the G20.

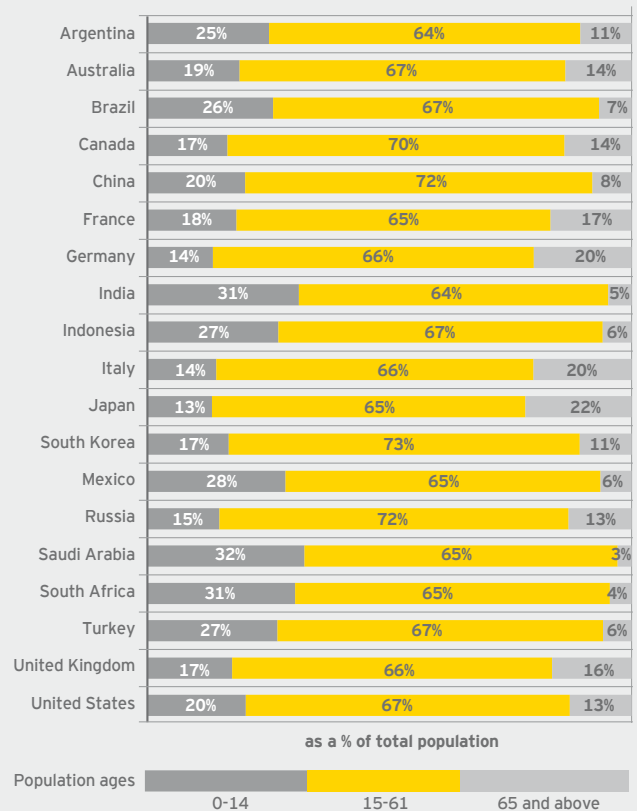
This data shows there is only one G20 country – Canada – that can claim that high levels of confidence among entrepreneurs in their country are reflected in a similarly high number of new businesses registered. Australia also performs well on both counts, though some way behind Canada. For all other countries, there are significant opportunities for improvement on one or both of these two key measures of entrepreneurship.

The United Kingdom is the leading country in terms of new business density – scoring even higher than Canada. Russia and France also score well, though less well than the UK (and Canada and Australia). However, UK entrepreneurs are only moderately confident about their country, with 32% of UK entrepreneurs instead rating the US as having the most favorable environment for entrepreneurs. This lack of confidence is even more acute in Russia, and especially in France. It would clearly be beneficial for these governments to establish the causes of these low levels of confidence, which often appear to be more related to perceptions of the entrepreneurship environment, rather than the actual one.

With the exception of Russia and, to a lesser degree, Brazil the G20 rapid-growth countries all suffer from a relatively low new business density. This has many potential explanations, as discussed in this report. However, a lack of confidence in their country's environment for entrepreneurs is not one of them. Most G20 rapid-growth countries, aside from Russia, boast moderate to high levels of confidence, with Brazilian entrepreneurs being particularly confident – more

so than any other G20 country apart from Canada. The strength of confidence in Brazil, in the context of a positive entrepreneurship culture, gives a strong boost to Brazilian entrepreneurs, and is likely to explain to a significant degree why the country has the sixth-highest new business density, despite serious challenges including access to funding, regulation and taxation.

Population ages as a % of total population



Source: World Bank 2009.

4. Defined as the number of new businesses registered per 1,000 people aged 15-64 in a calendar year, World Bank.



2 Education and training

A broader scope is needed

70%

are convinced that students need to follow specific training to become entrepreneurs

31%

feel that business failure is perceived as being the result of a lack of appropriate skills

70%

think that conferences and seminars about entrepreneurship have improved over the last five years

88%

see success stories and coaching programs for entrepreneurs as key priorities to improve student perceptions of entrepreneurship as a career option over the next three years

A good general education system and a supportive overall training infrastructure within the economy clearly strengthens the entrepreneurial environment. However, it is the appetite for more targeted entrepreneurship education and training that is a most striking finding. This appetite is particularly strong in rapid-growth markets, where 80% of entrepreneurs think that students need to follow specific training to become entrepreneurs (compared with an average of 70% across the G20).

However, deepening the current model of targeted education and training is not enough. Too often, entrepreneurship education and training is viewed as a subdiscipline of business studies. This means that potential entrepreneurs in other fields, such as science and technology, are sometimes not being reached. Therefore, the targeted education and training needs to become associated with a wider range of disciplines.

Recommendations

For governments

- ▶ Consider non-traditional, community-based education approaches that value real-life experiences
- ▶ Provide training assistance for those moving from a corporate role to entrepreneurship
- ▶ Broaden the scope of university entrepreneurship education
- ▶ Change the perception of entrepreneurship as a career option from primary school onward

For entrepreneurs

- ▶ Inspire students by telling your own success story
- ▶ Engage in internship and experience schemes that match local businesses with young entrepreneurs
- ▶ Undertake specific, dedicated business start-up training when moving from a corporate role to entrepreneurship



3 Access to funding

It is vital to tap into diverse sources

Access to funding continues to be one of the most significant challenges for the creation, survival and growth of SMEs, particularly innovative ones. We found a marked divergence between rapid-growth markets, where perceptions of access to funding improved from 2005-10, and mature markets, where entrepreneurs are finding it increasingly difficult to finance their growth. However, current funding options are generally still more limited in rapid-growth markets, despite their impressive economic surge in recent years.

Our analysis showed that entrepreneurs increasingly need to be able to tap into a diverse range of funding sources as they grow. Funding instruments are developing and diversifying at different rates across

the G20 countries. For a large majority of entrepreneurs interviewed (80%), governments have an important role to play in creating the right environment for access to funding for young entrepreneurs. Notably, credit guarantees are emerging as a strong lever to address declining bank credit. However, with several governments' fiscal pressures mounting, and bank lending increasingly risk averse, entrepreneurs are turning toward business angels, venture capital (VC) and private equity (PE) funding. In addition, public stock markets dedicated to SMEs have been launched in 14 of the G20 countries, and have been attracting an increasing number of companies over the last five years.

62%

perceive that it is difficult for young entrepreneurs to access financing

80%

are convinced that governments should facilitate access to funding for young entrepreneurs

53%

have seen improvement in PE funding over the last five years; 49% for VC

37%

have experienced a deterioration in bank credit

80%

More than 80% are expecting bank loans, VC and PE to have a medium or high impact on their growth over the next three years

Recommendations

For governments

- ▶ Explore credit guarantees and banking sector support
- ▶ Help business angels' networks widen their scope and stimulate VC
- ▶ Avoid stifling PE activity with more regulations

For entrepreneurs

- ▶ Open up to international markets as opportunities arise
- ▶ Use junior markets as a source of funding
- ▶ Turn to alternative funding sources, such as corporate financing and microfinance, to reasonably reduce risks



4 Regulation and taxation

Good progress, but regulation can improve to encourage innovation

58%

acknowledge improvement in innovation incentives during the last five years

25%

think that the regulatory environment for entrepreneurs has worsened; 47% judge it to have improved

61%

in rapid-growth markets perceive that simplifying start-up regulations would have a high impact on entrepreneurs' long-term growth prospects

93%

are expecting innovation incentives to have a medium or high impact on their growth over the next three years

Since the 2007-08 financial crisis, it has become much more widely accepted that governments have a very substantial role to play in regulating, incentivizing and directing private sector activity. This is also true for shaping the environment for entrepreneurs. Many countries have made significant improvements in recent years, in terms of the cost and ease of starting a business, and perceptions of progress about this are correspondingly positive. Clear leading practices are emerging – for example, as many as 11 economies had totally eliminated minimum capital requirements by 2010.

Nonetheless, there remain important areas for further improvement. The top regulatory public policy priority is that

governments across the G20 need to do more to encourage innovation. Although another area in which progress is needed is labor markets, the picture is more nuanced within the G20. Notably, severance costs are much higher in the rapid-growth G20 markets compared with their mature market counterparts. In addition, there is scope for G20 countries to increase the efficiency of their incentives targeted at SMEs by increasing and improving the dialogue between governments and entrepreneurs. All stakeholders should be involved during the design phase, and it would be beneficial for quantitative and qualitative feedback loops from entrepreneurs to be incorporated into the process.

Recommendations

For governments

- ▶ Concentrate incentives on improving innovation
- ▶ Design impactful, inclusive, stable and multimodal incentives, clearly targeted at entrepreneurs
- ▶ Measure the qualitative and quantitative impact of actual and potential incentives

For entrepreneurs

- ▶ Identify the existing start-up incentives at all relevant administrative levels, e.g., regional, national
- ▶ For your expansion projects, consider locating in a jurisdiction that provides appropriate incentives



5 Coordinated support

It's time to team

There is considerable potential for better coordination between government agencies, business incubators, university resources and training programs to unlock greater entrepreneurial activity. Indeed, only 44% of entrepreneurs across the G20 feel that these programs are well coordinated. For example, young entrepreneurs can find it difficult to globalize, and can benefit from the experience of government agencies and the private sector in receiving coordinated support.

Many entrepreneurs, especially the younger ones, benefit from support that is tailored, efficient and well coordinated. There are substantial differences across countries in this regard, but one leading practice that has emerged is one-stop shops, which centralize the bureaucratic components of new business formation. In terms of specific elements within the overall coordinated support framework, one that stands out is incubators, which were judged by the entrepreneurs we surveyed as likely to have the highest future impact on the entrepreneurship environment.

46%

judge support to be well coordinated in their country between governments, associations and education systems

49%

believe young entrepreneurs already benefit from tailored support

70%

think incubators and mentoring programs will have a medium or high impact on entrepreneurs' growth over the next three years

Recommendations

For governments

- ▶ Empower incubators – they are the most promising enablers
- ▶ Enhance tailored support for young entrepreneurs
- ▶ Simplify registration and taxation procedures with one-stop shops

For entrepreneurs

- ▶ Look for centralized providers of regulatory and tax information
- ▶ Avail yourself of coordinated incubator and mentoring support schemes

About this report

Although previous studies and data analyses exist on the entrepreneurial environment in the G20 countries, these tend to focus on specific elements of the environment for entrepreneurs. Moreover, existing datasets have often been incomplete across the G20, out of date, or inconsistent with comparable reports. As a result, there has been a lack of a holistic assessment and this void has tended to stifle both policy-making on entrepreneurship and entrepreneurs themselves.

The entrepreneurship environment up to now has been shaped largely by broader business policies and forces, with attention to particular elements for entrepreneurs being emphasized to different degrees in different countries. A targeted focus on the entire entrepreneurship environment is needed – but until now it has been difficult to determine what all the key elements of such a focus should be.

Certain subgroups within the G20 have common characteristics in the area of entrepreneurship; or have comparable success stories; or are in need of similar changes in government policy toward entrepreneurs. This report aims to highlight all of the key differences and similarities, so that G20 country governments can

learn from each other, creating better opportunities for entrepreneurs to succeed.

Our report pays particular attention to two subgroups within the G20: mature market countries and rapid-growth countries, where there are many important differences between the entrepreneurship environments. Ultimately, our objective is to help guide long-term improvements in entrepreneurship environments across the entire G20 and beyond. Some of our recommendations for governments and entrepreneurs are targeted at the entire G20, while others are more specific to mature market countries or rapid-growth countries.

Although we focused our analysis for this first edition on leading practices across the G20 countries, we recognize that there are many lessons to be learned from outside the G20 as well. For example, one country outside the G20 that boasts several government leading practices is Israel with its high-tech industry, now considered by most to be the second “Silicon Valley.” Much of this success has been credited to the Israeli Government, which started the VC fund Yozma with an initial investment of US\$100 million to assist technology start-ups. By encouraging and directly funding this type of investment, Israel removed

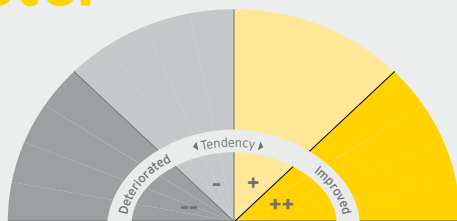
significant financial barriers that were preventing entrepreneurial activity. With approximately 1,000 corporate additions to its “Silicon Valley” each year, Israel has the second-highest number, in absolute terms, of start-up firms – second only to the US.

The findings of this report are drawn from a combination of quantitative and qualitative measures:

- ▶ Macroeconomic and business environment indicators of variables directly influencing entrepreneurship – we focused our analysis on indicators with strong representativity and comparability across the G20 countries
- ▶ A perception survey of 1,001 entrepreneurs across the G20 countries
- ▶ Qualitative interviews of emblematic entrepreneurs
- ▶ An analysis of G20 recent government leading practices

Our focus is on long-term trends – in periods of particular volatility in the business and economic environment, maintaining a long-term focus is especially important. The data we draw on covers the period 2005–10. We also explore the challenges going forward by examining factors that will impact entrepreneurship over the next three years.

The perception barometer



This study focuses on the entrepreneurship environment of G20 countries through the lens of five fundamental enablers: entrepreneurship culture; education and training; access to funding; regulation and taxation; and coordinated support.

Through these enablers, we explore the climate for entrepreneurs in the G20 countries and the likely direction things will take.

Our original approach is based on:

- ▶ Quantitative economic indicators
- ▶ The opinions of entrepreneurs on the progress and impact of specific enablers

Our perception barometer sums up progress as evaluated by more than 1,000 entrepreneurs during the last five years, using four score ranges.

The analysis of these indicators and opinions also highlights how entrepreneurs' perceptions may differ from the latest economic figures; a divergence that may be due to cultural bias, derivative ideas or lack of information. Red tape can also present challenges when it comes to accessing sources of funding.

These gaps in perception raise a call to action for governments to tackle these specific issues.

We structure our analysis according to the framework of the five key enablers identified by delegates at the G20 Young Entrepreneur Summit in Toronto in June 2010:

1 Entrepreneurship culture

The culture of a country can affect entrepreneurs and entrepreneurship on many levels. Our perceptions survey was central to our analysis of whether the culture of a country is conducive to entrepreneurship.

2 Education and training

We go beyond looking at the overall performance of the educational system, to take a closer look at entrepreneurship-specific education and assess how important this is for encouraging entrepreneurship.

3 Access to funding

Securing access to funding, both at the start-up phase and at later stages of enterprise development, is one of the biggest challenges for young entrepreneurs. We analyze the experiences of entrepreneurs in accessing funding across the G20 countries, and find some dramatic differences and valuable lessons.

4 Regulation and taxation

The regulatory and taxation environment is one of the areas in which governments have a key role in providing an enabling environment for entrepreneurial growth.

5 Coordinated support

There are typically a number of different agencies involved in facilitating and supporting entrepreneurship within a country. The level of support these agencies provide – and the extent to which they coordinate with one another – can make a crucial difference to the entrepreneurship environment.

These enablers do not constitute an exhaustive list. In particular, there are two complex, cross-cutting issue areas that are set to continue to grow in importance, in terms of how much of an impact they have on the entrepreneurship environment in a country:

1 Innovation

The tighter budget constraints faced by both governments and large corporations, as a result of the current economic uncertainty, risks lessening the focus placed by these players on some areas of research and development (R&D), and may delay the development, testing and implementation of new technologies. To some degree, SMEs will face a similar challenge. However, the SME perspective is fundamentally different in that innovation is often the very essence of entrepreneurship. Therefore, any vacuum left by governments and large corporations in areas in need of innovation will also create opportunities for those entrepreneurs prepared to take risks on potential innovative breakthroughs. However, there is a powerful argument that it is precisely during times of economic uncertainty that innovation should be at the center of efforts by governments and large corporations to lay the foundations for strong and sustainable future growth: innovation can help reduce

costs and uncover new opportunities. This is a particularly important consideration for governments. If policy-makers stimulate all of the components of a country's innovation system, which is centered on the five enablers outlined above, they will be able to count on entrepreneurs to multiply the positive impact of innovation on their country's economic growth – with ensuing benefits for employment and the fiscal balance.

2 Globalization

Despite current concerns about the global economy, and some signs of protectionist tendencies, there is little doubt that globalization will continue, in large part because the institutional set up in trade and other areas (e.g., intellectual property (IP) rights), centered on the World Trade Organization agreements, is difficult to reverse. Moreover, long-term trends in cross-border investment, financial integration and labor migration all support a

further deepening of globalization. This will continue to create ever-larger opportunities for entrepreneurs. SME owners are often required to think beyond the borders of their own country – driving exports and making use of international supply chain opportunities – in order to be successful. This is especially important when income levels differ among countries and growth perspectives diverge. More generally, entrepreneurs will need increasingly to be aware of how well countries other than their own compete on the five enablers for entrepreneurship outlined above – and conversely, governments will have to respond to that competition in order to attract a share of the growing international cadre of entrepreneurs.

Entrepreneurship culture

Strength
breeds success

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Strong entrepreneurship
culture favors diversity
and learning opportunities

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Cultural drivers of
entrepreneurship

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Construct a solid
entrepreneurial culture

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Our recommendations
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Selection of government
leading practices

A strong entrepreneurial culture is the foundation of a dynamic economy. It reflects how a country's society supports the ideas and initiatives of entrepreneurs and how it can direct young people toward a career in business by enhancing their skills. A strong entrepreneurial culture means there is less of a stigma associated with failure and recognizes the crucial role of entrepreneurs in creating new jobs.

A country's entrepreneurial culture depends on a variety of factors. Perhaps the most important is that a strong entrepreneurial culture serves as a seedbed for innovation. These cultures foment innovation in ideas, services, products and technologies. They typically feature a high quality of research and offer pathways for putting novel ideas to practical use. They promote entrepreneurial activity and present exciting possibilities to those following a career in entrepreneurship.

A culture of entrepreneurship is particularly strong in the rapid-growth markets. Especially impressive are the performances of India and China, where more than 90% of respondents perceive the culture to be conducive to entrepreneurship. However, innovative activity in rapid-growth markets is still, in some respects, small compared with the mature markets, which have a much higher concentration of advanced researchers.

Delegates, gathered in Toronto in June 2010 for the G20 Young Entrepreneur Summit, noted that: "While entrepreneurship has transformed countless lives in all our countries, young people are often not aware of entrepreneurship as a possible career option. This is particularly the case with young women and those from marginalized groups. Some cultures also view business failure as shameful and not as a learning milestone that shapes and improves later entrepreneurial ventures. Examples of entrepreneurs who have overcome these and other challenges are role models that can serve as powerful teachers and we encourage our governments to find ways to share these positive examples."

Our survey of more than 1,000 entrepreneurs across the G20 helps us to understand better the background environment for entrepreneurs, how business failure is perceived, the links between culture and innovation, and the influence of the media and universities as drivers of change.

Key findings

- ▶ Innovation is perceived as a key cultural enabler to improve G20 countries' entrepreneurship culture.
- ▶ Economies with stronger entrepreneurial cultures are more tolerant and understanding of business failure and do not perceive this as a barrier to entry, but as an opportunity to learn.
- ▶ Countries with stronger entrepreneurial cultures do more to promote entrepreneurship success stories in universities and the media.
- ▶ Entrepreneurs believe that the most effective method to promote entrepreneurship is to emphasize its role in creating jobs. This is particularly true in rapid-growth markets.

Our recommendations

For governments

- 1 Encourage** innovation and highlight the role of entrepreneurs in providing innovative products
- 2 Increase** visibility and emphasize the role of entrepreneurship in creating new jobs

For entrepreneurs

- 1 Contribute** to improvement of your country's culture by promoting your own success
- 2 Take account of** the local entrepreneurial culture when making your decision to globalize

Strong entrepreneurship culture favors diversity and learning opportunities

Economies with stronger entrepreneurial cultures are more tolerant and understanding of business failure and do not perceive this as a barrier to entry but as an opportunity to learn.

The majority of interviewees across the G20 (76%) are quite positive about the entrepreneurship culture in their country. Among the mature markets, the US and Canada are the benchmarks, with nearly 9 in 10 entrepreneurs believing the entrepreneurship culture to be encouraging and supportive of new businesses. Of the rapid-growth markets, India (98%) and China (92%) benefit from the most supportive culture for entrepreneurs. Entrepreneurship is also strongly encouraged by the local culture in Saudi Arabia (86%) and Indonesia (84%). Four regions are below the mature markets' average (Japan, European Union, Russia and France). This is reflected in a rather negative perception of business failure in these areas.

Learn from business failure

There is a strong connection between a culture's perception of business failure and its favorability to entrepreneurship. For instance, the US and China, which have

strong entrepreneurial cultures, do not perceive potential failure as a barrier but rather as a learning opportunity. However, in countries such as Japan and France, which possess the weakest entrepreneurial cultures, the likelihood of failure poses a significant barrier.

Boost entrepreneurship among women

Diversity also impacts a country's entrepreneurial culture. Studies of global entrepreneurial activity have documented a gender gap in entrepreneurship, from venture creation to ownership activity. That gap is greater in the mature markets than in the rapid-growth markets: in the mature economies, men are almost twice as likely as women to be early-stage or established business owners.

Women entrepreneurs can often be distinguished by their insight into market opportunities and their network of fellow

entrepreneurs. One study concludes that: "Women entrepreneurs tend to be more confident in their own skills, are more likely to know other entrepreneurs, and are more alert to the existence of unexploited opportunities than women who indicate no entrepreneurial activity."

Being employed and having a social network that includes other entrepreneurs are both strong predictors of women's entrepreneurship. This suggests a guidepost for governments trying to boost women's entrepreneurship. Policies to facilitate women's labor market participation generally – such as provision of day care – have positive spillover effects on women's entrepreneurship. As is true for their male peers, optimism, self-confidence and a reduced fear of failure are also important predictors of women's entrepreneurship.⁵

5. 2007 Report on Women and Entrepreneurship, Global Entrepreneurship Monitor, 2007.

Government leading practice

European Network of Female Entrepreneurship Ambassadors (ENFEA)

The aim of the network, established in 2010, is to have successful entrepreneurs campaigning on the ground to inspire women of all ages to become entrepreneurs and to set up their own businesses. The ambassadors help to raise the confidence necessary for setting up and creating successful businesses. They are also role models to inspire other women to become entrepreneurs by "telling their own story."

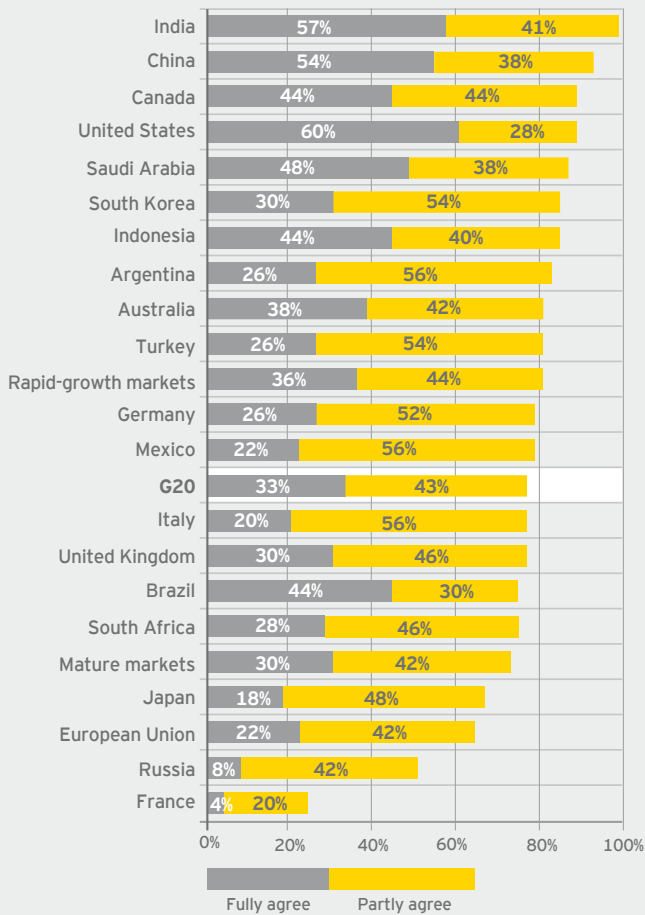
The ambassadors promote entrepreneurship among women by engaging and speaking to groups in schools, colleges,

universities, community groups and the media, as well as addressing conferences, business networks and employment initiatives.

In the first year after the network's launch, 150 ambassadors participated in a total of 141 national kickoff meetings and other inspirational events and workshops, reaching more than 7,600 participants, resulting in a high visibility among the target audience.

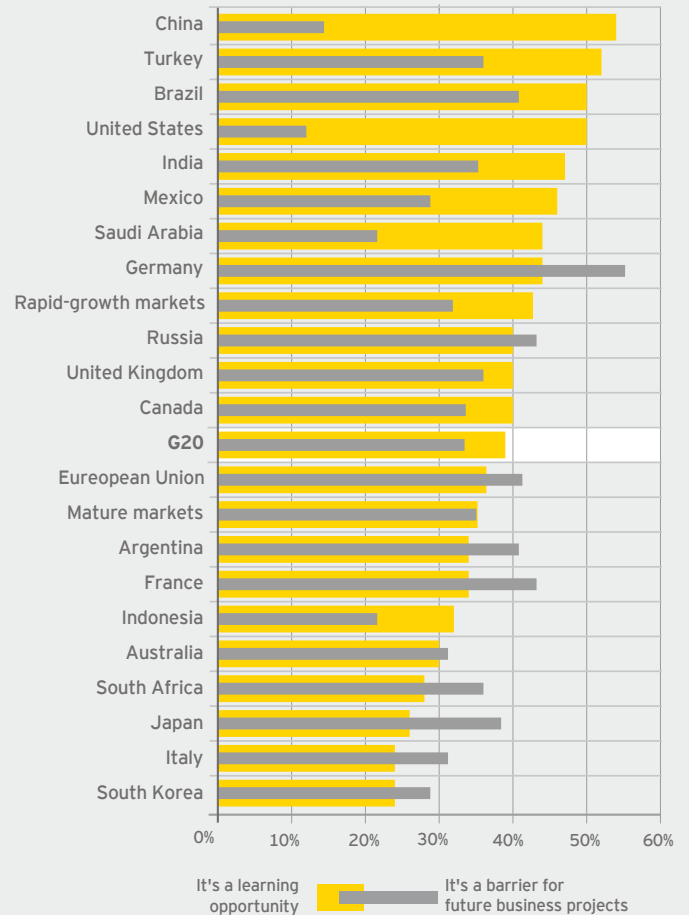


Do you think that the culture in your country encourages entrepreneurship?



Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

How do you think business failure is perceived in your country?



Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

Cultural drivers of entrepreneurship

Innovation and promotion of success stories in universities and the media can enhance the culture of entrepreneurship.

Government leading practice

The Young Chinese Entrepreneur Award (China)

The Young Chinese Entrepreneur Award was jointly set up in 2004 by the China Communist Youth League and the Ministry of Human Resources and Social Security. This award targets entrepreneurs between the ages of 18 and 40, who start businesses themselves, from scratch, and have a deep sense of social responsibility.

The award involves a wide variety of businesses ranging from media and high technology to animal husbandry. To inspire more people, the Award Organizing Committee publishes the accomplishments of the prizewinners and organizes for them to give a lecture tour of China.

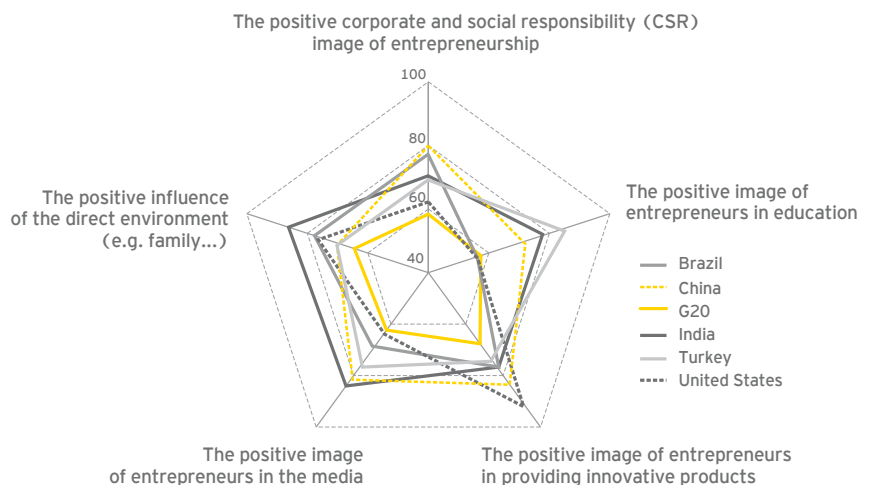
Across the G20, the positive image of entrepreneurs in providing innovative products has been the most potent factor in improving the cultural perception of entrepreneurship. This is clearest in the United States, where innovation is the strongest driver. In India, by contrast, the influence of the family, the direct environment and the media have had a strong impact in improving the perception of entrepreneurship in the past five years. Turkey is unique in promoting the perception of entrepreneurship through the positive image of entrepreneurs in education. Entrepreneurs also benefit from a strong presence through their contribution

to corporate social responsibility (CSR) – in Brazil and China, for example.

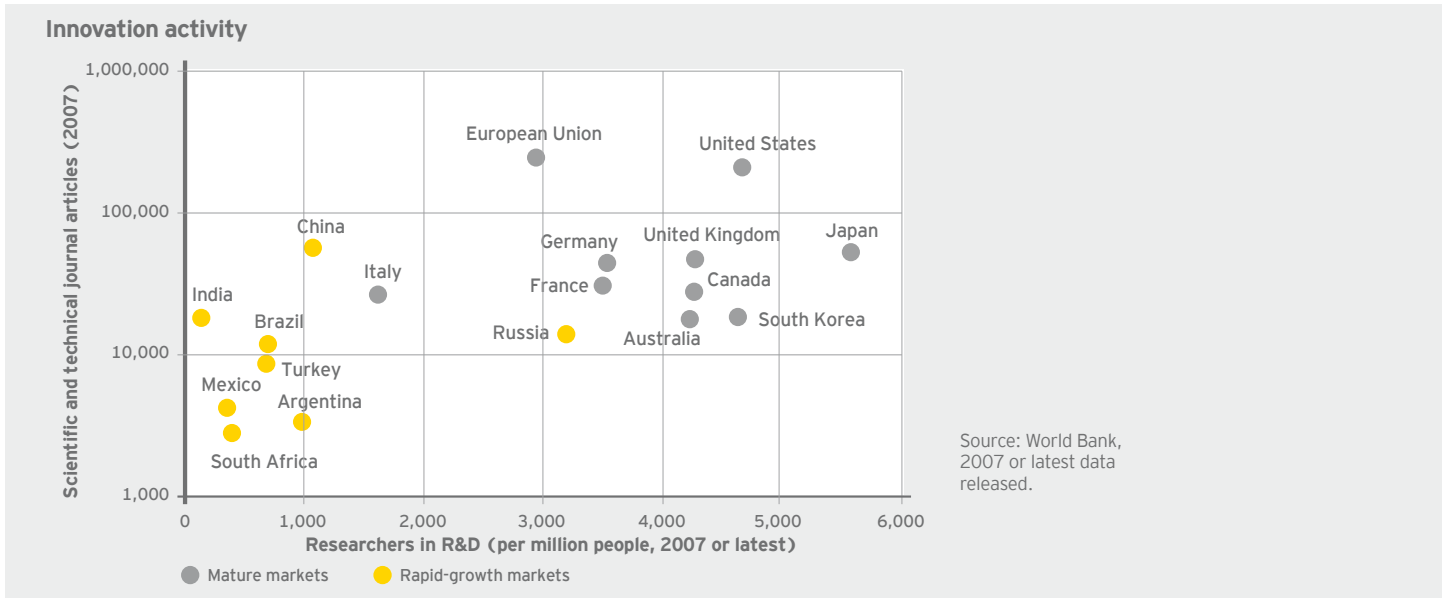
The positive influence of the direct environment is the second strongest cultural driver to improve the perception of entrepreneurship. The role of the family is particularly strong in countries such as India and Brazil. This also has an impact on entrepreneurs' performance. Indeed, family businesses outstrip non-family firms across key financial measures, including growth in added value, turnover, cash flow and job creation.⁶

6. Flexible, focused and future looking: how a distinctive business approach is sustaining family firms during the downturn, Ernst & Young 2010

Key cultural drivers in improving the perception of entrepreneurship



Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.



Innovation as a key cultural enabler

New and innovative products developed by entrepreneurs improve the image of entrepreneurship in society. Entrepreneurs told us that innovation not only had the highest impact on the perception of entrepreneurship in the past five years, it is also expected to have the highest impact of any policy in promoting the long-term growth of entrepreneurship in the coming three years.

Entrepreneurs are largely responsible for testing the feasibility of new and innovative ideas, which often feed into new products and processes. These ideas can arise from R&D activities performed by corporations and universities, and sometimes require additional market testing. The number of

people engaged in R&D, and the number of scientific journal articles produced, are both useful indicators of the environment for research and innovation. The relationship between the two allows some inferences to be drawn about the efficiency or quality of the research and innovation taking place, which is partly a reflection of the entrepreneurship culture.

The rapid-growth countries are concentrated in the bottom-left corner, which suggests lower innovative input and output, and hence a weaker innovative density with regards to its total population. Mature markets are toward the top-right, indicating denser innovation activity with regards to its population, hence a stronger culture for innovation. One explanation

for this divergence is that, as rapid-growth markets are catching up economically with mature markets, they tend to import and adapt innovative processes and ideas. Yet this dynamic changes with time: more recently, the rapid-growth markets in the G20 have been creators of dynamic new innovations in their own right.

The G20 countries also show variable degrees of efficiency with respect to innovative output. For instance, while Japan has the highest share of researchers per population, it produces significantly fewer scientific journal articles per capita than Canada and Australia, the two most efficient countries in this regard. However, the competitive advantage in innovation is clearly held by mature markets.

Government leading practice

InnoProfile (Germany)

InnoProfile, launched in 2005, supports cooperation between junior research groups and those businesses that represent regional core competences and hold the potential to contribute to their region's economic development in a significant way. The funding helps to recruit uniquely qualified professionals from science and industry who will, in future, contribute to shaping the region's economic and technological processes.

Research projects are selected by market-oriented groups of young scientists in three program rounds. The first round, in November 2005, saw 18 projects qualify for a five-year funding period, from more than 100 applications. The August 2006 round saw 14 projects selected and presented to the public. Ten further projects were selected in May 2007. Altogether, 42 "InnoProfile" initiatives are being supported.

In order to select projects, federal ministries have increasingly turned to competitions, with an emphasis on public-private partnerships across policy levels and networks – as well as using public-private juries to select innovative concepts for funding. One challenge is to overcome the familiar picture of a north-south and an urban-rural divide, with projects clustering around larger cities in the south of eastern Germany.

These and similar policies are a decentralized, regional approach, albeit initiated at federal level. They do not follow the strategy of supporting less-developed regions by building up their infrastructure and subsidizing their business activities. Instead, they focus on establishing regional centers of excellence, independent of their location.

Government leading practice

Canadian Innovation Commercialization Program (CICP), Canada

The CICP is a CAN\$40 million initiative, launched as part of the Government of Canada's commitment to promote Canada's economic growth, as announced in the 2010 budget. Targeted at SMEs, the CICP is designed to help companies bridge the pre-commercialization gap for their innovative products and services by:

- ▶ Awarding contracts through an open, transparent, competitive and fair procurement process, to entrepreneurs with pre-commercial innovations
- ▶ Testing and providing feedback to these entrepreneurs on the performance of their products or services
- ▶ Providing innovators with the opportunity to enter the marketplace with successful applications of their new products and services
- ▶ Providing information on how to do business with the Government of Canada

For example, despite spending roughly the same proportion of GDP on R&D, Italy produces about seven times as many journal articles per capita as Brazil.

An innovative culture allows creativity, experimentation and failure. It transforms the technical input of the skilled workforce and researchers into tangible output – from journal articles to product prototypes. It then allows these to be brought to market without excessive penalty for failure.

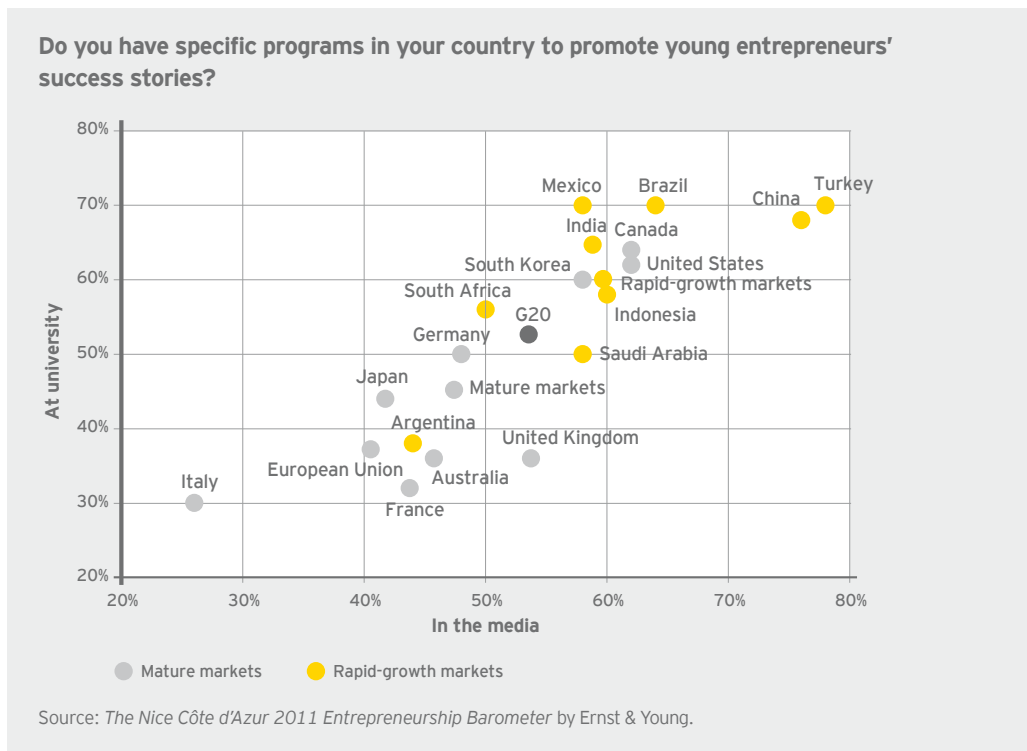
Using media and universities to model entrepreneurs' image

Effective and practical education, and the promotion of commercial thinking in universities and the media helps promote a strong entrepreneurial culture.

Rapid-growth markets are more optimistic about the level of such communication in their country. Turkey, Brazil and Mexico are at the top of the entrepreneurs' perception. On the other hand, Italy, Japan, France and the European Union, which had a deficit in entrepreneurial favorability, could improve their communication of entrepreneurs' successes. China, India, Canada and the US, by contrast, which feature high in the perception of cultural favorability, have robust communication of entrepreneurs' success stories. For example, Win in China is a national reality television show, launched in 2006, whose premise is entrepreneurs competing for investment into their projects or companies. It pits China's talented and brightest entrepreneurs against each other for RMB10 million or nearly US\$1.3 million

in start-up money. Contestants are judged, in part, by a panel of China's top business leaders. The winner gets VC financing to execute their business plan. They will be appointed CEO and will own 20% of the equity in the new company. The remaining equity is allocated to the VC firms that fund the deal (50%), to text-messaging viewers (15%) and to China Central Television (CCTV) (15%). In 2008, the third season, a record 150,000 entrepreneurs applied to compete. Win in China has also produced a successful line of books and DVDs aggregating various judges' words of wisdom.

In the US, the Startup America Partnership, introduced in 2011, is focused on bringing the private sector together to maximize the success of America's entrepreneurs. Based on this initiative, StartUp Britain is a new campaign run by entrepreneurs for entrepreneurs to support small businesses in the UK. The program is designed to celebrate, inspire and accelerate enterprise in the UK. This new campaign was launched by the UK's prime minister and gathered support from more than 60 leading brands.



Construct a solid entrepreneurial culture

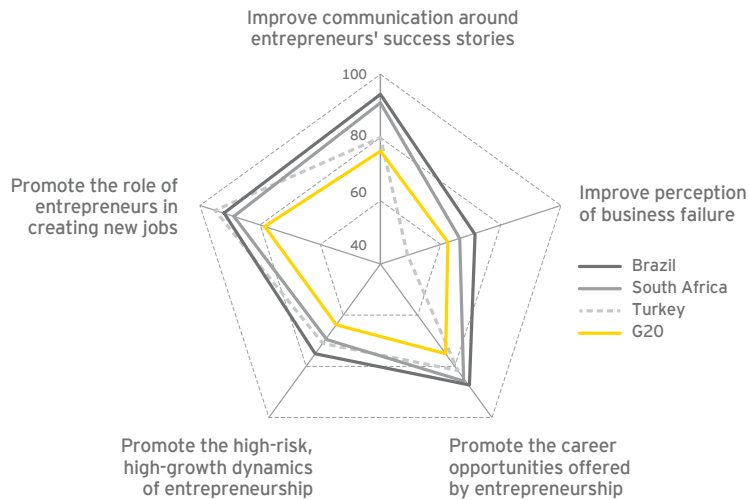
For entrepreneurs, the most effective method to promote entrepreneurship is to underline its role in creating jobs, a conviction that stands particularly high in rapid-growth markets.

Stagnant economic growth has rippled through the mature markets in the aftermath of the financial crisis, leaving a dearth of new jobs, especially for younger people. Encouraging SME growth, which is often responsible for employing a significant portion of the labor force, is part of the solution. Indeed, the majority of G20 entrepreneurs surveyed agree that entrepreneurship is promoted most effectively by emphasizing its role in creating jobs. For example, in France, 78% of the entrepreneurs we surveyed believe this method improves the entrepreneurship culture. This view is strongest among entrepreneurs in rapid-growth markets.

About 9 in 10 entrepreneurs in Turkey and Brazil and almost 8 in 10 entrepreneurs in South Africa believe that job creation would be the most effective approach to promoting entrepreneurs. In mature markets, the importance of unemployment in driving these perceptions is likely to be more of a cyclical, post-recession phenomenon, whereas in several rapid-growth markets, structurally high levels of informal employment or underemployment are likely to be more important in driving these perceptions.

Job creation and career opportunities come next, after the communication of entrepreneurs' success stories, as impactful

To improve the entrepreneurship culture in your country, which impact will have the following actions in the next three years?



Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

enablers to improve the local culture – especially in Brazil and South Africa. The *Future 100*, South Africa's top young entrepreneur's award, was launched in 2008 to acknowledge and promote successful young entrepreneurs. The South African Youth Chamber of Commerce (SAYCC) and the National Youth Development Authority (NYDA), which are the sponsor bodies for this program, decide on the selection criteria. This national program targets young entrepreneurs (aged 18-35) with

inspiring stories of success in business. The overall winner walks away with a CEO award of R100,000. The top 100 winners receive an award certificate confirming their achievement, and their stories are told, and businesses profiled, in newspapers and a special supplement.

Our recommendations for governments

Entrepreneurs told us that innovation is the strongest link to promoting entrepreneurship. Not only did it have the highest impact on the perception of entrepreneurship in the past five years, it is also expected to have the highest impact of any policy promoting the long-term growth of entrepreneurship in the coming three years.

1 Encourage innovation and highlight the role of entrepreneurs in providing innovative products

Governments should consider the leading practices of their G20 peers in highlighting the contributions to innovation made by entrepreneurs. Many of the G20 in both the mature and rapid-growth markets are developing programs to specifically promote the link between entrepreneurship and innovation.

One example is Germany's Innovative Regional Growth Cores program. This supports alliances of businesses, universities and research institutes, which either already possess a joint, specific platform technology in their region, or have the potential to develop one.

Entrepreneurs are at the forefront of new and innovative ideas, which often feed into new products and processes. These ideas are developed through R&D activities performed by corporations and universities.

2 Increase visibility and emphasize the role of entrepreneurship in creating new jobs

In the current climate of highly variable economic growth prospects, the attractiveness of a business sector ready to generate new employment, and capable of doing so, is higher than ever. Entrepreneurs told us unambiguously that their contribution toward creating new jobs should be a key emphasis in efforts to promote entrepreneurial culture.

Governments need to have a more precise understanding of the number of jobs created by SMEs in their country in order to communicate more efficiently to the public and more effectively influence their entrepreneurship mind-sets.



Viewpoint

Gülden and Yilmaz Yilmaz
Koton, Turkey.

Founded in 1988, Turkish "fast-fashion" brand Koton has 350 stores in 25 European, Middle Eastern and Asian countries. Husband-and-wife team Yilmaz and Gülden Yilmaz have grown the company by, on average, 30% a year.

"Research from Babson College shows that, in 2008, Turkey had a 6% entrepreneurship rate. This increased to 8.6% in 2010, which is an improvement, but still very low given that 52% of Turkish people are below the age of 29. We would like to see more women entrepreneurs too: out of Turkey's 1.3 million entrepreneurs, only 8,000 are women.

There are a number of things that need to happen to encourage young entrepreneurs.

First, the tax system needs to support them. Six or seven years ago, corporation tax was decreased to 20%, but there have been no other improvements since then. The Government should also encourage more angel investors and seed funds, which could also act as mentors.

There need to be some policy changes. For example, there is a law preventing college professors from starting their own

companies. Innovation comes out of universities, so scientists need to be able to work outside these institutions as well.

Overall, the culture of entrepreneurship is still new in Turkey. Taking a government job is seen as a safer, steadier way to start your career. Through educating young people and providing role models, this perception can change."

Selection of government leading practices

For more information, visit our website: www.ey.com/entrepreneurship-barometer

	Launch date	Country
Canadian Innovation Commercialization Program (CICP)		
The Canadian Innovation Commercialization Program (CICP) is a CAN\$40 million initiative. The targets are SMEs, which are an important component of the Canadian economy. Created to bolster innovation in Canada's business sector, CICP is designed to help companies bridge the pre-commercialization gap for their innovative products and services.	2010	Canada
The Accelerator Centre		
The Accelerator Centre was established to accelerate the creation, growth and maturation of sustainable new technology companies; to promote commercialization of research and technology coming out of academic institutions; and to generate economic benefit and enhance the strategic importance of the Waterloo Region within Ontario and Canada's broader economy.	2005	Canada
The Young Chinese Entrepreneur Award		
The Young Chinese Entrepreneur Award was jointly set up by the China Communist Youth League and the Ministry of Human Resources and Social Security. This award targets entrepreneurs aged 18 to 40, who start businesses themselves, from scratch, and have a deep sense of social responsibility. The award involves a wide variety of businesses ranging from media and high technology to animal husbandry. To inspire more people, the Award Organizing Committee publishes the accomplishments of the prizewinners and organizes for them to give a lecture tour of China.	2004	China
Teng Fei Award		
The China Western-Return Scholar Entrepreneur, or Teng Fei Award, was designed to honor and reward those returned overseas-educated Chinese who had grown into enterprise leaders.	2009	China
Erasmus for Young Entrepreneurs		
Erasmus for Young Entrepreneurs is a project initiated by the European Union. It aims to help new entrepreneurs to acquire relevant skills for managing an SME by spending time in an enterprise in another European Union country. It contributes to improving their know-how and fosters cross-border transfers of knowledge and experience between entrepreneurs.	2009	European Union
European Network of Female Entrepreneurship Ambassadors (ENFEA)		
The aim of the network is to have successful entrepreneurs campaigning on the ground to inspire women of all ages to become entrepreneurs and to set up their own businesses. The ambassadors help to create the confidence necessary for setting up successful businesses. They are also role models to inspire other women to become entrepreneurs by "telling their own story."	2010	European Union
Innovative Regional Growth Cores		
The Innovative Regional Growth Cores program (German: Innovative regionale Wachstumskerne) started in 2001 with the aim of effectively using and developing existent competences and potential in the New German Länder. It supports alliances of businesses, universities and research institutes, which either already possess a joint, specific platform technology in their region, or have the potential to develop one.	2001	Germany

	Launch date	Country
Trade Related Entrepreneurship Assistance and Development (TREAD)		
The scheme encourages economic empowerment of women through development of their entrepreneurial skills in non-farm activities.	1997	India
Saudi Fast Growth 100		
A national program to promote entrepreneurship and innovation in Saudi Arabia that ranks the fastest-growing emerging companies in the Kingdom. The program and its list are created by the Saudi Arabian General Investment Authority's (SAGIA's) National Competitiveness Center with joint founding partners Al-Watan newspaper and AllWorld Network. The selection criteria are based on international standards of competitiveness originally developed by Inc. Magazine to create the Inc. 500. The winning companies are divided into two categories: Saudi Fast Growth 100 and Saudi Fast Growth 100 Start-Ups.	2008	Saudi Arabia
Bizjam		
A business networking portal for young entrepreneurs where they can find potential buyers and sellers for their products. Identifying potential target markets and sources of capital is also possible through this network. Business plans and ideas can be discussed with other entrepreneurs. Bizjam facilitates various forums such as road shows, meetings and Bizjam Fridays. NYDA of South Africa is its official sponsor.	2004	South Africa
Future 100		
This is a motivational program to acknowledge and promote young entrepreneurs in South Africa. SAYCC and NYDA, which are the sponsor bodies for this program, decide on the selection criteria. This national program targets young entrepreneurs aged 18-35 with inspiring stories of success in business. The overall winner walks away with a CEO award of R100,000.	2008	South Africa
Startup America Partnership		
The Startup America Partnership is focused on bringing the private sector together to maximize the success of America's entrepreneurs – and to maximize America's competitiveness in an increasingly global world. Through quality resources provided by its partners, it aims to help more start-ups smartly grow their organizations, expanding from dozens of employees to hundreds, and ultimately thousands, to become high-growth firms.	2011	United States
The Global Student Entrepreneur Awards		
The Global Student Entrepreneur Awards (GSEA) is a program of the Entrepreneurs' Organization (EO). The GSEA operates as an international series of competitions for student entrepreneurs who are attending a recognized high school, college or university, and who own a for-profit business, are principally responsible for its operation and have been generating revenue for a minimum of six consecutive months.	2006	Global
Global Entrepreneurship Week		
Global Entrepreneurship Week (GEW) is the world's largest celebration of the innovators and job creators who launch start-ups that bring ideas to life, drive economic growth and expand human welfare. Each November, a whole week is dedicated to activities, events and competitions related to entrepreneurship in all the participating countries. This initiative puts entrepreneurship under the spotlight and helps connections with potential collaborators, mentors and even investors.	2008	Global

Education and training

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is needed

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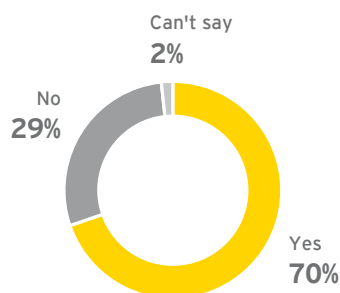
Selection of government
leading practices

Education is fundamental in the creation of new business. The ability to recognize commercial opportunities and the knowledge, self-esteem and skills to act on them are core aspects of entrepreneurial education. Also crucial is tuition on specific business disciplines such as management, marketing, information systems and finance. Delegates, gathered in Toronto in June 2010 for the G20 Young Entrepreneur Summit, affirmed that "our education systems have an essential role in enabling young entrepreneurs to acquire the knowledge and skills that they will need to succeed. Governments should encourage entrepreneurial education in our schools, colleges and universities and through non-traditional, community-based means that value real-life experiences."

The mature and rapid-growth markets differ on their view of entrepreneurship-specific training, however. Eighty percent of entrepreneurs in the G20 rapid-growth markets believe that students need to follow specific training to become entrepreneurs, while those in the mature markets are less convinced (59%). When looking at the mature markets' perception in more detail, it emerges that, in Australia, Canada, the US and the UK, fewer than 50% of entrepreneurs think that students need to follow specific training.

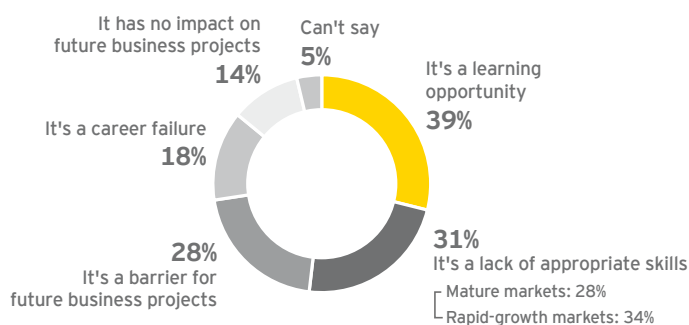
This emphasis on specific training reflects our respondents' view that failure is likely to be seen by society and the business community as reflecting a lack of skills. Entrepreneurs named "lack of skills" as the second-most likely explanation for business failure, whether among the business community or in society generally.

Do you think that students need to follow specific training to become entrepreneurs?



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

How do you think business failure is perceived in your country?



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young. Respondents selected more than one response.

Key findings

- ▶ Rapid-growth markets show the most interest in dedicated training. Indeed, 80% say students should follow specific programs to become entrepreneurs, against 70% across the G20.
- ▶ Entrepreneurship education and training needs to become associated with a wider range of disciplines, rather than being viewed as purely a component of business studies.
- ▶ Widely sharing young entrepreneurs' success stories will strongly impact the perception of an entrepreneurship career.

Our recommendations

For governments

- 1 **Consider** non-traditional, community-based education approaches that value real-life experiences
- 2 **Provide** training assistance for those moving from a corporate role to entrepreneurship
- 3 **Broaden** the scope of university entrepreneurship education
- 4 **Change** the perception of entrepreneurship as a career option from primary school onward

For entrepreneurs

- 1 **Inspire** students by telling your own success story
- 2 **Engage** in internship and experience schemes that match local businesses with young entrepreneurs
- 3 **Undertake** specific, dedicated business start-up training when moving from a corporate role to entrepreneurship

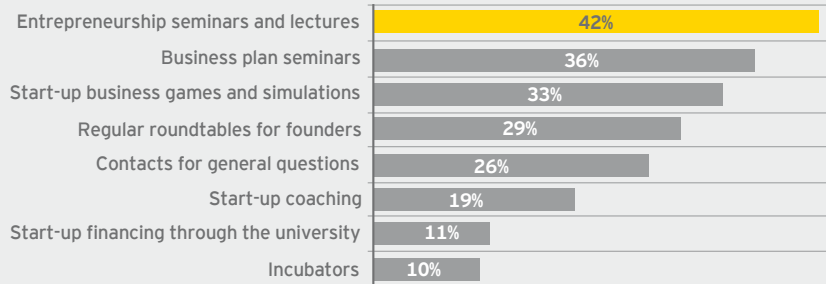
Dedicated programs need to open up to the world

The sheer variety of skills necessary to be a successful entrepreneur means that entrepreneurship education and training needs to include a huge range of disciplines. It cannot be just another component of business studies.

To provide the right climate for the young entrepreneur, the educational infrastructure is vital – not just for the entrepreneur's human capital, but for the workforce from which they might be hiring as the business grows. In the G20, public spending as a share of the economy is just above the world average of 4.4% of GDP (4.7% in the mature markets and an estimated 4.6% in the rapid-growth markets for 2007). In the mature markets, this occurs alongside a higher incidence of new business registrations. Where public spending is low, so too is new business density as measured by business registrations per member of the 15-64 year-old population.

Global student usage of entrepreneurial support services

% of students indicating usage



Source: Global University Entrepreneurial Spirit Students' Survey, 2008.



Viewpoint

Xavier López Ancona
President KidZania, Mexico

KidZania is a chain of family entertainment centers that allows children to play in a replica city exactly to their scale, complete with branding by corporate sponsors. Xavier López Ancona founded the company in 1999 in Mexico City.

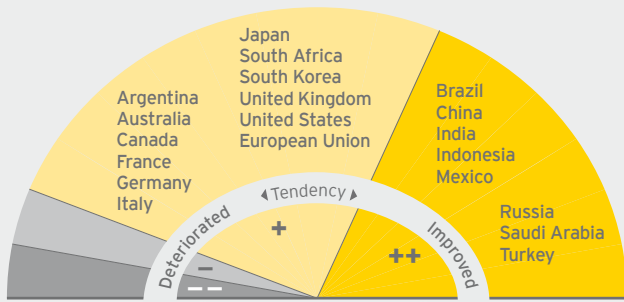
"I have seen several improvements in Mexico since I started out. One of the big changes is in the education system. When I was studying business administration, there was no single entrepreneur course. Now, there are full entrepreneur programs and you can major in entrepreneurship at private universities. What we need now is for the public universities to also promote entrepreneurship, and for this to filter down to the high school level.

Likewise, 15 or 20 years ago there was no single association that promoted entrepreneurship. Now, we have organizations such as Endeavor, conferences and various awards that recognize entrepreneurs' achievements.

The Government has also reduced red tape for entrepreneurs just starting out, so it takes much less time to get a business going, and there is much more information available via websites and other channels.

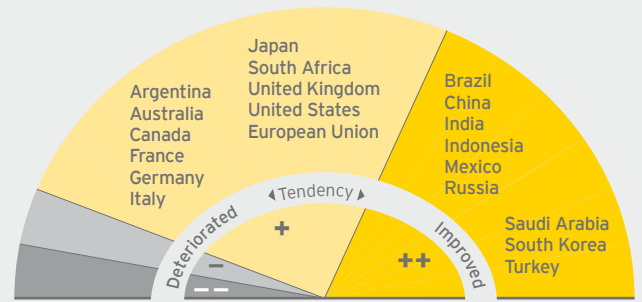
I still see some opportunities to improve access to funding – not necessarily providing the funding itself, but creating an environment that will attract angel investors and private equity firms to Mexico."

Perception barometer



Specific programs at universities and business schools: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.



Dedicated entrepreneurship chairs in universities and business schools: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

According to our survey, some G20 countries are improving their entrepreneurship education and training. Our indicator of favorable perceptions in the chart above shows the improvement seen by entrepreneurs in China, Saudi Arabia and Turkey in training and education in the past five years. The majority of improvement originates from dedicated entrepreneurship chairs in university or business school in China, and from specific entrepreneurship programs in Saudi Arabia and Turkey. Comparatively less improvement has been seen in the mature markets compared with the rapid-growth markets.

The appetite for more education and training has generally been higher in the rapid-growth markets, and support programs in these economies have been improving at a higher rate compared

with the mature markets. The additional support includes specific programs and dedicated entrepreneurship chairs at university level, as well as conferences and seminars, and training at secondary school. On average, while four out of five respondents believe that the overall level of education and training has improved in the rapid-growth markets, only three in five believe the same to be true for the mature markets. According to our respondents, in the rapid-growth markets, most of these improvements can be seen in China and Indonesia. Among the mature markets, Japan and South Korea have made the most wide-ranging improvements.

Government leading practice

Summer Company (Canada)

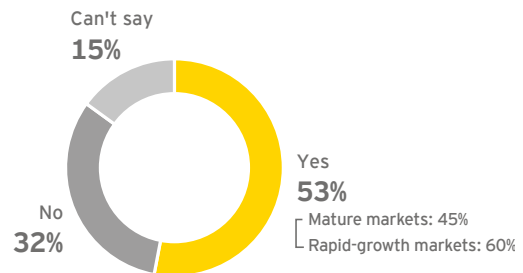
Since 2002, the Ontario-based Summer Company program allows students, from 15 to 29 years old, who want to start and run their own summer businesses, to obtain hands-on business coaching, training and mentoring as well as CAN\$1,500 to put toward start-up costs and up to CAN\$1,500 upon successful completion of the program. Successful completion requires that the student:

- ▶ Implements their project substantially in accordance with the business plan
- ▶ Participates in coaching and training
- ▶ Meets with a local business mentor as specified
- ▶ Provides documents related to the experience and business operation
- ▶ Meets all program requirements for establishing and operating the business

Spreading the word to boost entrepreneurship as a career

Widely sharing young entrepreneurs' success stories will strongly impact the perception of an entrepreneurship career.

Do you have specific programs at university in your country to promote young entrepreneurs' success stories at university?



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Several entrepreneurs we interviewed reported that students prefer to join large international companies to develop their career. Clearly, educating students about entrepreneurship as a valid career option must not be ignored and internships, conferences and success stories are all good means of achieving this. Entrepreneurs from the rapid-growth G20 members report the highest incidence of university programs designed to highlight entrepreneurs' success stories.

For example, the Center for Entrepreneurship Development and Studies (CEDS) is a student organization at the University of Indonesia that encourages the development of an entrepreneurial spirit in its students. Set up in 1998, it is focused on fostering young Indonesians with an entrepreneurial spirit to help them become self-sufficient in a business environment; and on developing communities with entrepreneurship interests.

The Know About Business (KAB) program, meanwhile, was developed with the International Labor Organization (ILO) and launched in China in 2005. It consists of training modules and teaching material for entrepreneurial education, aimed at university students. The pilot program was launched with six universities initially and currently serves 92 universities in 25 provinces, with approximately 15,620 student participants. According to an assessment survey, 50% of these students considered self-employment to be a very viable career option.



Viewpoint

Emrah Kaya

Chief Youth Officer, Youtholding (Turkey)

Serial entrepreneur Emrah Kaya now oversees Youtholding, an umbrella organization that focuses on developing marketing strategies aimed at young people – a rich market considering that fully half of Turkey's population is under the age of 29.

"Entrepreneurship is becoming more popular among young people in Turkey. Before, it was seen as a last resort when a young graduate couldn't find a job and didn't have any other options. Nowadays, it increasingly draws talented and ambitious people with business-oriented minds.

In the past few years, many alternative capital and funding options have emerged for young entrepreneurs. The most important are the angel investors. KOSGEB, a government organization for SMEs, also supports successful business plans, and private equity firms are a great opportunity for entrepreneurs who are beyond the starting stage.

The Government needs to encourage entrepreneurs in, primarily, technology and the media through tax incentives, R&D support and office support. All investment that supports entrepreneurs should be tax free, which would encourage foreign investment in Turkey.

Other than financial support, young entrepreneurs need entrepreneurship programs in high schools and universities, and successful entrepreneurs as hands-on role models. TUGIAD, an association of young entrepreneurs, is helpful in this way, and it's one of Youtholding's major responsibilities to extend this kind of support. In the past nine years, our Egitisim Career Institute has supported 72,000 young entrepreneurs by educating them in areas such as business administration, marketing, HR and communications."

Dedicated training seduces rapid-growth markets

Rapid-growth markets show the most interest in dedicated training. Indeed, 80% say students should follow specific programs to become entrepreneurs, against 70% across the G20.

Entrepreneurship education goes beyond the confines of traditional educational spaces. Many of the G20 members offer support for people already employed but who seek transition to entrepreneurship, as well as for entrepreneurs who seek additional training. Such training is vital in helping them negotiate regulatory frameworks, engage investors and organize mutual support schemes.

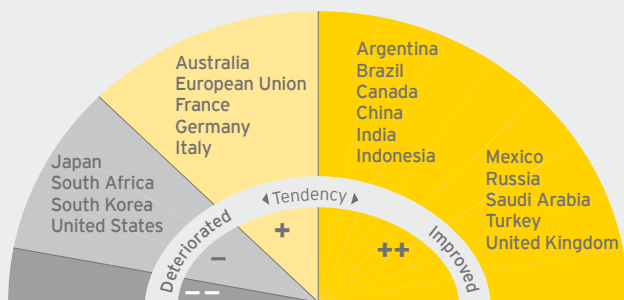
G20 entrepreneurs told us that improvements in such training have taken the form of entrepreneurship conferences and seminars in the past five years. The biggest such improvements have come in Turkey, India, Mexico and Brazil. Many entrepreneurs also report improvement in the form of a training period at the secondary school level. Such training has improved the most in China, Saudi Arabia and Indonesia.

The Chinese Fund for College Students contributes to this improvement. Indeed, the Chinese Government and several Chinese universities allocated Yuan1.6 billion (US\$2.44 million) in 2010 to foster innovation and entrepreneurship among domestic college students – including encouraging them to start up their own company. The fund makes 5,539 entrepreneurial training lectures available to more than 880,000 students, with entrepreneurship contests and forums covering more than 1.5 million students. The program's challenges include developing tools to help students innovate and set up their own company, and reducing the risks and costs of college students' start-ups.

In Saudi Arabia, the AlAhl Small Business Program, introduced in 2006, aims to provide Saudi youths with the knowledge

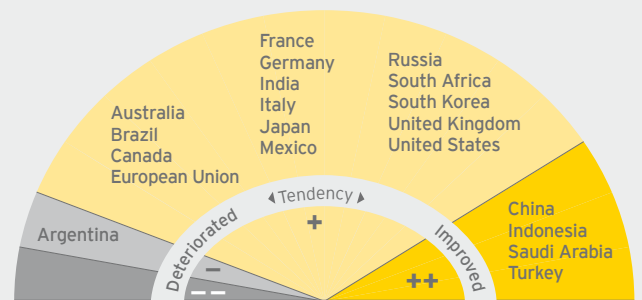
and skills necessary to establish and develop their own business, and to manage it successfully. The program also helps them to obtain loans from sources that cooperate with the National Commercial Bank, a program sponsor. The key training courses are "How to start your own business," "How to start your own home business," and "How to develop your small business." In 2008, 762 Saudi nationals benefited from the program, with 28% of trainees being women. To date, 40% of trainees have started their own business. In 2010, 705 trainees successfully completed the three courses in 12 cities throughout the country. In addition, 27 courses were conducted in 15 cities across the Kingdom, focusing on training women to start their own business. In this group, 355 of the trainees successfully started home businesses.

Perception barometer



Entrepreneurship conferences and seminars: progress of last five years

Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.



Training period at school: progress of last five years

Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

Culture influences the impact of future actions

Entrepreneurs are in favor of programs in university and business school curriculums that are specifically targeted at entrepreneurship.

Looking to the future, respondents were asked to rank three means of improving entrepreneurship education and training. The impact of measures depends on the culture. Some countries prefer an approach that emphasizes practical, nuts-and-bolts training for people who need technical education to make the leap from product idea or market innovation to enterprise development. In other countries, there is an emphasis on teaching entrepreneurship as a self-contained topic – explaining its

benefits, difficulties, contribution to the economy and its possibility as a career choice. Specific training programs were indicated by the Saudi and Mexican entrepreneurs in our sample as having a high impact in the next three years, whereas US and Indian entrepreneurs favored programs that showcase successful entrepreneurs. Russian and Canadian entrepreneurs were keen to see coaching programs for entrepreneurs.

Government leading practice

Japan Entrepreneurship Education Network for Higher Education

The Japan Entrepreneurship Education Network for Higher Education was established in May 2009. The network promotes a model lecture program, a visiting lecturers program, national entrepreneurship education events and visits to observe lectures at leading schools. Most of the programs and events are provided for teachers who give lectures at colleges and graduate schools in Japan. Some of them are provided in English or in Chinese. The network matches universities with ex-entrepreneurs and makes innovative lectures on entrepreneurial education available to teaching professionals. The network also showcases leading practices in entrepreneurial education and internships.

First priority

Countries mostly in favor of:

► Coaching programs for entrepreneurs

Australia, Canada, China, Indonesia, Italy, Japan, Russia, South Africa, South Korea, Turkey

► Promoting success stories to students

Brazil, India, United States

► Specific programs at universities/business schools

Argentina, Brazil, European Union, France, Germany, Mexico, Saudi Arabia, United Kingdom

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Our recommendations for governments

Governments will have a key role to play in realizing the educational priorities indicated by young entrepreneurs themselves, from primary school onward. The creation of specific entrepreneurship programs at universities and business schools, and the creation of coaching programs for entrepreneurs, are equally ranked as the highest priority for promoting entrepreneurship in the coming three years. Specifically, the findings here suggest an even more detailed approach for governments.

1 Consider non-traditional, community-based approaches that value real-life experiences

Canada and China provide examples of such programs. In Canada, the Small Business Internship Program provides SMEs with financial support to hire a post-secondary student intern to assist them in their adoption of e-business strategies, to increase their productivity and competitiveness. About 400 student interns are hired annually to help with information and communications technology projects.

In China, a government partnership with higher education institutions was initiated in 2010, with an initial endowment of Yuan1.6 billion (US\$2.44 million), to foster innovation and entrepreneurship among college students.

This can also go beyond: governments could consider initiatives that would enable universities or even professor-student ventures such as removing legal barriers or providing funds.

2 Provide training assistance for those moving from a corporate role to entrepreneurship

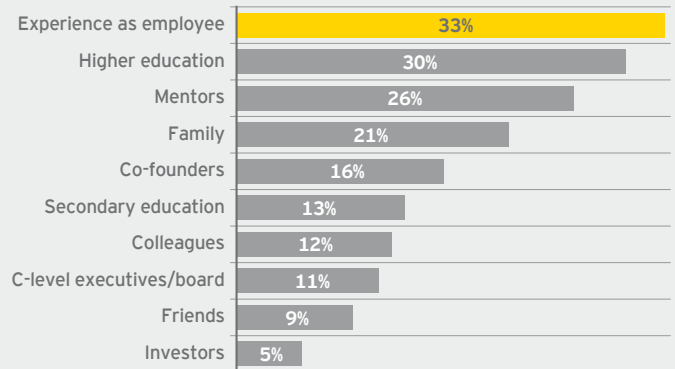
Turkey provides an example of a program that helps specific groups of people move from the “idea” stage to specific entrepreneurship training. In such programs, training can be arranged for a general audience or targeted specifically at, for example, younger people, women and disadvantaged groups.

Turkey’s Applied Entrepreneurship Education scheme consists of a minimum of 60 hours of training and workshops covering the characteristics of entrepreneurship and business ideas, plus business plan exercises. It is provided through several entry points, including universities, professional organizations and local municipalities.

Additional research conducted through a survey of 685 entrepreneurs and in-depth interviews with winners of the Entrepreneur Of The Year award has shown that entrepreneurs are made – not born. Most of these leaders transitioned into entrepreneurship from time spent in traditional employment. Many survey respondents cite experience in a corporate environment as an important training ground. When asked to rank the factors that contributed to their ventures’ success in order of importance, respondents were most likely to select “experience as an employee” as having the greatest impact. And if experience is the best education, the classroom is not far behind. Higher education was ranked the number one factor by almost one-third of respondents, just behind employee experience.

Success factors ranked number one

What specific forms of education or sources of learning provided you with the skills needed to build successful businesses?



Source: *Nature or nurture: Decoding the DNA of the entrepreneur*, Ernst & Young, 2011.

Selection of government leading practices

For more information, visit our website: www.ey.com/entrepreneurship-barometer

	Launch date	Country
Small Business Internship Program (SBIP)		
The Small Business Internship Program (SBIP) provides SMEs with financial support to hire a post-secondary student intern to assist them in their adoption of e-business strategies to increase their productivity and competitiveness. In total, the program assists in the hiring of about 400 student interns annually, to help with information and communications technology projects.	2009	Canada
The Impact Microcredit competition		
The Impact Microcredit competition is a unique, action-oriented competition that gives secondary school students all across Canada the chance to be entrepreneurs, while raising money for charity. With just one week to do so, teams of three to five attempt to increase CAN\$100 of seed funding, provided by Impact Microcredit, as much as possible, with all of the proceeds being donated to the team's charity of choice. This is a chance for students to prove themselves, be bold and win over CAN\$10,000 for themselves and their school.	2004	Canada
Yuan1.6 billion funds for college students		
The Chinese Government and universities decided last year to create a Yuan1.6 billion (US\$2.44 million) fund to foster innovation and entrepreneurship among domestic college students.	2010	China
KAB (Know About Business) Program		
The International Labour Organization (ILO) has developed KAB, which consists of training modules and teaching material for providing entrepreneurial education to university students. In collaboration with the All-China Youth Federation (ACYF), the pilot project was adapted in line with the Chinese National Education Framework. Training of Facilitators (TOF) is an important aspect of the KAB program. The project aims to adapt KAB to secondary vocational schools in China.	2005	China
Japan Entrepreneurship Education Network for Higher Education		
The Japan Entrepreneurship Education Network for Higher Education was established in May 2009. The Network implements programs and events that complement and enhance entrepreneurship education, including a model lecture program, a visiting lecturers program, national entrepreneurship education events and visits to observe lectures at leading schools. (Most of the programs and events are provided for teachers who give lectures at colleges and graduate schools in Japan, while some of them are provided in English or in Chinese.)	2009	Japan
Young entrepreneurship program (YEP)		
This program gives an opportunity to 25 South African youth graduates, or business owners with a strong business plan, to travel to US, work with US mentors for six weeks and acquire the skills to set up their own venture. The one-off fee of R860 is paid by the organizers, and NYDA is a prime sponsor for the program, which provides a cross-cultural learning experience involving both classroom and practical training.	2009	South Africa
Applied Entrepreneurship Education		
The program consists of a minimum of 60 hours of training and workshops covering characteristics of entrepreneurship, business idea and business plan exercises. Applied entrepreneurship training is provided by KOSGEB or other institutions (universities, professional organizations, local municipalities etc.). Training can be arranged for general audiences or targeted specifically at, for example, young people, women and disadvantaged groups.		Turkey

Access to funding

It's vital to tap into diverse sources

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Our recommendations for entrepreneurs

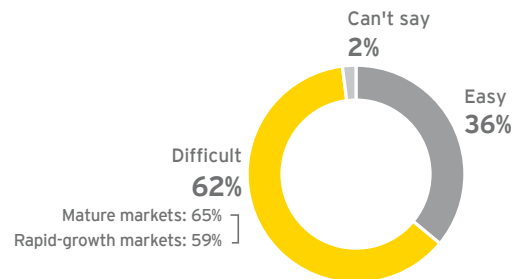
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Selection of government leading practices

Access to funding continues to be one of the most significant challenges for the creation, growth and survival of SMEs, particularly innovative ones. Almost two-thirds of the 1,001 entrepreneurs we interviewed perceived that it is difficult for young entrepreneurs to access financing.

This perception varies strongly from country to country. Despite some optimistic perceptions in Saudi Arabia, China, Indonesia and Canada, access to funding is generally viewed as a challenge. Greater difficulties are perceived in South Africa (with 80% of entrepreneurs expressing difficulties), Russia (90%), France (84%) and Germany (80%).

Do you think that access to funding for young entrepreneurs is easy in your country?



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Key findings

- ▶ There is a marked divergence between rapid-growth and mature markets. For the former, access to funding has improved during 2005-10. In the latter, entrepreneurs are faced with increasing challenges to finance their growth.
- ▶ Current funding options are generally still more limited in rapid-growth market countries. But some assets are catching up quickly with their mature market counterparts, often at triple-digit rates in the 2005-10 period.
- ▶ Entrepreneurs increasingly need to be able to tap into a diversity of funding sources as they grow. In particular:
 - ▶ With pressure on public debt and risk averse bank lending, entrepreneurs are turning toward business angels, VC and PE funding
 - ▶ Public stock markets dedicated to SMEs have been launched in 14 of the G20 countries and they have attracted more companies in the last five years.
- ▶ For a large majority of entrepreneurs interviewed (80%), governments have an important role to play to facilitate access to funding for young entrepreneurs. Governments should not make winners and losers but provide the right platform for growth.
- ▶ Credit guarantees are emerging as a strong lever to address declining bank credit.
- ▶ Funding instruments are developing and diversifying at different paces across the countries. Entrepreneurs increasingly need to consider global opportunities.

Our recommendations

For governments

- 1** Explore credit guarantees and banking sector support
- 2** Help business angels' networks widen their scope and stimulate VC
- 3** Avoid stifling PE activity with more regulations

For entrepreneurs

- 1** Open up to international markets as opportunities arise
- 2** Use junior markets as a source of funding
- 3** Turn to alternative funding sources, such as corporate financing and microfinance, to reasonably reduce risks

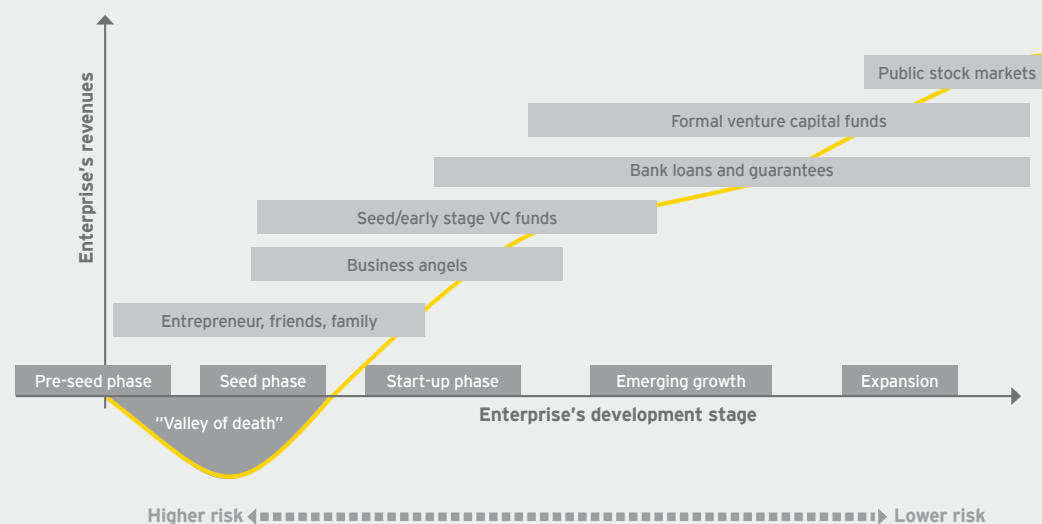


This problem has been exacerbated by the financial and economic crisis, as SMEs and entrepreneurs have suffered the dual shock of: a drastic reduction in demand for goods and services, and a tightening of credit terms, both of which are severely affecting their cash flows.

This challenge was raised by more than 200 young entrepreneurs who gathered in Toronto in June 2010 for the G20 Young Entrepreneur Summit. They noted that: "Young entrepreneurs have great difficulty in gaining access to traditional sources of financing. Because they tend to have little experience and few assets, financial institutions tend to see them as too risky, despite the modest amounts of investment that many require. And because they are starting from scratch, they are often too small to be of interest to most angel investors and venture capitalists. Governments should therefore support alternative mechanisms and institutions that provide young entrepreneurs with the capital they need to start and grow their businesses."

Given the continuing uncertainty about the economic outlook, young entrepreneurs will have to look even more closely at a rapidly evolving range of sources of funding, whether these lie within the borders of their home market or not. A robust entrepreneurship environment will have to support new ventures as they grow and develop, with adequate financing instruments specifically during the pre-seed and seed phases. In order to understand the opportunities and challenges faced in tapping this range of sources better, and to provide recommendations for both governments and entrepreneurs, we have focused our analysis on the major mechanisms available during the different phases of the life of SMEs.

SME development and funding instruments



Source: Renda et al. (2006).

Improving access to funding in rapid-growth markets

Access to funding is still far greater in mature markets, although rapid-growth countries have caught up significantly.

There is a marked divergence between rapid-growth markets, where perceptions of access to funding have improved during 2005-10, and mature markets, where entrepreneurs are finding it increasingly difficult to finance their growth. Current funding options are generally still more limited in rapid-growth market countries. But they caught up with their mature market counterparts during 2005-10 – at rates that were often in triple digits.

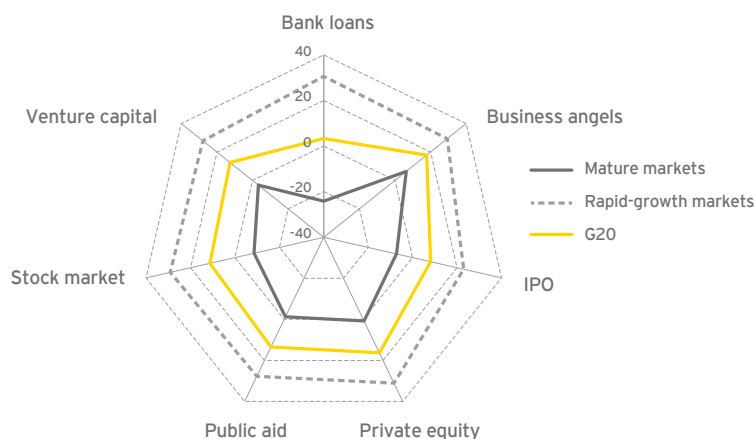
Our analysis is based on the evolution of business environment indicators and the perceptions of 1,001 entrepreneurs across the G20 countries. The perception of progress in the last five years varies significantly between mature markets and rapid-growth markets in the G20.

In mature markets, access to funding through bank loans, IPOs and stock markets has deteriorated. This probably reflects the economic downturn, which affected the mature economies more severely. But this is also a consequence of a more risk-averse environment. The only funding mechanism perceived as having improved in the last five years is business angel investment.

On average, across the rapid-growth markets, there is a belief that access to funding has significantly improved in the last five years. This is true for all funding instruments, and to some degree is likely to reflect the self-confidence of many rapid-growth market entrepreneurs, driven by the growing and increasingly outward-

looking role of their countries in the global economy. These positive perceptions can also be partially explained by the fact that some of the funding instruments have only in recent years started to become more widely available in some rapid-growth markets.

For each of the following funding instruments, do you think that access to funding for entrepreneurs has improved in the last five years in your country?



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Raising the need for more innovative public aid schemes

The recent economic downturn has changed the rules of basic financial support for start-ups. Existing public aid tools to ensure SMEs' liquidity have been slow in adjusting to the post-crisis credit squeeze.

As entrepreneurs seek financing from diverse sources, public policy has to provide more agile and targeted schemes to ensure entrepreneurs' long-term growth.

The importance of SMEs as a target for public aid has grown over the last five years. Indeed, among the entrepreneurs we surveyed across the G20, 48% feel that access to public aid has improved over the last five years. Public sector tools available to foster entrepreneurs' access to funding include special loans and direct financing schemes such as grants and

subsidies. Compared with mature markets, rapid-growth market economies are keen to provide direct investment to their fast-growth enterprises. China, Indonesia, Saudi Arabia and Turkey in particular have implemented measures that have translated into very positive entrepreneur perceptions of public aid in these economies. The Turkish ORKTA scheme, for example, was highlighted by the European Union as an example of good practice in SME policy. The scheme purchases equipment for consortia of small firms that, on their own, would not be able to make such a substantial capital outlay.

In the mean time, China's approach provides a good example of both the successes and shortcomings of an emerging-market strategy to promote the development of an innovation ecosystem. Keen to develop and commercialize innovative technologies through start-ups, China's Ministry of Science and Technology (MOST) uses three major strategies to promote high-tech commercialization: incubators, accelerators and science parks.⁸

8. *Back to basics. Global venture capital insights and trends report 2010*, Ernst & Young.

Case study

Commercialisation Australia (2010-14)

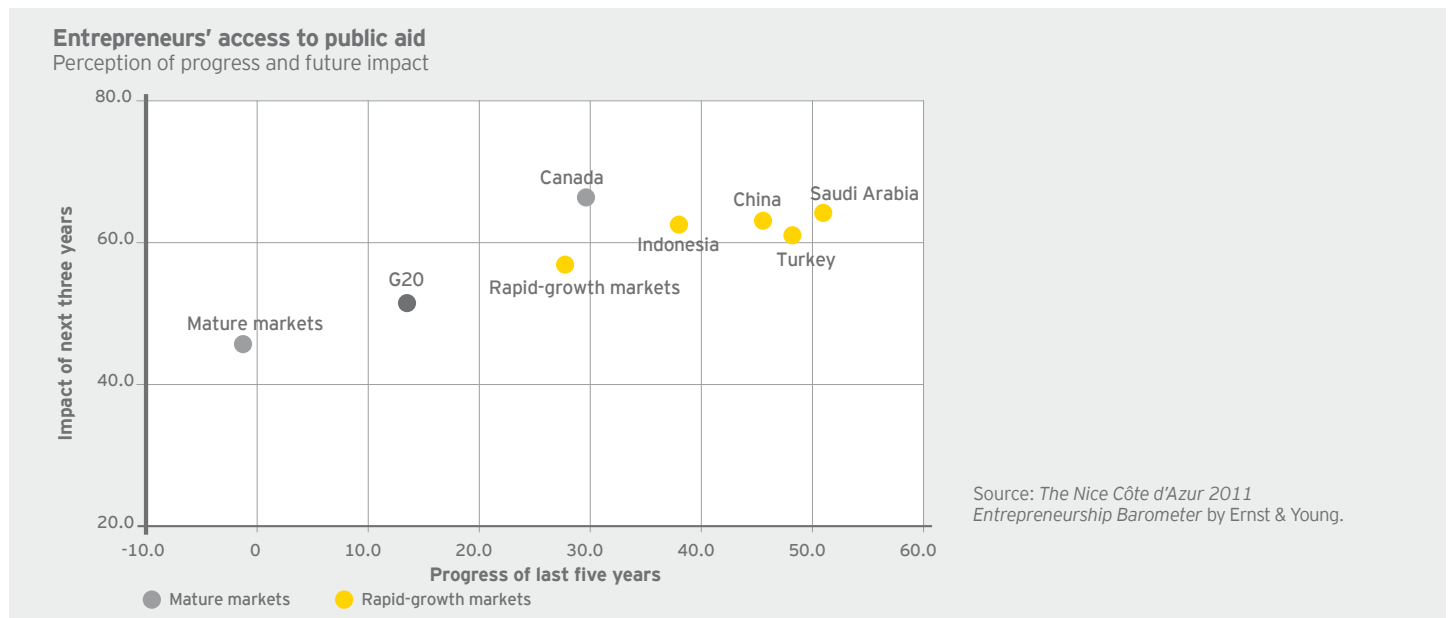
The Commercialisation Australia program began in 2010 and is designed to help transform intellectual property into successful business ventures. The program is targeted at innovative firms, researchers and entrepreneurs. In order to achieve its intended goals, this program provides support in four areas of business development: Skills and Knowledge (up to AUS\$50,000), Experienced Executives (up to AUS\$200,000), Proof of Concept (AUS\$50,000-\$250,000), Early Stage Commercialisation (repayable grants between AUS\$250,000 and \$2 million). This program is competitive and interested groups are required to submit an application in order to be considered for the funding.

► Value

The value proposition in this program is clearly defined and provides funding in key areas related to new business development. By providing funding in these key categories, the program helps groups and individuals by giving access to funds and providing guidance regarding necessary aspects of new business development. The orientation allows it to provide funding, while also encouraging entrepreneurs to seek out sources of knowledge in order to grow their business to the greatest effect. Accordingly, Commercialisation Australia not only encourages new business development financially, but it makes a contribution to the growth and survival of new business ventures by providing the necessary education and guidance when navigating the competitive environment.

► Availability

The availability of this program is limited. While the application process is open, which allows any interested group to apply, the resources dedicated to the program are only available to those groups whose applications are accepted. Accordingly, the program will likely add substantial value to those businesses whose applications are accepted, but the overall impact of the program on the general entrepreneurship environment may be limited by the application-based format.



However, it appears that these tools on their own are not sufficient to meet the SMEs' needs. For 68% of respondents, increasing public aid will only have a medium or low impact on improving entrepreneurs' long-term growth. One possible explanation is that public aid fails to address the most recent SME challenges, such as tighter credit following the economic downturn. Existing tools may be inappropriate in coping with SMEs' wider access to financial resources, raising the need for more innovative public aid schemes.

► Stability

Successful applicants gain access to all of the pre-defined resources available, enhancing their stability.

► Type

This program comprises a series of cash grants and loans with capped values. The program also contains an advisory aspect – strategic guidance and business education – that adds non-monetary value. Accordingly, all accepted companies will be able to derive value from the program, regardless of size or taxable position.



Viewpoint

Wilson Poit

Founder, Poit Energia, Brazil

Founded in 1999, Poit Energia provides temporary solutions for infrastructure and engineering projects. Founder, Wilson Poit, describes the landscape for people setting up new businesses in Brazil.

"Brazil has institutional credit facilities for machinery and equipment, but it requires persistence to get past the red tape. I would like to see Brazil's National Development Bank create a credit line dedicated to smaller companies – similar to one that already exists for the narrower category of new technology and innovation – with appropriate backing from multilateral lenders such as the World Bank.

Brazilian entrepreneurs would also benefit if the tax and corporate financing systems were simplified.

I found that building up good relations with suppliers and winning the confidence of angel capitalists were the most important elements for accessing early phase credit. Coordinated support is particularly important in guiding entrepreneurs toward good practice in preparation for presenting to investors.

This professionalization is all the more important given that there is still skepticism in Brazil about whether entrepreneurs can enrich themselves ethically. However, perceptions of entrepreneurs are shifting to someone who generates jobs and pays his taxes in pursuit of a legitimate career option.

Success stories begin to be seen as just that, encouraging new entrepreneurs to chase bigger dreams. Presenting and publicizing these examples – through university visits, for example – is a powerful tool for encouraging smaller companies to pursue growth."

Expansion of business angels' network

With pressure on public debt and risk-averse bank lending, entrepreneurs are turning toward business angels.

Access to early stage investment, whether from a business angel or venture capitalist, can be a crucial step in the growth process. Nearly two-thirds of G20 entrepreneurs told us that ease of access to a business angel has either remained constant in the past five years or improved. In the mature market countries, this is the funding mechanism that is perceived to have advanced the most from 2005-10.

Created in the US, the business angel approach to equity investment is now more widely spread across mature

markets countries. Such "angels" are usually wealthy individuals who invest in a business start-up, normally in exchange for convertible debt or ownership equity. From 2005 to 2009, in Europe, the number of deals increased, on average, by 100% (France: 157 to 380, UK: from 184 to 330)⁹, mainly due to the expansion of business angels' network.

The strong demand for early stage investment, and the increasing number of business angels, are proof that this

method of finance is becoming increasingly common in Europe. However, as a result of the economic downturn, angel investors are now more concerned about their investment return and entrepreneurs have to demonstrate an available road to market and a consistent exit route to obtain this kind of funding.

⁹. *Directory Of Networks 2010*, EBAN

Number of business angels network in operation	2005	2010	Growth 2005-10
France	38	80	111%
Germany	43	41	-5%
Italy	12	12	0%
Russia	4	14	250%
Turkey	2	5	150%
United Kingdom (except Scotland)	35	48	37%
United States	230	340	48%
European Union	250	355	42%

Source: *Statistics Compendium 2010*, EBAN.



Case study

Japanese Angel Taxation Exemption

The Japanese Angel Taxation Exemption is a tax incentive that applies a special tax regime to funds invested in certain small companies. First, if an investor purchases stock in a specific small investee company, the purchase price of the shares is deductible from the investor's capital gains on those shares in the same year. Second, any loss recognized as a result of liquidation or bankruptcy of a specific small company can be deducted from an investor's capital gains from disposal of shares. This deduction can be applied in the three-year period starting with the year of the capital loss. Any capital gains have a 25% exemption from tax. Third, if an angel investor purchases shares in a start-up investee company as defined in the legislation, the investor can deduct up to US\$125,000 as a donation deduction.

► Value

The value proposition of this program is established by the tax provisions allowable to investors who invest in qualified small enterprises. Investors can receive relief from taxation of capital gains as well as deductions when they incur a loss on an investment. Investments in shares of a start-up company are also eligible for a donation deduction. There is potential in a variety of different scenarios in which investors may find themselves. The spectrum of value addition through tax breaks is well covered by this incentive. Accordingly, the program should provide strong value when applied by investors to their angel investments. However, the incentive is strictly limited to tax benefits and so will only be useful to entrepreneurs incurring a capital gain.

► Availability

This incentive is available to any individual making an angel investment in a qualified company. Currently, "qualified company" is more narrowly defined than small businesses in other countries. The specificity of this definition may limit the availability of this incentive and consequently limit the program's ability to make a substantial impact on the target group. Accordingly, it may be beneficial for the definition of "qualified" small business to be expanded to allow the special tax regime to be applied more effectively to small businesses in Japan.

► Stability

The law was initially passed in 1995 and has been updated in 2002 and 2008 with no obvious threat of the program ending. Investors applying to this program can be

relatively confident that their access to the deductions and exemptions will not evaporate. Accordingly, there is a high degree of stability in this program that will likely provide a sense of confidence in its continued existence.

► Type

This program is organized into a variety of exemptions and deductions available to investors on a percentage basis. This strategy is likely to be effective for this target group. Because investors will be making investments of different sizes, it is important that the value proposition be flexible. This flexibility will allow for an increased equality of the value added across investors in small enterprises in Japan. To be more effective, the drafters should consider expanding these incentives to entrepreneurs in a loss position.

The VC landscape shows disparate investment levels

US and China still dominate G20 VC equity markets.

A majority of entrepreneurs from the rapid-growth countries in the G20 have reported strong improvement in VC investment in the past five years. Enthusiasm among entrepreneurs from India is particularly high, with 88% reporting better VC access. Across the rapid-growth markets, this enthusiasm stems partly from financial liberalization, allowing a greater reach

of venture finance, and partly from the renewed enthusiasm of global investors for financing growth in the emerging markets.

VC equity invested in the rapid-growth markets is dominated by China and, to a lesser degree, India. Brazil demonstrates an impressive rise in venture finance, with a tenfold increase in the period 2005-10.

In many other rapid-growth markets, there is significant “catch up” potential for this funding source. In all three of the leading rapid-growth countries, the growth of VC investment is confirmed by strongly positive impressions of improved VC access in the past five years. More than 70% of the entrepreneurs from these economies told us that VC access has improved, as did similar numbers for Turkey and Indonesia.

VC equity invested across the G20: 2005-10 comparison

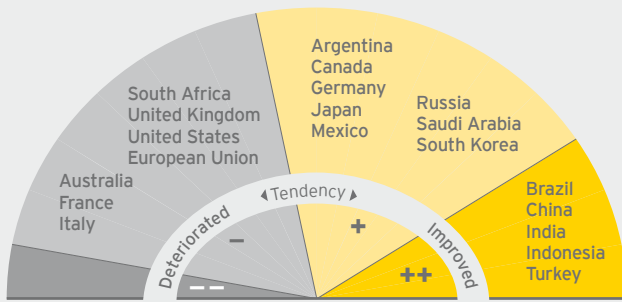
VC equity invested (US\$m)		2005	2010	% change over the period	Perception barometer 2005-10
Mature markets	Australia	363	132	-64%	-
	Canada	1,272	1,226	-4%	+
	France	753	1,348	79%	-
	Germany	516	646	25%	+
	Italy	115	25	-79%	-
	Japan	67	90	36%	+
	South Korea	313	274	-12%	+
	United Kingdom	1,327	2,151	62%	-
	United States	23,174	23,785	3%	-
	Total	27,900	29,676	6%	-
Rapid-growth market	Argentina		20		+
	Brazil	69	776	1,031%	++
	China	2,352	4,274	82%	++
	India	494	1,349	173%	++
	Indonesia				++
	Mexico		28	32%	+
	Russia	128	146	14%	+
	Saudi Arabia		5		+
	South Africa	22	23	5%	-
	Turkey	0	23	478%	++
	Total	3,064	6,645	117%	+
Total G20		30,964	36,321	17%	+
European Union		4,637	6,622	43%	-

Among the mature markets, the UK and France nearly doubled their level of VC investment between 2005 and 2010. In France, tax incentives for individuals investing in funds dedicated to financing innovation – Fonds Commun de Placement dans l'Innovation (FCPI) funds – brought more than €500 million into the VC industry in 2009. Other helpful factors have been long-term measures such as an R&D tax credit and subsidized loans for innovation, helping the French industry maintain its second-place rank in VC investment in Europe.¹⁰ Despite these positive trends, demand for early stage capital far outstrips supply, with entrepreneurs in both France and the UK indicating dissatisfaction with access to such funding. Reflecting on changes in the last five years, 70% of UK entrepreneurs indicated no change or some deterioration in access to angel funding. For the same time period, 66% of French entrepreneurs indicated no change or dissatisfaction with access to VC.

10. Venture Capital Barometer, Ernst & Young, 2010.

Source: Thomson ONE, June 2011; *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Perception barometer



Access to VC equity: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

One clue to the value of early stage investment might lie with the leading proponent: the United States. Among all the G20 entrepreneurs, US respondents stood out in seeing business angels as high-impact investors. The majority of them had this view, compared with an average of 25% for the G20 overall. Through the contacts, insight, knowledge and funding of the angel, the young entrepreneur might have

a better chance of seeing a new business through to a more mature stage of funding, including the involvement of a venture capitalist. Perhaps unsurprisingly, US respondents' enthusiasm for angel investors correlates well with the country's venture-finance statistics. On a per capita basis, the US enjoys more than twice the venture finance of the next-highest country in the G20 (Canada).

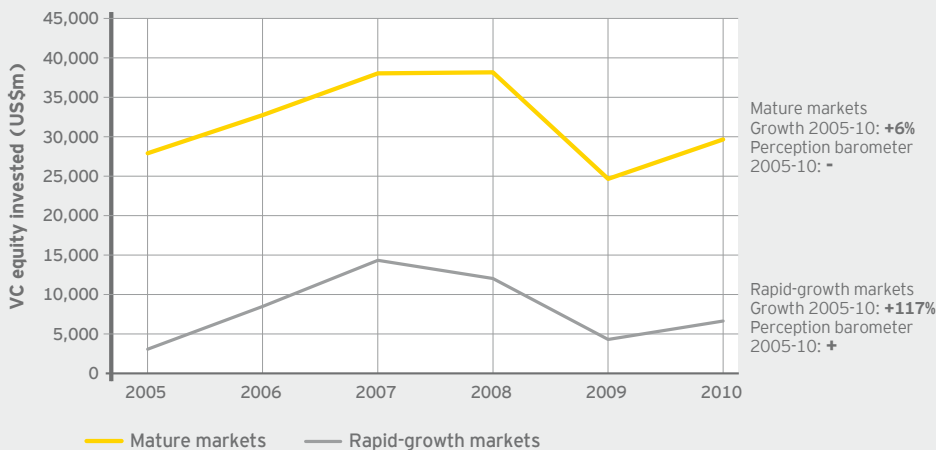
Government leading practice

Fonds Commun de Placement dans l'Innovation (FCPI), France

FCPI funds are a form of FCPR fund (Fonds Commun de Placement à Risques), created in 1997 to direct individuals' savings toward innovative new companies in exchange for tax advantages. FCPI funds specialize in VC (financing start-ups and innovative business ventures), as innovative European companies must make up at least 60% of their assets. FCPI funds also offer tax advantages, as they allow for a 22% reduction in tax on the investment, as well as exemption from capital gains tax for all FCPI fund units held for more than five years.

According to a study published in March 2009 by AFIC and OSEO, for the 1997-2007 period, €4.4 billion has been collected and €2.2 billion was invested in more than 800 innovative private companies. In 2007 alone, €624 million was raised through 28 FCPI funds. Some major players (banks and insurers) have launched two new FCPI funds per year, ranging from €15 million to €30 million each.

VC equity invested in the G20 countries: 2005-10 comparison



Source: Thomson ONE, June 2011; *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Employing private equity (PE) to fuel entrepreneurs' growth

After a two-year hiatus, 2010 saw an upturn in PE activity levels.

There is a lack of comparative data to measure the level of PE investments for SMEs across the G20. Study has shown that leveraged buyout investments are usually favored by PE firms' strategy – to maximize their potential return. While there's still a gap in PE investment for entrepreneurs, a few specialized PE companies have started investing in SMEs with positive outcomes and financial returns.

Large majorities of entrepreneurs from the rapid-growth markets told us that access to PE for SMEs has improved in the past five years, with only South Africa reporting no change or deterioration. The level of PE in the G20 is often inversely

related to improvement in access, which again suggests that a "catch up" dynamic is taking hold in countries where access had previously been poor. Around 80% of entrepreneurs from India told us that access to PE has improved in the past five years, from a rate of penetration of PE in the economy that equates to about US\$6 per Indian citizen. In the high-PE economies, such as the UK and the US, majorities of entrepreneurs told us that access to PE by entrepreneurs in the past five years has either been stagnant or deteriorated.

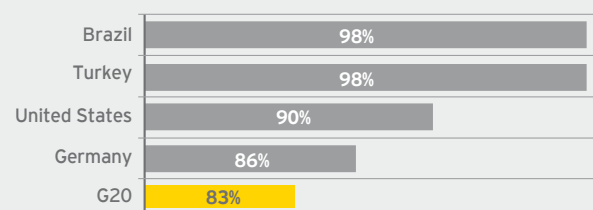
PE investments in just six of the rapid-growth G20 markets – Brazil, China, India, South Korea, Russia and South Africa –

have grown from a mere 3% of global PE investment in 2005 to 11% in 2010. In Brazil, PE investment growth averaged 146% per year in that period and a vast majority of Brazilian entrepreneurs in our survey indicated improvement in such financing over the same period.

Looking ahead, 83% of G20 entrepreneurs interviewed are expecting PE to have a medium or high impact on their growth in the next three years. With revitalized banks and capital markets, significant stores of committed capital, and increased exit opportunities, a sustained period of normalized investment levels appears likely.

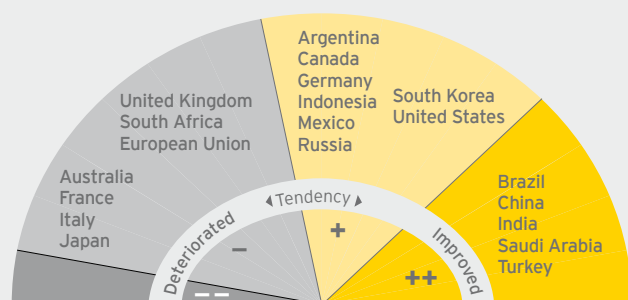
With the recent rebound in capital markets and optimism over exit opportunities, the US entrepreneurs in our survey indicated an optimistic outlook for PE in the coming three years, with 60% expecting it to have a high impact on their long-term growth. However, the US is unusual among mature markets in this regard: fewer than one-third of mature market G20 entrepreneurs

Private equity will have a medium or high impact on entrepreneurship and entrepreneurs' long-term growth in coming three years (%ge agree)



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Perception barometer



Access to PE: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

share these expectations. The greatest enthusiasm, meanwhile, was found among entrepreneurs from Turkey and Brazil, 98% of whom expect such an impact from PE.

A clear theme emerging from our survey and the background developments is the leap that entrepreneurs from the larger rapid-growth markets are about to make

onto the world stage. Second-round fundraising, such as the participation of a PE fund in growth equity, is poised to reshape small enterprises in Brazil and Turkey into world competitors. This is confirmed, on one hand by the explosive growth in PE funding in these economies, and on the other, by the overwhelming confidence indicated by entrepreneurs in our survey.

PE deal value (US\$m)		2005	2010	% change over the period	Perception barometer 2005-10
Mature markets	Australia	1,527	6,145	302%	-
	Canada	1,567	973	-38%	+
	France	11,925	9,302	-22%	-
	Germany	18,602	3,029	-84%	+
	Italy	8,636	4,205	-51%	-
	Japan	12,890	3,927	-70%	-
	South Korea	1,360	6,697	392%	+
	United Kingdom	37,425	32,832	-12%	-
	United States	155,447	111,361	-28%	+
	Total	249,379	178,471	-28%	+
Rapid-growth market	Argentina (2007-10)	207	250	21%	+
	Brazil	115	6,283	5,348%	++
	China	1,754	5,657	223%	++
	India	961	5,989	523%	++
	Indonesia	544	1,254	131%	+
	Mexico (2006-10)	257	81	-69%	+
	Russia	55	124	125%	+
	Saudi Arabia (2006-09)	191	300	57%	++
	South Africa (2005-09)	833	212	-75%	-
	Turkey	210	97	-54%	++
	Total	5,127	20,247	295%	+
Total G20		254,506	198,717	-22%	+
European Union		148,260	75,168	-49%	-

Source: Dealogic; Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Guarantees becoming crucial as lending criteria toughen

Credit guarantees are emerging as a strong lever to address declining bank credit.

Among all funding types, bank lending was the leading casualty of the 2007-08 financial crisis. In keeping with the “de-coupling” of the G20’s rapid-growth markets from its mature markets, this is reflected in a disparity between these economies. Entrepreneurs from the rapid-growth G20 countries told us that SMEs’ access to bank lending has improved in the past five years – regardless of the loan amount. The financial extent of such lending is low in Argentina, Russia, Brazil, India, Indonesia and Turkey, yet large majorities of entrepreneurs from these economies reported improved access to loans. Again, this pattern suggests that rapid-growth countries have started a “catch up” process in accessing funding, in which credit opportunities for young entrepreneurs are finally starting to be unlocked.

By contrast, the majority of mature market entrepreneurs reported deterioration in bank lending in the past five years. Nearly three-quarters of respondents from the UK, for example, held this opinion. More hopefully, their economies have a stronger banking sector, and their banks are more likely to lend to SMEs than banks from the rapid-growth markets. Mature market banks allocate nearly a quarter of their enterprise lending to small businesses, compared with less than 10% among the rapid-growth banks.¹¹

Enthusiasm for the future of bank lending is particularly strong among the rapid-growth markets, 53% of whose entrepreneurs told us that bank loans would have a high impact

on their growth in the coming three years, compared with just 38% of the mature market entrepreneurs in our sample. In fact, entrepreneurs from the rapid-growth markets were more optimistic about bank lending than any other type of financing.

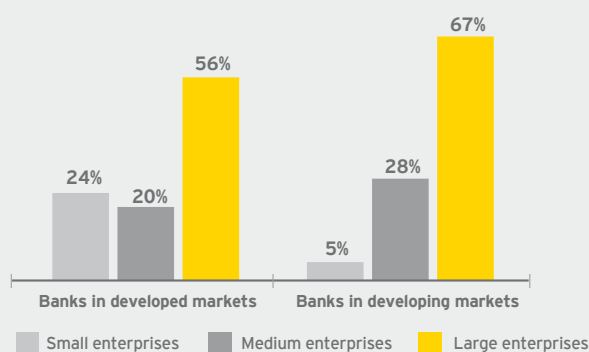
For the rapid-growth economies, one policy challenge arising from the survey is to address the disconnect between expectations for bank credit and the willingness of banks to finance small enterprise, as described previously. This raises the potential for public credit guarantees of subsidies to play a role in closing the gap between these entrepreneurs’ expectations and their banks’ relatively limited experience with high-growth, small start-up enterprises.

Accessing bank loans is a challenging task for SMEs; mainly due to the higher risk of lending to firms without track records, banks can be reluctant to lend. Policy-makers are using credit guarantees as a commitment to reimburse a lender if the borrower fails to repay a loan. The aim of this guarantee is to expand access for SMEs to loans from financial institutions.

Although there is a lack of comparative data to compare finance and credit guarantee arrangements across the G20, it appears that the higher rate of lending to SMEs in mature markets than in rapid-growth markets, relies to some degree on the kind of credit guarantee scheme in use in the economy. Indeed, all mature economies have established publicly funded guarantee schemes for SMEs. These schemes not only

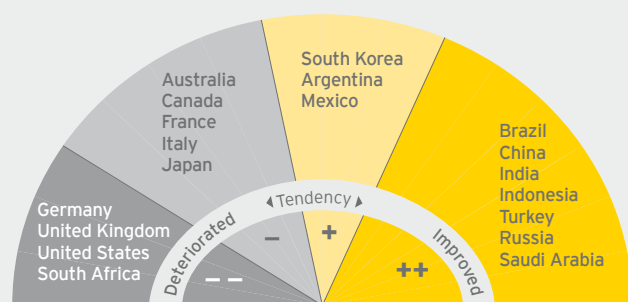
11. Source: *Bank financing for SMEs around the world*, Beck et al., 2008, p.22.

Distribution of enterprise loans (%)



Source: *Bank financing for SMEs around the world*, Beck et al., 2008, p.22.

Perception barometer



Access to bank loans: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

provide a direct financing guarantee to the borrower, but also help to share information, advice and monitoring, to foster the interaction between banks and SMEs.

In Germany, for example, Volksbanken International AG, a cooperative banking group, has promoted the interests of SMEs since 2005, and offers entrepreneurs a wide range of financial services (guarantee funds, support schemes, credit conditions etc.).

The same goes for the US, where the Small Business Act, passed in 1953, planned the setting-up of a Small Business Administration that nowadays offers financial support as well as services and programs dedicated to SMEs.

Rapid-growth markets are also providing examples, including the Kredit Usaha Rakyat (KUR – credit for people's businesses) incentive, launched by the Indonesian Government at the end of 2007; a program that offers credit facilities guaranteed by the Government in cooperation with several local banks. The objectives of the KUR program are to accelerate the development of primary sectors and to empower small-scale businesses – improving accessibility to credit and financial institutions, reducing the level of poverty, and expanding job opportunities. KUR may be provided in the form of working capital or investment loans of a maximum of Rp500 million (US\$60,000) given to micro, small, medium and cooperative-formed units that have productive businesses with credit insurance company guarantees.

SME lending

	Loan value (% of GDP)	2010 (% of GDP)	Perception barometer 2005-10
Mature markets	Australia	15.3	-
	Canada	Not available	-
	France	10.6	-
	Germany	Not available	--
	Italy	11.4	-
	Japan	35.9	-
	South Korea	37.4	+
	United Kingdom	Not available	--
	United States	4.9	--
	Total	19.3	
Rapid-growth market	Argentina (2005-07)	1.3	+
	Brazil	3.8	++
	China	48.7	++
	India	4.3	++
	Indonesia	0.7	++
	Mexico (2005-06)	Not available	+
	Russia	5.2	++
	Saudi Arabia (2005-09)	Not available	++
	South Africa (2005-09)	10.7	--
	Turkey	7.4	++
Total	10.3		
Total G20	14.1		

Source: Financial Access 2010; *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Entrepreneurs are highly positive about stock markets in rapid-growth countries

Public stock markets dedicated to SMEs have been launched in 13 of the G20 countries, and they have attracted more companies in the last five years.

Entrepreneurs across the rapid-growth G20 countries perceived that access to funding through IPO and the public stock market has improved in the last five years. Entrepreneurs from Argentina, Mexico and South Africa are the only dissenters, feeling that this funding mechanism has been unchanged, or has deteriorated over the period. Across the G20, financing through public equity has posted a strong recovery. However, we observe an increasing variability across the mature and rapid-growth markets, a trend that highlights even further both the global investor's desire for emerging market exposure, including PE and VC moving there to profit from IPO exit's strategies, and

competition in an increasingly globalized capital market.

The value of shares available and exchanged is one indicator to complement the market capitalization ratio by showing whether market size is matched by trading. Despite significant setbacks during the economic downturn, the value of shares traded increased in most of the major exchanges during the 2005-10 period. Levels of growth were much higher, overall, in the rapid-growth markets. Specifically in the Chinese exchanges, growth in the value of shares has surged over this period. Next is Brazil, whose Bovespa was up 426% over the 2005-10

period. The same trends can be observed when looking at the evolution of the number of companies listed in the G20 equity markets. The most glaring exception is the Saudi Stock Market, which had the largest value of shares of any rapid-growth market in 2005, but had dropped 82% by the end of 2010. The Saudi market lost more than half of its value in a contraction in 2006 alone. This was regarded as part of a necessary correction from being highly overvalued. Many retail investors then dropped out of the market, and many large investors shifted their capital to international destinations.



Viewpoint

Sang-Hwan Park
CEO, HanaTour, South Korea

Sang-Hwan Park is CEO of HanaTour, Korea's largest travel agency, which was founded in 1993. In 2006, the company floated on the London Stock Exchange – one of the only KOSDAQ-listed companies to do so.

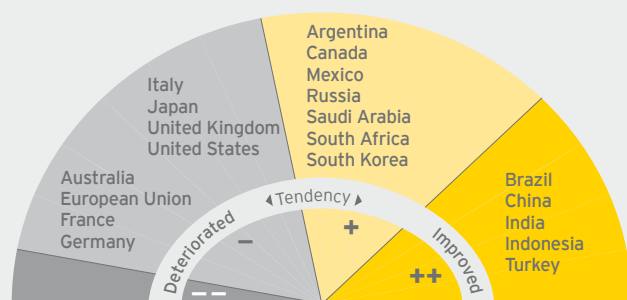
"I strongly believe that it is motivating for employees if they feel a company does not belong to just one person, but to everyone who works there. You need to share the profits with those who work with you, which will make the funding process more fluid and easier. The Government needs to come up with funding-related measures to encourage this trend.

While venture companies have been around for some time in South Korea, many people have yet to be convinced by the idea of them. One way to address this would be to review the tax system.

Corporation tax keeps shooting up, and now it's 24.2%. VAT has increased as well. Lower taxes would encourage people to set up venture businesses. There have to be massive changes on a governmental level.

I would also like to see the Korean education system focus more on developing creativity, whereas now it only focuses on learning by memorizing. In the US, for example, creativity is more encouraged in schools. The whole education system needs to be overhauled if South Korea wants to see good entrepreneurs in the future."

Perception barometer



Access to stock markets: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

The SME market segment continues its growth

In this increasingly global market, countries that have launched junior market segments are in a better position to provide easier access to funding for high-growth companies. Over the last 10 years, several junior markets, or submarkets, were launched. The success story of the AIM (London Stock Exchange), which has

raised almost £24 billion for more than 2,200 companies since 1994, catalyzed the implementation of alternative investment markets across leading economies. These markets provide access to liquidity for "small-cap" companies to expand. Traditionally, firms have relied on banks as the primary source of financing, due to the challenging regulatory systems and fees to float shares on main markets. The

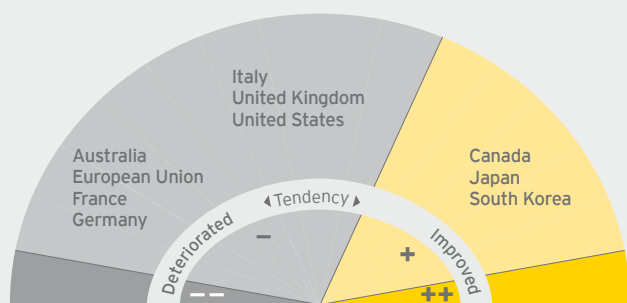
growing number of listed companies on junior markets shows that SMEs are eager to fund growth through this financing method if more flexible regulatory systems are implemented. Thirteen countries in the G20 have already launched junior market exchanges, although many of them are quite small and have had uneven performance in the 2005-10 period.

	Number of listed companies	Broad public stock market			SME public stock market			Perception barometer 2005-10
		2005	2010	% change over the period	2005	2010	% change over the period	
Mature markets	Australia	1,714	1,999	17%				-
	Canada	1,537	1,365	-11%	2,221	2,376	7%	+
	France	1,259	1,160	-8%	125	155	24%	-
	Germany	875	875	0%	47	162	245%	-
	Italy	282	296	5%	18	58	222%	-
	Japan	3,789	3,566	-6%	1,356	1,180	-13%	-
	South Korea	698	769	10%	918	1,029	12%	+
	United Kingdom	3,091	2,966	-4%	1,399	1,195	-15%	-
	United States	6,029	5,016	-17%	1,260	1,827 *	45%	-
	Total	19,274	18,012	-7%	6,084	6,155	1%	-
Rapid-growth market	Argentina	104	106	2%	2	1	-50%	+
	Brazil	381	381	0%	88	70	-20%	++
	China	1,377	2,063	50%	50	684	1268%	++
	India	5,797	6,586	14%				++
	Indonesia	336	420	25%				++
	Mexico	326	427	31%				+
	Russia	161	245	52%				+
	Saudi Arabia	77	146	90%				+
	South Africa	373	397	6%	44	79	80%	+
	Turkey	304	339	12%	18	33	83%	++
	Total	9,236	11,110	20%	726	1,400	93%	+
Total G20	28,510	29,122	2%	6,810	7,555	11%	+	
European Union				2,059	2,115	3%	-	

* In March 2009, NYSE Alternext U.S. was changed to NYSE Amex Equities

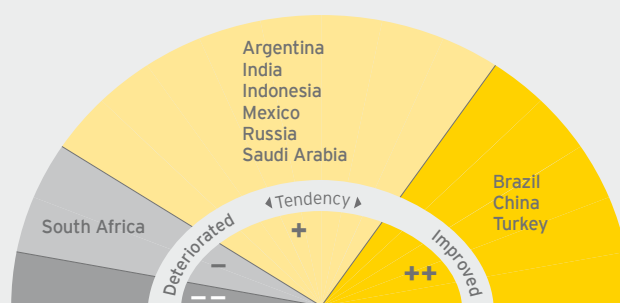
Source: World Federation of Exchanges; *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Perception barometer



Access to IPO for mature markets: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.



Access to IPO for rapid-growth markets: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

► Rapid-growth markets' SME IPO trends on a high

In the rapid-growth markets, deal volume is up compared with 2005 – arrestingly so in the case of China. Indeed, Hong Kong and Mainland China, combined, listed 1,091 IPOs during 2005-10. This compares with fewer than 900 in the US, and 755 in the UK.

With this increased globalization of the capital markets, consolidation of the world exchange industry and increasing popularity of the secondary market, the number of opportunities for entrepreneurs seeking funding through IPO will continue to increase – as will the complexity of these deals. A rising number of deals is likely in both the main and junior markets.

Given that competition among junior markets is likely to increase sharply, those countries that are already well positioned stand to benefit. By contrast, the countries (most of which are rapid-growth markets) that have yet to establish junior markets will need to accelerate their introduction in order not to stifle opportunities for entrepreneurship, and to reduce the risk of losing successful SMEs to other jurisdictions.

Number of IPO deals	Main public stock markets			SMEs public stock markets			Perception barometer 2005-10
	2005	2010	% change over the period	2005	2010	% change over the period	
Argentina ((2006-10)	1	1	0%				+
Brazil	6	11	83%				++
China	73	317	334%	10	123	1,130%	++
India	52	63	21%				+
Indonesia	3	23	667%				+
Mexico	1	5	400%				+
Russia	3	5	67%				+
Saudi Arabia	4	9	125%				+
South Africa (2006-10)*	1	4	300%	22	1	-95%	-
Turkey	6	22	267%				++
Total	150	460	207%	32	124	288%	+

* 2007-10 for SMEs public stock markets.

Source: Dealogic; *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Our recommendations for governments

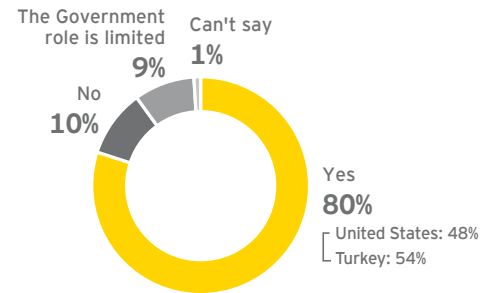
Although they should not choose winners and losers, governments should create the right platform for growth, and will continue to have an important role to play in facilitating access to funding for young entrepreneurs. In almost all G20 countries, entrepreneurs themselves point to the key role that government has to play. Only in the US and Turkey is there somewhat less enthusiasm among entrepreneurs that the government should take the lead in this area.

Our findings suggest that there is going to be an increasingly wide set of funding instruments available, in principle, to entrepreneurs in the G20. This is particularly true for those countries – often rapid-growth markets – where the variety of funding mechanisms had, until recently (and sometimes still today), been more limited. However, translating this in-principle availability of instruments into actually improved funding accessibility will often require the support of governments. In particular, governments should seek private financial institutions' collaboration in informing SMEs on public funds

opportunities, when available, without diverting them to their own products. Moreover, governments will need to focus on those funding instruments that have the highest impact for entrepreneurs.

Entrepreneurs across the G20 countries indicated that bank credit, VC and PE will be the three highest-impact funding mechanisms over the next three years. Governments can take key measures to ensure that the potential of these three funding instruments is fulfilled over this time period and beyond.

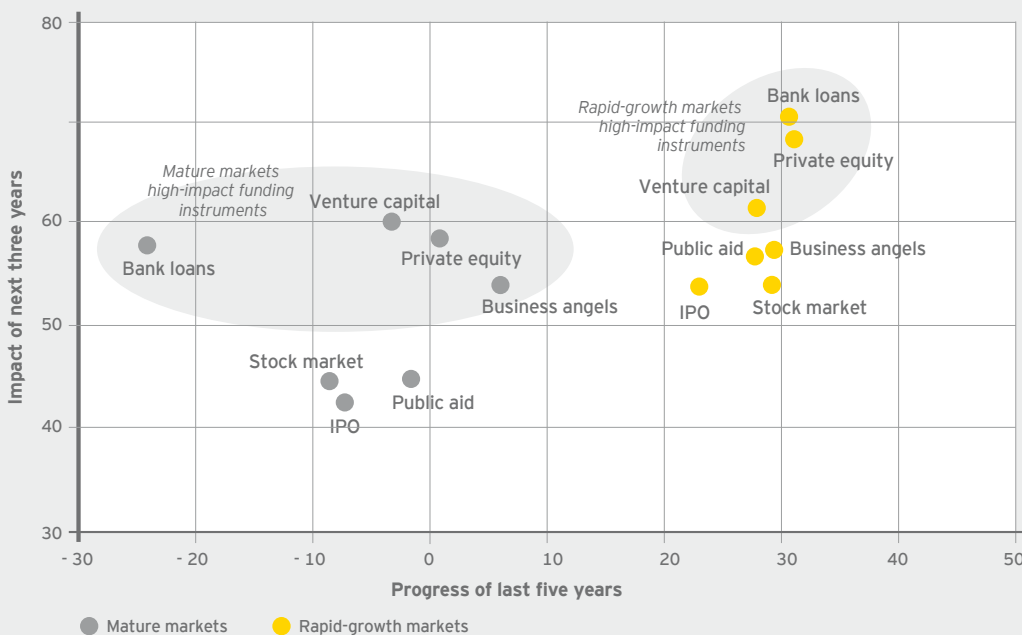
Do you think that your Government should facilitate access to funding for young entrepreneurs?



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Entrepreneurship access to funding

Entrepreneurs' perception of progress and future impact



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Our recommendations for entrepreneurs



1 Open up to international markets as opportunities arise

Entrepreneurs in rapid-growth markets appear particularly interested in tapping the IPO as a direct funding channel. In some mature market countries, such as France, the IPO is regarded more in terms of an opportunity to “reward” an earlier stage investor. Whatever the objective in seeking an IPO, there is no doubt that the globalization of many exchanges, and increased competition among exchanges, has increased opportunities for entrepreneurs throughout the G20 to conduct IPOs in foreign markets. Attracted by higher valuations and strong liquidity, non-Asian companies began to make primary listings in Hong Kong. At the same time, 41 Chinese companies listed on US exchanges, the majority of which were very well-received.¹² Therefore, entrepreneurs whose companies have reached the requisite size should take a keen interest in opportunities for foreign IPOs as a potential important source of funding. This should involve monitoring the policies of foreign governments and exchanges that are implementing attractive cross-border listing legislation. This is part of a more general lesson for young entrepreneurs: the most accessible funding sources may sometimes lie outside the home market.

¹². Global IPO trends 2011, Ernst & Young.

2 Use junior stock markets as a source of funding

The success of several junior stock markets, led by the AIM (London Stock Exchange), illustrates that having such an alternative source of liquidity for “small-cap” companies is a leading government practice in fostering those companies’ expansion. For governments that do not yet have such junior markets, establishing them should be a priority. From the point of view of the entrepreneur, using junior markets as an alternative source of funding can create a competitive advantage. It is likely to be worth investing resources to understand the regulatory and fee benefits of junior markets, compared with main stock markets, and to become fully aware of any potential early mover advantages associated with the government’s likely role in promoting the junior market in its early years – when a small turnover in volumes traded may deter some entrepreneurs from listing.

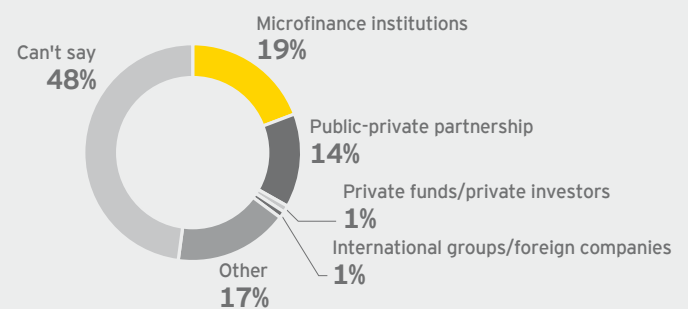


3 Turn to alternative funding sources, such as corporate financing and microfinance, to reasonably reduce risks

The continuing risks associated with access to traditional sources of capital mean that entrepreneurs will need to remain alert to alternative funding sources. These include:

- ▶ Corporate venture initiatives: VC funds are partnering with corporations, since this creates exit opportunities to complement a sluggish public stock market and helps them identify promising opportunities. The appeal is mutual. Corporations are using their VC relationships to attract outside innovations and look more closely at young companies. Examples include the Microsoft® BizSpark™ program, which has invested US\$230 million and supported more than 32,000 start-ups globally. This program provides a one-to-one relationship with Microsoft and gives access to a global community (800 partners) and to the latest software tools. It has helped start-ups to develop a customer base and make substantial cost savings.
- ▶ Microfinance: according to young entrepreneurs in particular, microfinance institutions are set to play an increasingly important role as a source of funding: in mature markets, 23% of young entrepreneurs expect this to be the case, and in rapid-growth markets, 28% of young entrepreneurs do. Entrepreneurs should consider establishing relationships with local or international microfinance institutions with a view to using this alternative funding mechanism.

Other important funding instruments emerging in the future



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Selection of government leading practices

For more information, visit our website: www.ey.com/entrepreneurship-barometer

	Launch date	Country
PR.UEVE		
The PR.UEVE aims to encourage technology-based companies that can gain value from applied knowledge. Innovative ideas in products, services, production processes and management, which result in the formation of technology companies, are supported through this program. Business plan competitions are held and the winners are given support in the form of training and access to grants and loans.	2001	Argentina
OSEO		
The SME development bank (OSEO) aims to foster access to debt market for entrepreneurs. In 2010, OSEO-BDPME provided €10 billion, guaranteeing loans for more than 80,000 entrepreneurs. OSEO is headed up by a public sector holding company and reports to both the Ministry for the Economy, Finance and Industry, and the Ministry for Higher Education and Research.	2005	France
EXIST		
<p>EXIST is a government funding program (co-financed by the European Social Fund) that seeks to improve the start-up climate at universities and non-university research facilities in Germany, as well as to increase the number of start-ups that are technology – or knowledge-based.</p> <p>EXIST is based on three pillars:</p> <ul style="list-style-type: none"> ▶ EXIST start-up climate – supports universities in formulating an holistic and university-wide strategy regarding start-up climate and entrepreneurial spirit, and in implementing it in a sustainable and visible way ▶ EXIST start-up funding – supports the preparation of innovative, technology-oriented and knowledge-based start-up projects by students, graduates and scientists ▶ EXIST research transfer – promotes development projects for proving technical feasibility of research-based start-up ideas, and assists with preparations for implementation. 	1998 A new program launches regularly, e.g., in 2008	Germany
High-Tech Gründerfonds		
A public-private VC fund that invests in technology companies at the seed stage. The fund has a value of about €272 million and invests in companies that implement promising research results in industry. The start-up companies receive up to €500,000 each. Fields of support are provision of financing, team-building, knowledge transfer and building of networks.	2005 In 2011 Continuation with High-Tech Gründerfonds (II)	Germany
Technopreneurship Promotion Programme (TePP)		
<p>The TePP is India's largest network program supporting independent innovators. It is run by the Department of Scientific & Industrial Research, in the Ministry of Science & Technology. The network, with its 30 outreach centers spread across the country, provides grants, technical guidance and mentoring support to independent innovators. The purpose of this support is to enable innovators to emerge as entrepreneurs, by incubating their ideas and enterprise.</p> <p>The support is provided in two phases: innovation incubation of up to about US\$30,000, and enterprise incubation up to about US\$90,000. The TePP provides an opportunity to innovators to fail. TePP is also the only program that funds the innovator directly, without any repayment obligation. It gives all rights to innovators on intellectual property ownership and technology commercialization. It is exclusively aimed at non-IT, non-software entrepreneurs or inventors. The most important condition is that the idea must have a commercial application.</p>	2007	India

	Launch date	Country
Kredit Usaha Rakyat (KUR / credit for people's businesses)		
This incentive is a program offering credit facilities that are guaranteed by the Government in cooperation with several local banks. The objective of the KUR program is to accelerate the development of primary sectors and to empower small-scale businesses, to improve accessibility to credit and financial institutions, reduce poverty levels and expand job opportunities. KUR may be in the form of working capital or investment loans with a maximum of Rp500 million (US\$60,000) given to micro, small, medium and cooperative-formed units, by a credit insurance company.	2000	Indonesia
Self-employment		
A set of funding measures was put in place in 2000 to favor projects involving self-employment opportunities among the unemployed and those looking for their first job. Projects include: self-employment (projects with investments up to €25,000), micro enterprises (investments up to €130,000) and franchising projects with qualified franchisors. The support is provided via a free grant, special term financing and technical advice. This measure is managed by Invitalia, a governmental agency specifically intended to favor foreign direct investments and growth of local entrepreneurs.	2000	Italy
Credit Guarantee Corporations' (CGCs') system of sharing of responsibilities with financial institutions		
Launched in October 2007, this scheme was introduced to provide an appropriate sharing of responsibilities between the CGCs and the financial institutions. It took a system in which the CGCs had, as a rule, assumed 100% of the credit risk, and turned it into a system in which financial institutions were required, in principle, to assume 20% of the risk, to foster access to business loans for SMEs. In 2009, about four million SMEs benefited from CGCs.	2007	Japan
Women, youth and senior entrepreneurs fund		
JFC-Micro is one of the four units of Japan Finance Corporation (JFC), which is a comprehensive policy-based financial institution wholly owned by the Japanese Government. The most important mission of JFC-Micro is to support MSEs that have difficulties in obtaining funds from the private sector. Between April 1999 and March 2011, JFC-Micro has provided 90,000 business loans for a total amount of US\$5.5 billion.	2005	Japan

Regulation and taxation

Good progress, but
regulation can improve
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Selection of government
leading practices

Delegations of entrepreneurs who attended the G20 Young Entrepreneur Summit in Toronto, in June 2010, highlighted that “complex regulations and administrative procedures, together with excessive taxation, can discourage young people from taking even the first step toward becoming an entrepreneur.” In the past five years, significant progress has been made across the G20 countries to improve the regulation and taxation ecosystem in favor of entrepreneurship. Yet a lot can still be achieved. At the 2010 Toronto summit, entrepreneurs encouraged governments to “reduce the administrative burden for early stage businesses founded by young entrepreneurs and enact tax measures that will encourage their growth.”

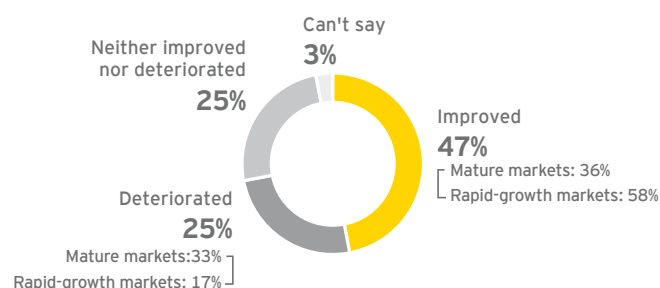
In this section, we analyze a series of indicators related to entrepreneurship regulation (ease of starting a business, labor market conditions, IP protection) and taxation (incentives for entrepreneurs, tax pressure). Aggregating 1,001 entrepreneurs’ perceptions of these indicators allows us to assess progress, identify leading practices and highlight recommendations for both governments and entrepreneurs.

Across the G20, entrepreneurs are optimistic about the progress accomplished in the last five years to improve entrepreneurship regulation. Nearly 60% of entrepreneurs from the rapid-growth G20 economies perceived big reductions in the complexity of

business regulations. The exceptions are South Africa and Brazil, whose entrepreneurs reported less favorable progress. Among the mature market G20 economies, South Korea registered the highest improvement in the regulatory environment in the past five years: more than 70% of South Korean respondents indicated improvement in business regulation and the overall ease of starting a business.

Three aspects of the regulatory environment highlight this largely favorable perception: ease of starting a business, IP protection and labor flexibility.

Do you think that the business regulation environment for entrepreneurs has improved in the last five years?



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Key findings

- ▶ The perception of progress made in the ease of starting a business is positive. Clear leading practices are emerging.
- ▶ Start-up costs in the G20 have declined steadily since 2005, and minimum capital requirements have been declining – with as many as 11 economies having eliminated this requirement in its entirety by 2010.
- ▶ Severance costs are much higher in the rapid-growth G20 markets. China, Turkey and Indonesia stand out. However, entrepreneurs from all three reported progress in labor market flexibility generally.
- ▶ Entrepreneurs judge actual tax incentives for starting a new business to be inadequate.
- ▶ Encouraging innovation emerges as the top regulatory priority for both mature market and rapid-growth market entrepreneurs.

Our recommendations

For governments

- 1 **Concentrate** on improving innovation
- 2 **Design** impactful, inclusive, stable and multimodal incentives, clearly targeted at entrepreneurs
- 3 **Measure** qualitative and quantitative impact of actual and potential incentives

For entrepreneurs

- 1 **Identify** the existing start-up incentives at all relevant administrative levels, e.g., regional and national
- 2 For your expansion projects, **consider** locating in a jurisdiction that provides appropriate incentives

Governments influence on the ease of starting a business

The perception of progress made in the ease of starting a business is positive. Clear leading practices are emerging.

For a large majority of G20 countries, there is a positive perception of progress made in the last five years to reduce the administrative burden for early stage businesses. In the mature markets, only Australian, UK and US entrepreneurs do not perceive significant improvement – consistent with the already-impressive environment in those countries. The same can be observed in South Africa, where the

administrative burden is below the rapid-growth markets' average: little progress has been perceived by entrepreneurs in the last five years.

Measuring the ease of starting a business is straightforward thanks largely to four indicators provided by the World Bank: time, number of procedures, cost and minimum paid-in capital to start a business.

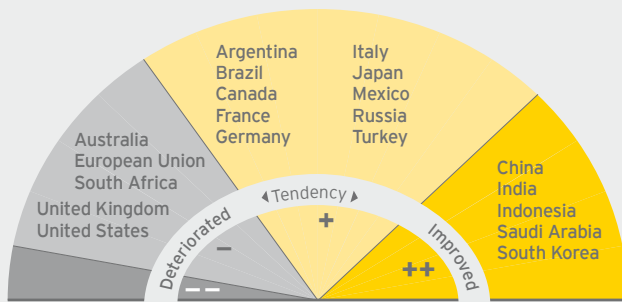
Entrepreneurs' reflections of improvements are mirrored in actual reductions in the time required to complete a start-up. Some of the biggest cuts have come in Saudi Arabia, Indonesia and Mexico.

Notwithstanding improvements since 2005 in India, Russia and China, progress has slowed since 2007, with no meaningful reforms introduced in any of these three

	Number of procedures		Time to start a business (number of days)		Cost to start a business (% of income per capita)		Paid-in minimum capital (% of income per capita)		Perception barometer 2005-10	
	2010	Change over the period 2005-10 (in number)	2010	Change over the period 2005-10 (in days)	2010	Change over the period 2005-10 (in p.p.)	2010	Change over the period 2005-10 (in p.p.)		
Mature markets	Australia	2	0	2	0	0.7	-1.2	0	0	-
	Canada	1	-1	5	2	0.4	-0.5	0	0	+
	France	5	0	7	0	0.9	-0.3	0	0	+
	Germany	9	0	15	-9	4.8	0.1	0	-47.6	+
	Italy	6	-3	6	-7	18.5	-2.2	10.1	-0.7	+
	Japan	8	-3	23	-8	7.5	-3.2	0	-75.3	+
	South Korea	8	-2	14	-3	14.7	-1	0	-308.8	++
	United Kingdom	6	0	13	0	0.7	0	0	0	-
	United States	6	0	6	0	1.4	0.6	0	0	-
	Total	5.7	-1.0	10.1	-2.8	5.5	-0.9	1,1	-48	+
Rapid-growth market	Argentina	14	1	26	-4	14.2	1.7	2.7	-3.9	+
	Brazil	15	-2	120	-32	7.3	-2.8	0	0	+
	China	14	1	38	-10	4.5	-9.1	118.3	-828.4	++
	India	12	1	29	-42	56.5	-5.5	188.8	-163.3	++
	Indonesia	9	-3	47	-104	22.3	-79.4	53.1	4.2	++
	Mexico	6	-3	9	-49	12.3	-3.3	9.2	-4.7	+
	Russia	9	-1	30	-5	3.6	-5.2	1.9	-2.5	+
	Saudi Arabia	4	-9	5	-59	7	-61.5	0	-1,236.9	++
	South Africa	6	-3	22	-13	6	-2.6	0	0	-
	Turkey	6	0	6	0	17.2	-10.2	9.9	-11	+
Total	9.5	-1.8	33.2	-31.8	15.09	-17.8	38.39	-101	+	
Total G20	7.7	-1.4	22.3	-18.1	10.6	-9.8	20.7	75.9	+	
European Union	5.9	-1.5	14.6	-11.8	5.7	-3.3	18.4	-27.3	-	

Source: World Bank, June 2011; *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Perception barometer



Ease of starting a business: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

countries. China even saw the length of time to start a business increase by three days between 2007 and 2010.¹³ India can only boast the replacement of the physical stamp by the electronic filing of VAT in 2011.

The average time required to start a business in the G20 has fallen by nearly one-half between 2005 and 2010, to 22 days. Most of this is due to rapid-growth economies which, as a group, cut an average of 32 days. Mature markets cut three days on average, reflecting their already short start-up times: Australia presents the lowest barrier to entry in the G20, with only two days.

By contrast, Brazil's entrepreneurs face a wait of 120 days. Although the Brazilian economy benefits from robust growth – and managed to increase the number of new businesses registered by 33% between 2004 and 2009 – the number of days required to set up a business is more than two-and-a-half times that in Indonesia. Much can be done: Indonesia had the highest time requirement among G20 nations in 2004. It reduced this barrier by introducing online services, eliminating certain licensing requirements and speeding up the approval process.

Recently, Brazil has tried to simplify its processes by reducing some registration. But while it has managed to eliminate 32 days since 2005, this hasn't been enough to keep up with the average reduction among the G20 nations over that time period.

Saudi Arabia has been the most successful in shortening the business set-up time, rising from 67th in the World Bank's 2004 *Doing Business* rankings to 11th in the 2010 rankings, while reducing the number of days required from 71 to 5 between 2004 and 2010. This has been the result of speeding up the registration process through continuous reduction and simplification of formalities. The process of reducing publication requirements and merging registration procedures is the responsibility of a centralized office at the Ministry of Commerce & Industry. Indeed, to foster new business creation, in 2005, King Abdullah launched an ambitious "10 by 10" group of initiatives. The aim was to reduce the impact of the regulatory burden on start-up companies, and to position Saudi Arabia in the top 10 of the *Doing Business* rankings at the end of 2010. To monitor progress, the Saudi Arabia General Investment Authority (SAGIA) was formed to set up a system of key benchmarks and to evaluate implementation of the "10 by 10" initiatives. It is also charged with being a supporter of further reforms. To implement major legal changes, SAGIA advocated starting with smaller and simpler changes, including eliminating the stamp needed in a company's book, and removing the separate submissions for publication of a company name in the Official Gazette. The next step was to trigger dialogue between all the stakeholders involved, to reduce the cost of starting a business and to leverage the *Doing Business* research finding that a minimum paid-up capital requirement does not prevent bankruptcy. As a result of this ongoing

policy, Saudi Arabia eliminated the minimum capital requirement of 1,057% of income per capita and reduced the days needed for a company start-up from 39 to 15.

Government leading practice

BizPaL (Business Permits and Licenses), Canada

BizPaL is an online service that simplifies the business permit and license process for entrepreneurs, businesses, governments and third-party business service providers. Users answer a series of questions on their type of business and BizPaL generates a list of the relevant permits and licenses from all levels of government (federal, provincial, territorial and municipal), with basic information on each, as well as links to government sites where users can learn more and, in some cases, apply online.

The need to contact multiple levels of government to acquire the various permits and licenses is greatly reduced. Most information is available from a single source. The service's primary goals are to slash document research time and help entrepreneurs start up faster. BizPaL is a free service, offered by the Government, that is currently operating in more than 500 jurisdictions across Canada, and continues to expand rapidly.

13. Source: World Bank, June 2011.



The time to start a new business is directly influenced by the number of procedures required. The G20 as a group reduced such procedures by more than 15% between 2005 and 2010 to an average of a little over seven. Saudi Arabia cut nine procedures to leave just four in 2010. Indonesia, South Africa and Mexico each cut three procedures, leaving them with nine, six and six procedures in 2010, respectively. The G20 mature market average in 2010 was just over five procedures, compared to an average of just over nine in the rapid-growth markets.

Looking ahead, nearly 60% of G20 entrepreneurs told us that simplifying start-up regulations would have a high impact on their long-term growth. That figure rises to 82% for entrepreneurs from Brazil, 80% for South Africa, 71% for India and 64% each for Germany and France. This reflects recognition of the potency of benefits from regulatory improvements already under way.

Start-up costs in the G20 have declined steadily since 2005. Indonesia and Saudi Arabia have reduced these costs by 80% or more since 2005. In the case of Indonesia, this was achieved by reducing the fees for

business licenses, business registration, publication and deed legalization. Turkey cut the cost of starting a business from 27% to 17% of per capita income between 2005 and 2010, while China reduced this cost by two-thirds, from 14% to 4.5%. Costs as a proportion of per capita income are highest in India, and have fallen modestly since 2005. Only in Argentina, Germany and the US have costs relative to income increased.

The minimum capital requirement for starting a business is falling – and as many as 11 G20 economies have eliminated it. This is especially true for the European Union. Indeed, during the Spring Council of 2006, national governments agreed to a series of measures to make starting up a company faster and cheaper anywhere in Europe. These simplifications called for cheaper and faster procedures and the implementation of a one-stop shop for all administrative procedures when starting up a company.

This commitment has been renewed in the Small Business Act for Europe, in which European Union countries have also committed themselves to shortening the time required to obtain business licenses.

In addition, the European Council of December 2008 adopted the European Economic Recovery Plan, which calls for additional reductions in the procedures for starting up a company. Finally, the communication on the review of the Small Business Act for Europe added some specific targets.

Currently, the targets requested from European Union countries are to:

- ▶ Set up some form of one-stop shop for business start-ups so that entrepreneurs can carry out all the required procedures (e.g., registration for tax, VAT and social security) via a single administrative contact point, either physical (an office), virtual (web) or both
- ▶ Reduce the time taken to register a new business to three days
- ▶ Reduce the fees for business start-ups to less than €100

Rapid-growth markets need more labor market flexibility

Severance costs are much higher in the rapid-growth G20 markets. China, Turkey and Indonesia stand out, although entrepreneurs from all three reported progress in labor market flexibility generally.

Flexibility of the labor market and the ability to recruit the right talent are key to a start-up's growth. To move to a growth phase, the young entrepreneur will face a hiring decision. Often, the associated financial

vulnerability and rigidity can delay this step, particularly when regulations make the payroll count unresponsive to the business cycle. A majority of the G20 entrepreneurs in our survey told us that improving the

flexibility of labor markets would have a high impact on their long-term growth. They report only modest progress in improving such flexibility over the past five years – only a minority characterize it as “fairly” or “highly” improved. Among the mature G20 markets, only 41% of entrepreneurs told us that labor market flexibility has improved in the past five years. The rate was slightly more positive among their peers from the rapid-growth markets, 47% of whom reported improvement.

Severance costs are much higher in the rapid-growth G20 markets, leaving greater room for improvement. Unsurprisingly, a majority of entrepreneurs in about one-half of these economies told us that labor market flexibility has been improving in the past five years. China, Turkey and Indonesia stand out for their high costs associated with severance; but entrepreneurs from all three reported progress in labor market flexibility generally. By contrast, Argentina, Russia and South Africa have equally high severance costs but report little improvement in labor market flexibility. In the mature G20 markets, Germany and Australia have large severance costs.

		2010 cost of hiring*	2010 notice period**	2010 severance cost***	Perception barometer 2005-10
Mature markets	Australia	0.24	4	8.7	-
	Canada	0.34	7	5	+
	France	0.14	7.2	4.6	-
	Germany	0.21	10	11.6	+
	Italy	0.36	8.7	0	-
	Japan	0.28	4.3	0	+
	South Korea	0.25	4.3	23.1	+
	United Kingdom	0.35	5.3	2.6	+
	United States	0.21	0	0	+
	Total	0.3	5.6	6.2	+
Rapid-growth market	Argentina	0.45	7.2	23.1	+
	Brazil	0.28	4.3	8.9	-
	China	0.38	4.3	23.1	++
	India	0.16	4.3	11.4	+
	Indonesia	0.38	0	34.7	+
	Mexico	0.11	0	22	+
	Russia	0.14	8.7	8.7	+
	Saudi Arabia	0	4.3	15.2	+
	South Africa	0.70	4	5.3	--
	Turkey	0.47	6.7	23.1	++
Total	0.3	4.4	17.5	+	
Total G20	0.3	5	12.2	+	
European Union	0.32	5.2	10.9	-	

Source: Dealogic; *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Doing Business is presenting this information for the first time.

* Ratio of minimum wage to average value added per worker

** Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks). *Doing Business* is presenting this information for the first time.

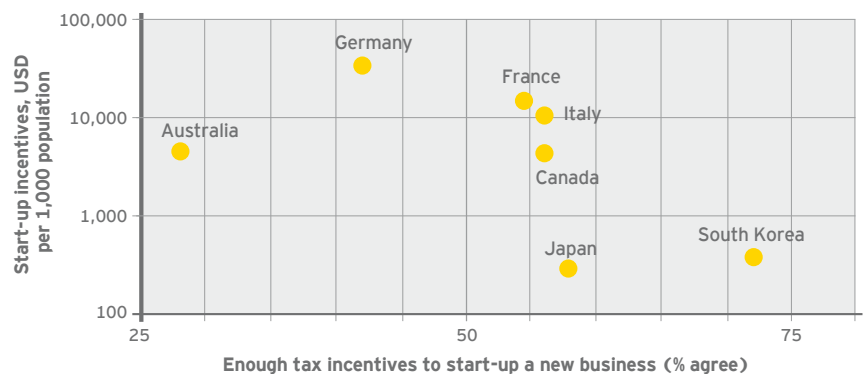
*** Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks). *Doing Business* is presenting this information for the first time.

Revising tax incentives to meet entrepreneurs' expectations

Entrepreneurs judge actual tax incentives for starting a new business to be inadequate.

Entrepreneurs in the G20, on average, do not think there are adequate tax incentives for starting a new business. Looking at tax incentives in the OECD reveals an interesting pattern: the larger the tax incentives granted, the greater the demand for increased tax incentives. As seen in the chart, Germany grants the largest start-up incentives per capita but has the second-lowest satisfaction with such incentives. South Korean entrepreneurs are the most satisfied with their start-up incentives yet have among the lowest in the OECD.

Start-up incentives and tax perceptions



Source: OECD, 2008; *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Case study

Brazilian SIMPLES tax regime

SIMPLES is a special tax regime for small, medium and micro enterprises (SMMs) that aims to reduce the tax burden, simplify tax accessory obligations and combine all Brazilian taxes into one single computation and collection. Brazilian taxes are generally computed based on either the profit or gross revenue of the company. The tax rate ranges from 5% to 25%. Under the SIMPLES program, the tax amount due is calculated with a single (and lower) tax rate based on the revenue earned by the company.

► Value

The value in the SIMPLES regime is based on the reduction of the income tax rate from 25% to 5%. A reduction in the applied tax rate is a good example of a strong value proposition. This is due to its direct nature and clear relationship to the targeted companies' bottom line, through its impact when applied to earnings before taxes. Accordingly, SIMPLES is a positive influence in encouraging entrepreneurial activity, by specifically lowering the tax burden on SMMs.

► Availability

This credit is available to all SMMs that meet the criteria defined in the legislation. SMMs are deemed to be micro enterprises with less than US\$150,000 gross annual revenue and SMEs with less than US\$1.5 million gross annual revenue. SMM partners must be Brazilian citizens or residents. This incentive has high availability to Brazilian entrepreneurs, and zero availability to external entrepreneurs.

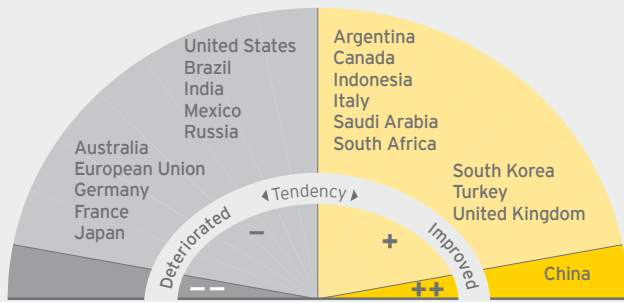
► Stability

The SIMPLES regime has a high level of stability based on two factors. First, because this incentive is not subject to a competitive process, enterprises will not be concerned about losing the lowered tax rate in subsequent years, outside of repeal of the legislation. Second, the adapted tax regime can be applied so long as an enterprise continues to meet the SMM definition. Accordingly, SMMs can make long-term business goals based on the SIMPLES regime, as long as they do not project their gross annual revenue to exclude them from SMM eligibility.

► Type

SIMPLES is a reduction of the corporate income tax rate. While the SIMPLES regime achieves its goal of lowering the tax and regulatory burden on SMMs effectively, it may not be as valuable to SMMs as incentives in competing jurisdictions that offer cash, land or access to other capital resources.

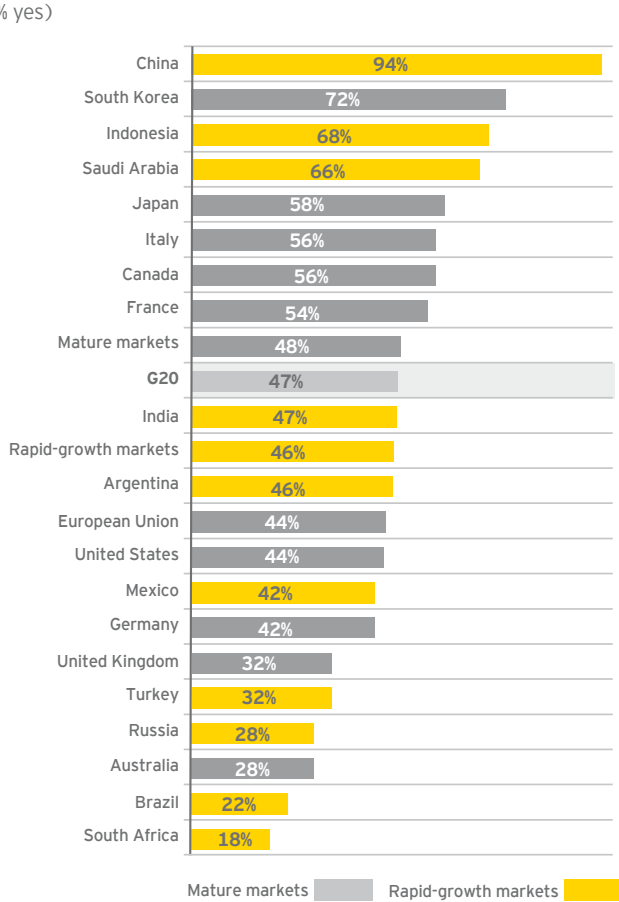
Perception barometer



Tax incentives: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Do you think that there are enough tax incentives to start a business in your country? (% yes)



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Viewpoint



Liu Jiren

Chairman and CEO, Neusoft Corporation, China

Neusoft Corporation was the first listed software company in China and has a market capitalization of US\$2.5 billion. Its founder, Liu Jiren, is one of the most successful entrepreneurs in China's software and IT service industry.

"These days, more young people are choosing to start their own businesses, because there are more industries opening up and more good ideas coming through. It is also much easier to find funding than it was 10 or 20 years ago; lighter regulation has resulted in more foreign capital coming into China. In the past 20 years, local and central government have also introduced incentives for businesses, which has helped to foster a better environment for entrepreneurs.

The big issue at the moment is copyright, which is very important for young people starting up innovative companies. This concept needs to be promoted and focus on innovation, as this is what will drive economic growth. For example, one of the most popular industries for young entrepreneurs in China is technology – specifically creating apps for mobile phones. These are generally low cost and low risk, and have boosted the country's GDP.

Every young person in China has a dream and they all believe it can become reality. Only a relatively small proportion of these are ultimately successful, but the most important thing is that they never stop believing."

Innovation stands as a top priority for G20 countries

Encouraging innovation emerges as the top regulatory policy priority for both mature market and rapid-growth-market entrepreneurs.

Government leading practice

Research tax credit
(Crédit d'Impôt Recherche),
France

The research tax credit is a corporate tax relief measure based on R&D expenses incurred by firms operating in France. This incentive helps to support companies' R&D efforts and to increase their competitiveness by providing a 30% rate concession on business R&D expenditure for the first €100 million, and 5% afterward. Following the economic downturn, an immediate refund of all unused credit for all firms (instead of a three-year waiting period), was in use as a temporary measure.

The application can be made simply by submitting a straightforward form at the same time as the company's corporate tax return. Eligibility of an R&D project can be confirmed by the French Ministry of Higher Education and Research through the "advanced ruling" procedure prior to work beginning. The Ministry must respond within three months following the request, after which time, eligibility can be assumed.

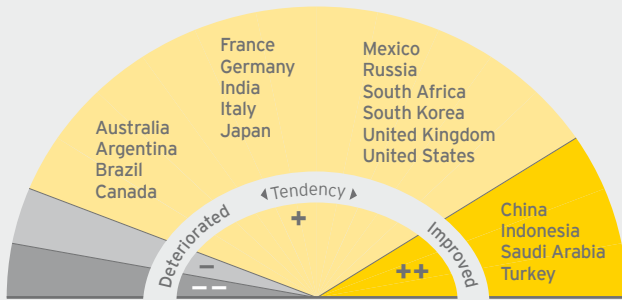
Encouraging innovation emerges as a top priority for regulatory policy in our poll of entrepreneurs across the G20. Many indicated that significant progress has already been made. Around 70% of survey respondents from Canada and South Korea said that innovation incentives have improved in the past five years. In the rapid-growth G20 markets, perceived improvements are matched by observed outcomes, in terms of growth in per capita

patent applications. On average, 63% of rapid-growth market respondents believe innovation incentives have improved in the past five years, compared with 53% in the mature markets. Majorities of respondents for nearly all rapid-growth economies indicated improvement, from 94% in China to 51% in India. Only in Argentina and South Africa did minorities of respondents indicate improvements (46% and 36% respectively).

		SMEs' tax subsidy rate for US\$1 of R&D	Perception barometer 2005-10
Mature markets	Australia	0.117	+
	Canada	0.326	+
	France	0.425	+
	Germany	-0.020	+
	Italy	0.117	+
	Japan	0.159	+
	South Korea	0.158	+
	United Kingdom	0.179	+
	United States	0.066	+
	Total	0.170	+
Rapid-growth market	Argentina		+
	Brazil	0.254	+
	China	0.138	++
	India	0.269	+
	Indonesia		++
	Mexico	-0.012	+
	Russia	-0.012	+
	Saudi Arabia		++
	South Africa	0.163	+
	Turkey	0.219	++
		Total	0.126
	Total G20	0.148	+

Source: OECD, June 2011; *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Perception barometer



Innovation incentives: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Indeed, globalization has driven countries to learn from each other, to foster R&D business expenditure. Tax incentives have been a strong enabler. This trend has endured since the latest measures provided by the OECD for 2008. Since then, France has doubled its tax subsidy rate for US\$1 of R&D through the research tax credit measure – and India and Brazil are providing a tax allowance of 150% on the volume of R&D business

expenditure. Reported tax subsidy rates for Germany and the US are not reflective of the entrepreneurs' perception, mainly due to the federal structure of their administrations.

Looking ahead, entrepreneurs told us that innovation incentives are the highest-impact policy step available to G20 policy-makers over the coming three years (64% in rapid-growth markets compared with 59%

in mature G20 markets). Among the most enthusiastic are entrepreneurs from Brazil (with 84% indicating a high impact from encouraging innovation), France (82%), Turkey (74%) and Germany and Russia (72% each). Intriguingly, entrepreneurs from stylized "high-tech" economies such as Japan and South Korea were the least likely to name innovation as a high-impact government policy, at 36% and 48%, respectively.

Case study

R&D super-deductions (UK)

This program has been in place since 2000, with two updates, in 2006 and 2008. It provides tax benefits to companies engaged in R&D activity. The super-deduction is separated into two brackets. The first bracket, applying to large companies, allows a 130% deduction on qualifying costs related to R&D. The second bracket, applying to SMEs, allows a 175% deduction of qualifying costs and a provision for SMEs in a loss position to claim up to 24.5% of qualified expenditures as a cash credit. These deductions are not limited to any particular industry; however, there are some limitations regarding categories of qualified expenses.

► Value

This program contains a strong value proposition, particularly in its application to SMEs. First, profit-making companies engaged in R&D can claim a substantial deduction (175%) on qualifying expenditures. In addition, the Government meets the needs of a unique target group with its provision for loss-making SMEs to claim a cash grant of up to 24.5% on qualified expenses.

► Availability

This incentive is available to a significant portion of the R&D-engaged business community. It is not limited to a particular industry, or group of industries, and is available to both large companies and SMEs. The limitations only arise from the definition of eligible expenditure.

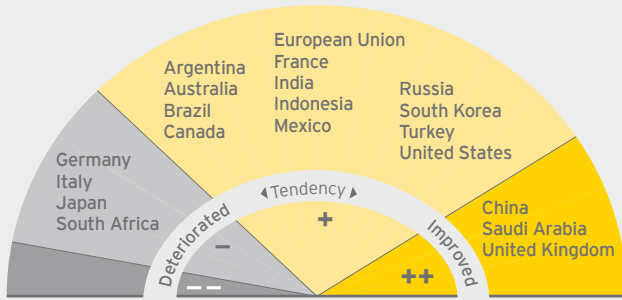
► Stability

The program has existed since 2000 and has been updated in 2006 and 2008 to increase the value of the deduction to companies with eligible expenses. Accordingly, entrepreneurs will have increased confidence when considering an investment in R&D due to the combination of continued existence over time and a steadily increasing value for the deduction.

► Type

For the most part, companies access the value established by this program through taking a tax deduction on eligible expenses. In addition, a provision in the incentive allows for cash grants of up to 24.5% for loss-making SMEs. Through the application of multiple incentive types, this incentive demonstrates effective targeting.

Perception barometer



Intellectual property protection: progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Protecting intellectual property – a key point

A key aspect of the regulatory environment for entrepreneurs is the protection of their intellectual property. Particularly in technology-intensive fields, the young entrepreneur needs confidence that novel ideas, processes or technologies will be protected from imitation.

In our survey, entrepreneurs from China, South Korea, Russia and Japan reported particularly noteworthy improvements in intellectual property rights (IPR) protection in the past five years. This perception is partly matched by the data on property rights activity. China saw an 80% growth in patent applications over roughly this period and Russia a 20% increase.

Rapid-growth markets, as a whole, saw a 44% increase in patent applications over the period, compared with a 2% decline in the mature markets. In part, the divergence reflects the impact of the business cycle: the mature markets experienced a severe decline, which was more quickly reversed in the rapid-growth markets.

Patent applications by patent office		2005	2009	% change over the period 2005-09	Perception barometer 2005-10
Mature markets	Australia	23,857		(2005-08) 10%	+
	Canada	39,888	37,477	-6%	+
	France	128,713	134,580	5%	+
	Germany	17,275	16,104	-7%	-
	Italy	60,222	59,583	-1%	-
	Japan		9,717	(2007-09) -4%	-
	South Korea	427,078	348,596	-18%	+
	United Kingdom	160,921	163,523	2%	++
	United States	27,988	22,465	-20%	+
	Total	390,733	456,106	17%	+
Rapid-growth market	Argentina	5,266			+
	Brazil	20,005			+
	China	173,327	314,573	(2005-07) 9%	++
	India	24,505	34,287	81%	+
	Indonesia	4,303		40%	+
	Mexico	14,435	14,281	(2005-06) 7%	+
	Russia	32,253	38,564	-1%	+
	Saudi Arabia	493		20%	++
	South Africa	5,554		(2005-07) 56%	-
	Turkey	1,146	2,732	(2007-08) -100%	+
Total	281,287	404,437	138%	+	
Total G20		1,557,962	1,652,588	6%	+
European Union		234,198	242,449	4%	+

Source: WIPO Statistics Database, January 2011. *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Our recommendations for governments

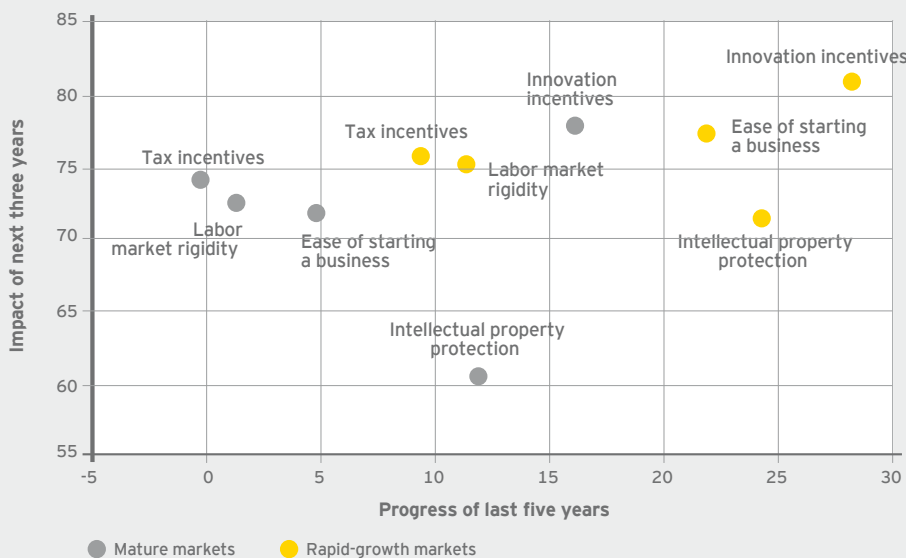


1 Concentrate on improving innovation

One of the key areas in which governments can make a difference is innovation. The link between entrepreneurship and economic growth lies in this. As the G20 economies mature, growth will increasingly be driven by technological change or “total factor productivity” – the efficiency with which all other inputs are used. Already, this is the case in the mature markets, where depth in research infrastructure is combined with high transfer rates from laboratory to showroom.

Entrepreneurs across the G20 agree. They told us overwhelmingly that innovation incentives over the next three years would have the biggest impact on their long-term growth. They ranked this step as more important than simplifying start-up procedures, reducing labor-market rigidity, strengthening intellectual property protection or increasing tax incentives.

Regulation and taxation
Progress and future impact



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.



2 Design impactful, inclusive, stable and multimodal incentives clearly targeted at entrepreneurs

Effective incentive or tax regime creation requires the development of comprehensive programs that meet the needs of the intended target groups. An effective development process should take into consideration the influences of four key drivers (value, availability, stability and type – VAST) within and around the specific target group:

- ▶ Identify the intended target group and program goals, such as family businesses on whose performance governments can have a direct impact through the tax and legal environment relating to succession planning¹⁴

- ▶ Clarify target group definition and characteristics

- ▶ Develop value methodology and align methodology with target group dynamics

- ▶ Define availability to ensure maximum access for the target group

- ▶ Determine the necessary lifetime to ensure appropriate program stability

- ▶ Select a value type that will provide maximum impact on target group members

- ▶ Review and verify that program components are in alignment with initial goals and target group definition

14. *Flexible, focused and future looking: how a distinctive business approach is sustaining family firms during the downturn*, Ernst & Young, 2010

VAST analysis

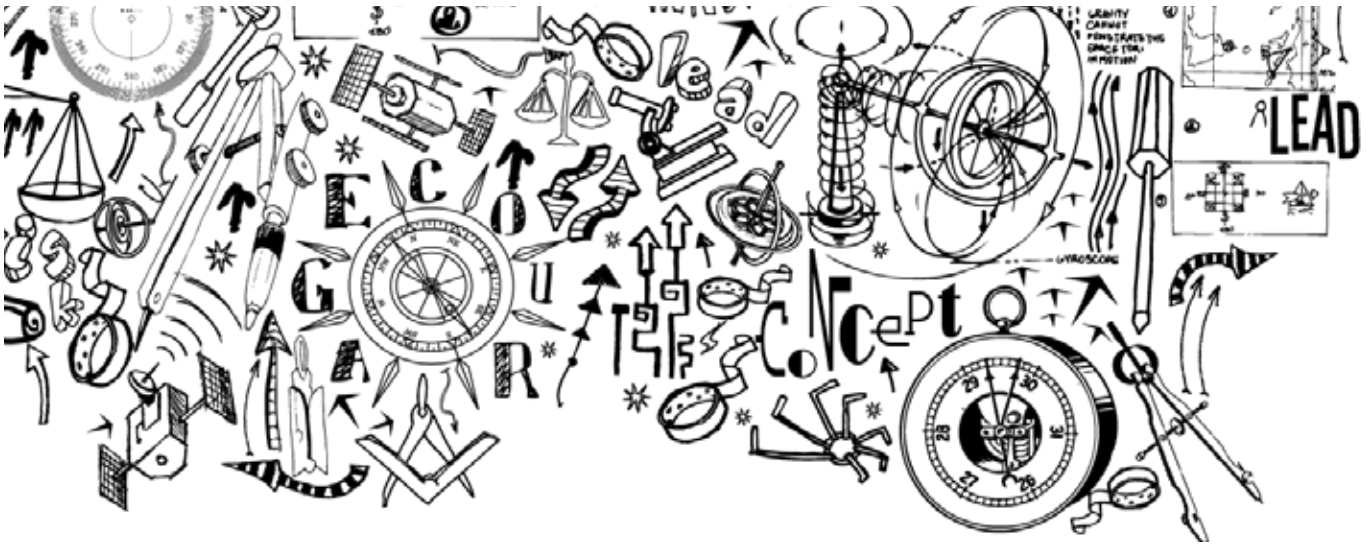
Foundation incentive components

▶ Value

The value proposition behind incentives is the initial focal point for perceived effectiveness. An effective value proposition has a value that provides a noticeable impact, but the method by which that value is calculated should be structured to meet the needs of the target group. For instance, in the case of SMEs, particularly those in the growth phase, a flat rate incentive may have an impact in one year, but become insubstantial in future years as the company grows. In such a case, a percentage-based value function, in line with the business's performance, may be more effective in achieving the incentive's goal, while also avoiding unnecessary dead weight loss or over-subsidization. It is important that the value calculation method be capable of growing and changing along with the businesses that comprise the target group. A stagnant value structure will not effectively adapt to changing business needs in a way that promotes its impact over time.

▶ Availability

In order to have the most effective impact on the intended target group, an incentive should be inclusive of all the eligible members of that group. As a result, the incentive will neither be over utilized by companies outside the target group nor will it be inaccessible to particular businesses within that group. This balanced availability will be a key.



► Stability

Regular planning and performance projections are an important aspect of business management. Governments should take into account the importance of these procedures when planning and developing an incentive. In other words, it is important that incentives be available for a period of time that will be effective in achieving the intended goal. For incentives aimed at SMEs, it is important that the expiration of an incentive does not cripple a company's financial situation or ability to perform crucial business activities, such as hiring or R&D.

► Type

The form in which a business actually receives the value established by an incentive is also important for incentive effectiveness. When selecting a value type, the impact of various formats should be considered, as should the operational, revenue and tax status of the targeted companies. SMEs provide a telling example, in that during the start-up and early growth phases, many companies operate at a loss. For a company operating at a loss, a tax credit will not have a strong impact on the business, or free up resources to be used to continue business growth. A company's position should match the type of incentive offered, in order to maximize effectiveness. In designing incentives, the most effective form should be selected to ensure the incentive can provide a tangible impact for the target group. It is also important to note that it is possible to provide multiple value types within the structure of a single incentive. Multiple value types can be an effective way of providing impact when there is a highly diverse set of positions within the target group.

3 Measure qualitative and quantitative impact of actual and potential incentives

A key to getting incentives right is to assess the quantitative, through methodologies such as ex-ante, and the qualitative impact, through periodic sample surveys and feedback analysis. With a properly designed survey, entrepreneurs can indicate to policy-makers the utility of incentives designed to increase their growth and their contribution to innovation, technological progress and, crucially, employment. Surveys are relatively inexpensive and are good at describing the characteristics of a large population.



Next generation innovation policy

The future of European Union innovation policy designed to support market growth

The study presents means of creating a more efficient innovation policy at an European Union-level to support innovation and thereby growth in the marketplace. It focuses on how

European Union initiatives on innovation are perceived by industry, and presents 10 recommendations for innovative innovation policy:

- Use ongoing consultation of industry stakeholders through permanent platforms
- Enable more effective technology transfer between universities and industries
- Exploit the wealth of networks
- Invest in innovation platforms
- Facilitate co-innovation
- Strengthen demand-side policies
- Create innovative financial instruments
- Unleash the hidden power of PPPs
- Rethink subsidiarity
- Improve the governance of European Union innovation

Selection of government leading practices

For more information, visit our website: www.ey.com/entrepreneurship-barometer

	Launch date	Country
Business.gov.au		
The business.gov.au website is an online government resource for the Australian business community. Businesses using the site are able to comply with government requirements more simply and conveniently.	1997	Australia
Individual Entrepreneur Law		
The Individual Entrepreneur Law aims to help informal sole trader entrepreneurs (who do not have a share in any other business and who have an annual income of up to R\$36,000), to formalize and thereby gain access to social benefits such as pension and medical aid and worker's compensation. To simplify the registration of these types of entrepreneurs wanting to benefit from the Law, the Ministry of Development, Industry and Commerce (MDIC), which oversees the development of small businesses, launched an internet portal in 2009, where entrepreneurs looking to formalize can sign up. The Law also reduces the number of steps (from forty-one to seven) that an entrepreneur is required to follow to register, lessens the amount of information that must be supplied and offers them lower taxation.	2008	Brazil
Lei Geral Policy		
The Brazilian Government's policy on small businesses is contained principally in Lei Geral, a law that has, among other things, simplified taxes and boosted government procurement for small and micro enterprises. Through this law, small businesses with a turnover up to R\$2.4 million are taxed less and receive prioritized government procurement of up to R\$80,000.	2006	Brazil
SIMPLES tax regime		
SIMPLES is a special tax regime for small, medium, and micro enterprises (SMMs) that aims to reduce the tax burden, simplify tax accessory obligations and combine all Brazilian taxes into one single computation and collection. Brazilian taxes are generally computed based on either the profit or the gross revenue of the company. The tax rate ranges from 5% to 25%. Under the SIMPLES program, the tax amount due is calculated with a single (and lower) tax rate based on the revenue earned by the company.		Brazil
BizPaL (Business Permits and Licenses)		
BizPaL is an online service that simplifies the business permit and license process for entrepreneurs, businesses, governments and third-party business service providers. Users simply answer a series of questions on their type of business, and BizPaL will automatically generate a list of permits and licenses from all levels of government (federal, provincial, territorial and municipal), with basic information on each, as well as links to government sites where users can learn more and, in some cases, apply online.	2005	Canada
OneStop Business Registry		
The OneStop Business Registry program is offered by the Ministry of Small Business, Tourism and Culture and Western Economic Diversification Canada. An easy-to-use computer program, it allows business owners to complete important government applications quickly and efficiently, at one time and at one location.	2004	Canada

	Launch date	Country
Red Tape Reduction Commission		
<p>The Government of Canada has created the Red Tape Reduction Commission with the following mandate:</p> <ul style="list-style-type: none"> ▶ Identify irritants to business that stem from federal regulatory requirements and review how those requirements are administered, in order to reduce the compliance burden on businesses, especially small businesses. The focus is on irritants that have a clear detrimental effect on growth, competitiveness and innovation. ▶ Recommend options that address the irritants and that will control and reduce the compliance burden on a long-term basis, while ensuring that the environment and the health and safety of Canadians are not compromised in the process. 	2011	Canada
Measures to lure potential Chinese entrepreneurs from overseas		
Enterprises started by Chinese entrepreneurs who have returned from overseas can receive substantial support, such as a proportion of their start-up capital during their start-up phases.	2011	China
Small Business Act for Europe		
During the Spring Council of 2006, national governments agreed to a series of simplifications, to make starting up a company faster and cheaper anywhere in Europe. These simplifications called for cheaper and faster procedures and the implementation of a one-stop shop for all administrative procedures when starting up a company. This commitment has been renewed in the Small Business Act for Europe, in which European Union countries have also committed themselves to shortening the time required to obtain business licenses.	2006	European Union
One-stop online business registration system		
Setting up a company is now much easier thanks to the one-stop online business registration system (Le Guichet Unique de la Création d'Entreprises). This website, which targets current and new entrepreneurs, is used to inform or to set up a company more quickly than normal.	2010	France
The "self-entrepreneur" status		
<p>The self-entrepreneur status has been made for those who want to operate as a one-person business (entreprise individuelle) of a commercial, skilled trade or professional nature (whether full-time, part-time or in addition to any another occupation) and with an annual turnover below:</p> <ul style="list-style-type: none"> ▶ €80,000 excluding VAT (2009 level) if the business activity entails the purchase or resale of goods, the sale of goods or services to be consumed on the premises or the provision of accommodation ▶ €32,000 excluding VAT (2009 level) if the business is providing services. 	2009	France
Research tax credit (CIR) (permanent program with temporary measures)		
<p>30% on volume for first €100 million and 5% afterward.</p> <p>The 30% rate is increased to 50% (first year) and 40% (second year) for firms claiming tax credit for the first time of tax payable. The benefit is non-taxable. There is no ceiling on R&D eligible at the lower rate.</p> <p>Recent significant changes: 2008 – tax credit is calculated on volume-base only (replacing the hybrid scheme). The tax ceiling, to benefit from the 35% rate, was increased from €16 million to €100 million. 2009 – with an immediate refund of all unused credit for all firms (instead of a three-year waiting period) as a temporary measure.</p>	2008	France

	Launch date	Country
Law 99/2009		
Law 99/2009 charges the Government with coordinating all legislative arrangements related to globalization, including exports, promotion of investments and agreements between public organizations and the bank system using foreign bank services.	2009	Italy
The Reduction of Administrative Burdens (Law 133/2008)		
This law obliges the Government to measure the administrative costs of all deliverables from enterprises to it. On the basis of these measurements, plans for simplification or abolishment will be prepared.	2008	Italy
Revision of angel tax program		
This is a tax system providing preferential tax treatment to individual investors in companies that fulfill certain requirements when angels invest in or sell the stock of the companies.	2008	Japan
One-stop shop system for new projects		
<p>The Nizhny Novgorod region has implemented a start-up scheme to provide guidance for investment projects as well as a one-stop shop system for prospective investors. Nizhny Novgorod is the fifth largest city in Russia.</p> <p>The investment project start-up system is based on one-stop-shop principle, which means that, to get a land site, the investor has to contact only one office, the Ministry for Investments. With this policy, the new investment projects can minimize the "unofficial relations," which cause unnecessary delays for new projects.</p>	2005	Russia
The Simplified Accounting System		
The Simplified Accounting System offers tax advantages for taxpayers who opt for the new system. They file and pay their first category and global complementary tax on the basis of their earned annual net income (earnings minus expenses). In this system, one can choose how to pay corporate tax: either 6% from all the turnover or 15% from the net income (income minus expenses). In addition, the payment of VAT is not required, and that the social funds' expenses from the staff salaries will also be reduced twice.	2007	Russia
"10 by 10"		
Saudi Arabia rose from 67th in the World Bank's 2004 <i>Doing Business</i> rankings to 11th in the 2010 rankings. To foster new business creation, King Abdullah, in 2005, launched an ambitious "10 by 10" group of initiatives. The aim was to reduce the impact of the regulatory burden on start-up companies and to position Saudi Arabia in the top 10 of the <i>Doing Business</i> rankings at the end of 2010. To monitor progress, the Saudi Arabia General Investment Authority was formed to set up a system of key benchmarks, and to evaluate implementation of the "10 by 10" initiatives. It is also charged with being an advocate for further reforms.	2005	Saudi Arabia
The R&D tax credit		
Legislation is planned for the Finance Bill 2011, to increase the additional deduction for qualifying R&D expenditure given to SMEs in computing business profits or losses for corporation tax purposes. Subject to State Aid approval, the additional deduction will increase from 75% to 100% of the qualifying R&D expenditure: a total deduction of 200%.	2011	UK

Coordinated support

It's time to team

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Selection of government leading practices

G20 governments are implementing a variety of measures to centralize and streamline resources for entrepreneurs, which are often spread across their economies in disparate and decentralized fashion. On one hand, governments are organizing one-stop shops for entrepreneurs, to manage their bureaucratic tasks. And on the other hand, there are initiatives to coordinate training and support services for entrepreneurs.

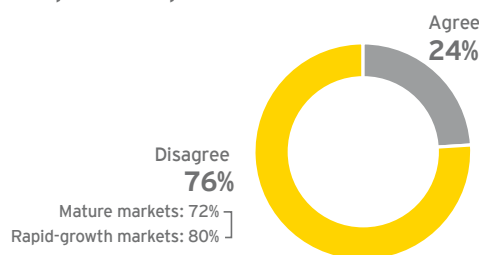
These efforts are beginning to pay off, as evidenced by the perceptions of entrepreneurs from some of the G20. But in many cases, there is still room for improvement. When asked about the overall quality of coordination to support their long-term growth, more than half of the G20 entrepreneurs we spoke with rated coordination "poor" or "very poor" in their country. In the mature markets, 47% of entrepreneurs said the coordination specifically between business incubators, government agencies, chambers of commerce, entrepreneurs' clubs and associations and mentoring programs had deteriorated or was unchanged.

The need for better coordination was highlighted at the 2010 G20 Young Entrepreneur Summit, which stressed that efficient and clearly articulated support is key for the success of entrepreneurs: "young entrepreneurs receive some assistance from a range of non-governmental organizations, private sector initiatives, educational institutions and government agencies, but in many countries this web of support is inefficient and inconsistent.

Mentors from successful businesses can offer vital support, but the importance of their role is often overlooked. Governments should encourage greater collaboration and cooperation among organizations across the public, private and non-profit sectors, both within our countries and across international boundaries."

Many entrepreneurs told us that their country offered no support while they were setting up. However, this is changing and governments are playing an increasing role in providing coordinated support. As one young entrepreneur notes, support has historically been focused on "biotechnology and software industries" but needs to widen to other sectors and industries to encourage a broader group of entrepreneurs.

Do you think that the culture of your country encourages entrepreneurship?



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Key findings

- ▶ Coordination between government agencies, business incubators, university resources and training programs can unlock the potential of these disparate entrepreneurship enablers.
- ▶ Challenges faced by young entrepreneurs are taken into account in some countries, where leading practices are emerging, in providing tailored and efficient support.
- ▶ Individual support programs benefit from positive perception in improving the quality of services provided. In the future, incubators will have the highest impact on the ecosystem.
- ▶ Government agencies are teaming up with the private sector to drive SMEs' globalization.
- ▶ One-stop shops, to centralize the bureaucratic components of new business formation, have been highly successful in the few G20 members that have launched them, with more to come.

Our recommendations

For governments

- 1 Empower** incubators – they are the most promising enablers
- 2 Enhance** tailored support for young entrepreneurs
- 3 Simplify** registration and taxation procedures with one-stop shops

For entrepreneurs

- 1 Look** for centralized providers of regulatory and tax information
- 2 Avail** yourself of coordinated incubator and mentoring support schemes

Increased coordination enables better services

Coordination between government agencies, business incubators, university resources and training programs is important to unlock the potential of these disparate entrepreneurship enablers.



Viewpoint

Sandra Le Grand

Founder and President, Canalce, France

Founded by Sandra Le Grand in 2000, Canalce offers teamwork programs, employment law advice, software and employee incentive programs to its corporate clients across France.

Sandra is a strong supporter of entrepreneurs in France, particularly women.

"In France, entrepreneurs are portrayed as future sources of employment, so people see them in a positive light. There is a lot of media coverage, and people are interested in the entrepreneurial process, particularly in a time of high unemployment.

I believe that business angels are the way forward for young entrepreneurs. Our funding came from business angels, and then venture capitalists, which was helpful given that banks in France tend to be conservative when it comes to funding start-ups. Business angels also provide networking support, which is invaluable when you're just starting out.

The French tax system offers support for entrepreneurs, in the form of tax deferrals and legislation that encourages investment by business angels. I would like to see more stability in the tax system – we can't be sure that things will be the same from one year to the next.

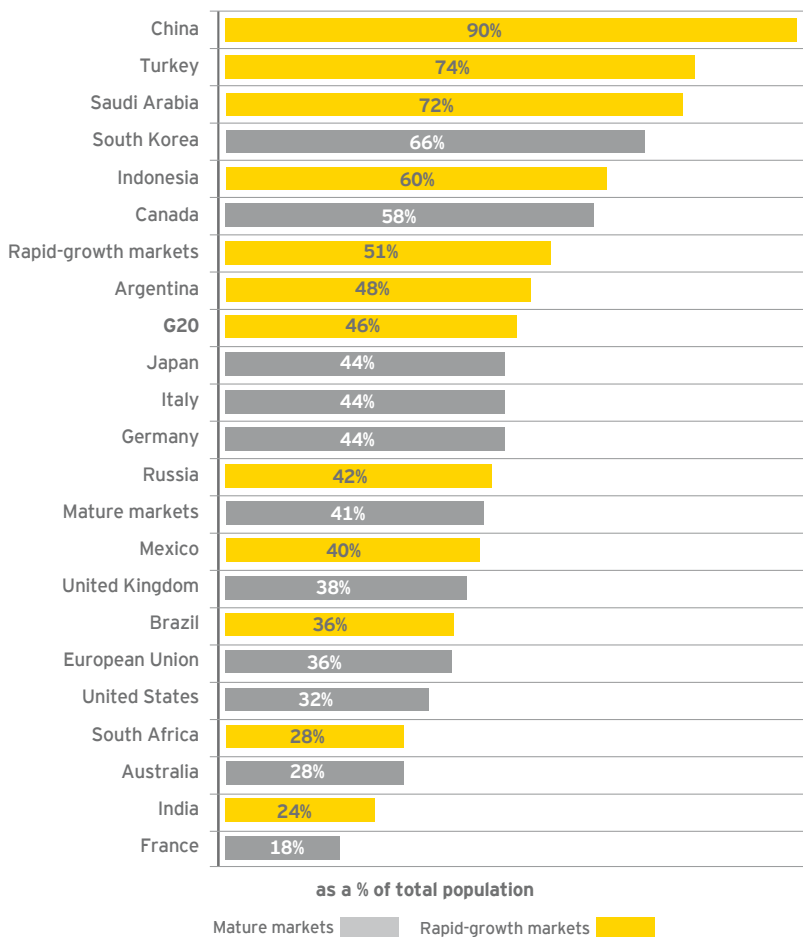
Germany is a good role model for France, as it is good at encouraging its SMEs to grow. Part of this may be getting big companies to act as mentors to smaller ones, as well as support from the Government. I think we could learn a lot from Germany."

When asked to evaluate the coordination between governments, associations and education systems to support entrepreneurship in their country, entrepreneurs in rapid-growth markets were more positive about the level of support they receive compared with their counterparts in the developed economies. This may be a result of lower expectations in the former markets, but is also likely to reflect the actual level of coordinated support they enjoy.

Coordination stands out as an "easy win" for governments. Most entrepreneurs told us that coordination to support entrepreneurs' long-term growth is poor. The key successes have been achieved in South Korea and Canada, which received high marks from entrepreneurs. In the rapid-growth markets, Turkey, Saudi Arabia, and Indonesia received high marks for coordination. But the best of all is China, where 90% of respondents indicated well-coordinated efforts to support their long-term growth.



How would you evaluate the coordination between governments, associations and education systems to support entrepreneurship and entrepreneurship long-term growth in your country?
(% of well coordinated)



Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

Government leading practice

Enterprise Connect
(Australia)

Enterprise Connect – the Australian Government’s AU\$50 million a year small business assistance program – has helped over 7,500 businesses since it was launched in 2008. It provides a range of services including advice, researcher placements, workshops, events and grants. New elements are progressively added to the Enterprise Connect program, including adapting to climate change (Clean 21 Technology Innovation Network) and increasing competitiveness (Buy Australian at Home and Abroad).

Rapid-growth markets tailor help for young entrepreneurs

Challenges faced by young entrepreneurs are taken into account in some countries where leading practices are emerging in providing tailored and efficient support.

Government leading practice

NYDA (South Africa)

NYDA is a South African youth development agency aimed at creating and promoting coordination in youth development matters. NYDA was formally launched on 16 June 2009 by President Jacob Zuma, at a special Youth Day commemoration event, as a result of the merger of Umsobomvu Youth Fund (UYF) and the National Youth Commission (NYC).

The NYDA's mandate is to:

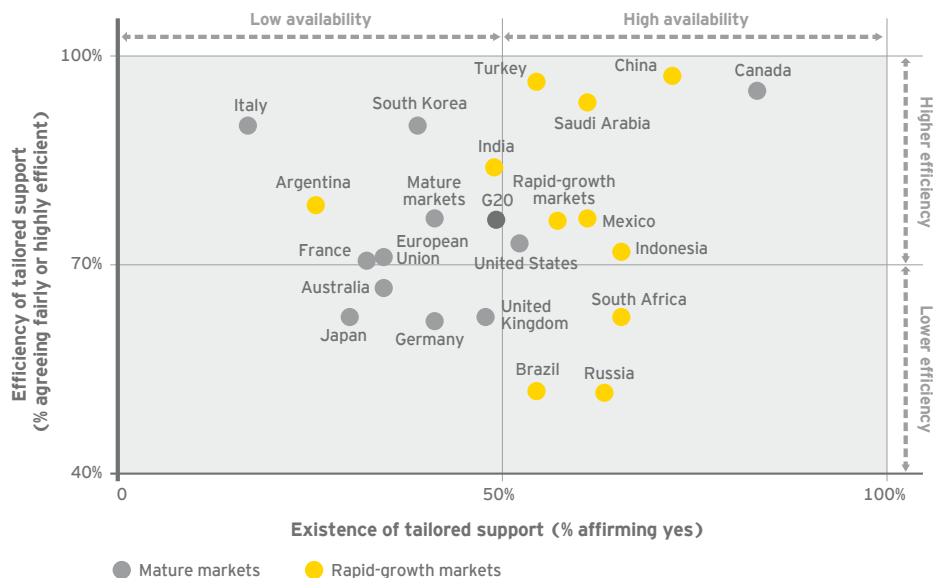
- ▶ Advance youth development, through guidance and support, to initiatives across sectors of society and spheres of government
- ▶ Embark on initiatives that seek to advance the economic development of young people
- ▶ Develop and coordinate the implementation of the Integrated Youth Development Plan and Strategy for the country

A large number of countries have tailored support for young entrepreneurs. Canada, China, Saudi Arabia and Turkey have the highest-rated efficiency of support. The top-right quadrant of the graph, combining high availability and high efficiency, is populated by these four – plus Mexico, Indonesia and the US. One example is the Programa de Incubadoras de Negocios para Jóvenes (PROJOVEM). Launched in 2006, this business incubator program for youth, provides temporary support to assist in the creation and strengthening of MSMEs for youth in the rural sector. It seeks to provide

alternatives for young entrepreneurs in rural areas, through business incubators that encourage the creation of agribusiness and alternative tourism enterprises. The program is credited with the creation of 1,170 companies and 3,730 jobs through 71 business incubators.

This quadrant is dominated by the rapid-growth markets. By contrast, the bottom-left quadrant features exclusively mature market G20 members: Australia, Japan, Germany and the UK.

Existence and efficiency of tailored support for young entrepreneurs



Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

Incubators to lead the game in future

Individual support programs benefit from positive perception in improving the quality of services provided. In the future, incubators will have the highest impact on the ecosystem.

Incubators enjoy the most positive image of all types of entrepreneurship support program. They are seen as having significantly improved in the last five years – particularly in the rapid-growth markets. More importantly, entrepreneurs told us they expect incubators to have the biggest impact in improving the entrepreneurship ecosystem in the future. The most positive perceptions of incubators' progress are in China, Brazil, India and Saudi Arabia. This follows several successful initiatives in those countries.

For example, the Tianjin Women's Business Incubator (TWBI) based in Tianjin, China's fourth largest city, is supported by a US\$500,000 grant to the Ministry of Finance of the People's Republic of China. Launched in 2000, this incubator focuses on helping women to become entrepreneurs after losing their jobs. The Tianjin Municipal Government, the Tianjin Women's Federation and three other local authorities are the major stakeholders. The incubator has taken guidance from the United Nations Development Program (UNDP) and US consultants. It has trained 400 entrepreneurs.

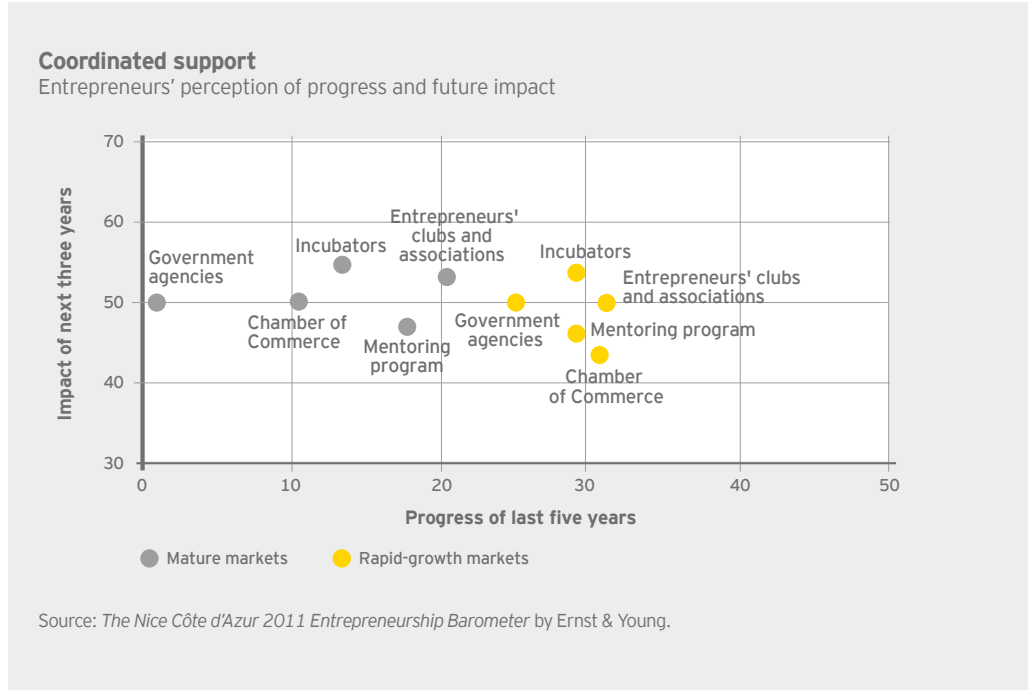
The Brazilian network of 23 incubators, Rede Mineira de Inovação (RMI), is located in three technological parks, hosting 292 businesses. All incubators are

non-profit organizations connected with public or private institutions, including universities or foundations. To address entrepreneurs' short- and long-term goals, the RMI program monitors and evaluates incubators' commercialization, performance and web-based education.

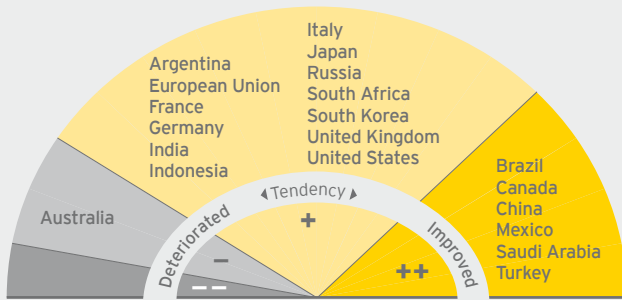
National Design Business Incubator as it is an initiative of the National Institute of Design (NID) in Ahmedabad, set up with

the support of Department of Science and Technology, Govt. of India, New Delhi. The main objective of NDBI is to promote young design-focused entrepreneurs. It aims at growing into an incubator employing 1,000 designers by 2015 across the nation.

In mature markets, Canada and South Korea are leading the way. Looking ahead, expectations are high in France, Canada and Japan, where entrepreneurs are strongly



Perception barometer



Quality of the support provided by incubators: progress of last five years

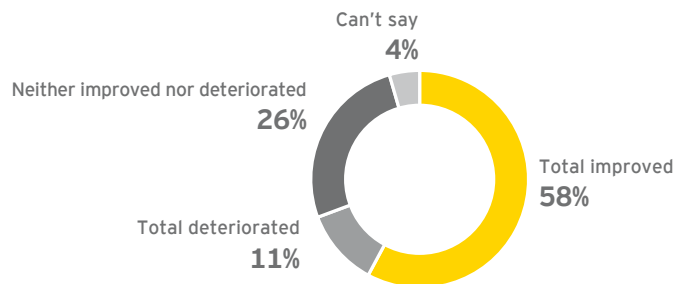
Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

convinced that incubators will have a high impact on the entrepreneurship climate in the next three years. In the rapid-growth markets, entrepreneurs in Brazil, Mexico and India have high expectations for the impact of business incubators.

About half of our G20 respondents indicated that the quality of support provided by mentoring programs has improved over the past five years. However, this statistic masks large underlying divisions between countries. In Canada and China, with more than seven in ten respondents noting improvements, there is larger consensus about the wide-ranging aspect of these improvements. Meanwhile, in Germany, Brazil and Russia, fewer than three in ten respondents agreed that mentoring programs have experienced qualitative improvements. The strongest perception of the impact of mentoring in the next three years was in South Africa and Canada. Just behind these are Brazil, China, India and Mexico.

The most highly rated by their entrepreneurs are the government support programs of Turkey and Indonesia. Three-quarters of the Turkish entrepreneurs we spoke with said the quality of support provided by their government agencies had improved in the past five years. Two-thirds of Indonesian entrepreneurs said likewise.

Do you think that the collaboration and cooperation between these organizations has improved in the last five years?



Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.

Entrepreneurs in China, Canada, Germany, Saudi Arabia and South Korea have strong expectations for the role of government agencies in the future.

One driver of higher satisfaction with coordinated support in the rapid-growth markets could be related to the latest improvements in cooperation between non-governmental organizations, private sector initiatives, educational institutions and government agencies. While fewer than one-half of all of our respondents in the mature markets indicated improvements in collaboration between these organizations over the past five years, seven in ten respondents in the rapid-growth markets believed this to be true.

Respondents from Turkey, Saudi Arabia and China were most convinced about improvements in collaborative support over the past five years. In the mature markets, Japanese and South Korean respondents were strongly convinced of improvements in coordinated support – but even they ranked only seventh and eighth among the G20 economies, behind rapid-growth countries – while respondents from the UK and Italy were the most pessimistic.

One-stop shops for business start-ups

Highly successful one-stop shops centralize the bureaucratic components of new business formation.

Among the G20's leading government practices assembled for this report, three entail a centralized one-stop shop to consolidate the red-tape aspects of new business formation and ongoing compliance in bureaucratic and tax matters. These practices are in Australia, Canada and France, and more are being developed elsewhere. The premise is straightforward: if entrepreneurs can turn to one source for all of the legal and regulatory hurdles they face, they will tackle the hurdles more easily, and turn their energies to their enterprise sooner.

Yet, while the potential may be clear, the execution is difficult. For one thing, an effective one-stop shop requires the marriage of disparate IT systems and standards. Secondly, even if technical heterogeneity presents no obstacle, there is some research to indicate that the creation of such a centralized bureaucratic entity must sometimes overcome internal barriers – including individual institutional reluctance to cede control of a given function. All of which goes at least part of the way toward explaining the surprisingly small number of genuine one-stop shops for business start-ups among the G20.

Government leading practice

www.business.gov.au
(Australia)

Among the first in the G20 to centralize information for new business registration was Australia. This website was launched in 1997 to help businesses comply with government requirements more simply and conveniently. It provides a range of services and information about start-up, taxation, licensing and legislation, as well as significant transactions such as business number searches, taxation compliance and license application. The website is continuously refined in response to business needs.

From mid-2012, Australia will offer the Australian Business Number (ABN) – business names registration system, offering online registration for ABNs and business names, including trademark searching. The system will also deliver online business information services and improve ongoing interactions between government and business. The new business name registration service will mean that businesses no longer have to register their business name in every state and territory they want to trade in. It will replace the current state and territory systems. All business name registrations will be transferred to the national business name register on commencement of the national system.



Global entrepreneurs

Government agencies teaming up with the private sector to drive SMEs' globalization.

The level of a country's international trade is a key indicator of its productivity growth. Industries active in international markets and exposed to international competition are generally higher performing in terms of innovation and productivity improvement. Today, boosting the economy's export performance is a key component of successful engagement with globalization. During the last five years, governments have worked harder to overcome the barriers and enhance the drivers to the globalization of their SME sector.

Entrepreneurial businesses that have already embraced globalization, tend to benefit from a "positive feedback loop" of

deepening international integration and continuing growth. Among respondents to another Ernst & Young survey about global entrepreneurs, whose companies derive more than a quarter of their revenues from international clients, 86% say that globalization has benefited them in terms of overall growth, compared with 53% from companies that attribute 9% or less of their business to international customers.

To encourage overseas market expansion for their fast-growing SMEs, countries are generally providing international support involving a wide range of public as well as private stakeholders.

Although the types of international support largely differ across the G20 countries, a key need is to reduce the initial risk of exporting. As an economy becomes more mature, support for international growth shifts from relying on overall information (i.e., the level of perceived risk in the economic, social and culture landscape of the targeted market), to more sector-specific initiatives. These targeted measures – provided by chambers of commerce, public agencies and other stakeholders – foster SMEs' strategic growth abroad by:

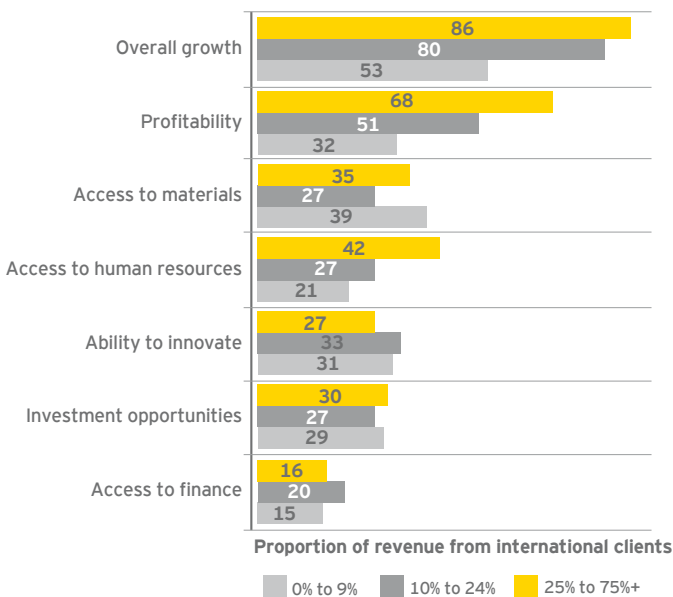
- ▶ Developing SME networks – e.g., to provide expert advice and assistance to help SMEs expand into export markets
- ▶ Helping to identify key foreign contacts and to obtain advice and intelligence from established country firms
- ▶ Increasing managerial skills and knowledge – e.g., through coaching programs, training and consultancies
- ▶ Reducing the risk and the cost of exporting

To address the challenges of exporting, fast-growth companies have to answer some key questions:

- ▶ Which areas will benefit most from international support in the next three years?
- ▶ How should we organize our strategic growth market abroad?
- ▶ How do we make sure we're getting the best return on investment while developing our business abroad?

Benefits for international companies from globalization

In which of the following ways has globalization had a positive impact on your business over the past three years?



Source: *Ambitious, adept and agile. How global entrepreneurs are changing the world*, Ernst & Young, 2011.

Our recommendations for governments

Entrepreneurs and governments both stand to benefit from long-term enterprise growth if better-coordinated support is offered. Despite large differences between countries in the G20, on average, more than one-half of entrepreneurs in the group indicated that support is poorly coordinated.

1 Increase deployment of incubators

More than three-quarters of the young entrepreneurs surveyed told us that incubators will have a medium or high impact on entrepreneurship and entrepreneurs' long-term growth. Governments can play a key role in discovering leading practices among them and encouraging the dissemination of successful strategies.

- ▶ Mexico's Sistema Nacional de Incubación de Empresas – the national system of business incubation – encourages leading practice among 463 incubators nationwide.
- ▶ Saudi Arabia's BADIR-ICT is the first information and communications technology (ICT) incubator in the Kingdom. It is part of the national BADIR technology incubator initiative of Saudi Arabia's national research institute, at King Abdul Aziz City for Science and Technology (KACST).
- ▶ Turkey's support program for business development centers aims to increase the productivity and efficiency of the country's business incubators. The state provides financial support in the form of fixed expenses as well as company expenses to these centers.

2 Enhance tailored support for young entrepreneurs

One-half of the mature market entrepreneurs under 41 years old told us that entrepreneurs in their country benefit from tailored support, and 57% of their rapid-growth market peers said likewise. Of those who do benefit from tailored support, most said it is efficient. This indicates that governments can expect a high degree of payback from enhancing and expanding such programs.

- ▶ EXIST is a German funding program with goals to improve the start-up climate at universities and non-university research facilities, and to increase the number of start-ups that are technology- or knowledge-based. Among other things, EXIST supports the preparation of innovative, technology-oriented and knowledge-based start-up projects by students, graduates and scientists.
- ▶ StartUp Britain is a new campaign by successful entrepreneurs to support small businesses. The program is designed to celebrate, inspire and accelerate enterprise and is fully supported by the UK's Prime Minister, its Chancellor and its Government. The campaign has the support of more than 60 leading companies.

3 Simplify registration and taxation procedures with one-stop shops

As early adopters of the one-stop shop, Canada and Australia show the impact such streamlining and simplification can have on new business registration. These two economies rank first and second respectively in the G20 in terms of numbers of new businesses registered per capita.

- ▶ Australia's business.gov.au website is an online government resource allowing businesses to comply with government requirements more simply and conveniently. It provides services and information related to start-up, taxation, licensing and legislation, as well as significant transactions, such as business number lookup, taxation compliance and license applications.

Selection of government leading practices

For more information, visit our website: www.ey.com/entrepreneurship-barometer

	Launch date	Country
Enterprise Connect		
Enterprise Connect is part of the Department of Innovation, Industry, Science and Research, and its role is to connect the participant's business to the knowledge, tools and expertise necessary to improve productivity, increase competitiveness and fully capitalize on its growth potential.	2008	Australia
Australian Business Number (AUB)		
As part of the Council of Australian Government's (COAG's) regulatory reform agenda, this initiative aims to develop a seamless online registration process for ABNs and business names, including trademark searching. The system will also deliver online business information services and improve ongoing interactions between government and business. The purpose of business name registration is to allow consumers to ascertain who is "behind" a business name.	2012	Australia
Women's Enterprise Initiative (WEI)		
To help remove operational barriers, Western Economic Diversification Canada (WD) established the Women's Enterprise Initiative (WEI) to provide business information and services to women. The WEI has offices in each of the four western provinces. These non-profit centers provide a variety of unique products for women entrepreneurs, including advisory services, training options, networking opportunities, business loans and referrals to complementary services.	1994	Canada
Enterprise Europe Network		
The Enterprise Europe Network was launched in February 2008 by the Commission's Directorate-General for Enterprise and Industry. It builds on the (now closed) Euro Info Centre (EIC) and Innovation Relay Centre (IRC) networks, established in 1987 and 1995, respectively. Bringing together close to 600 business support organizations from 49 countries, the Enterprise Europe Network helps small companies seize the unparalleled business opportunities in the European Union single market. Closely linked with the European Commission, and including chambers of commerce and industry, technology centers, research institutes and development agencies, the members of the Enterprise Europe Network are linked through powerful databases, sharing their knowledge and sourcing technologies and business partners across all Network countries. Services include: "going international," "access to finance," "European Union law and standards" and "intellectual property."	2008	European Union

	Launch date	Country
Sistema Nacional de incubación de Empresas – national system of business incubation		
The system comprises all organizations that follow best practice in business incubation and thereby receive recognition by the Ministry of Economy. The system has a nationwide coverage and aims to strengthen the relationships between its members, so that they can exchange experiences, leading to the creation of more competitive companies.	2011	Mexico
The National Skill Development Corporation (NSDC)		
The National Skill Development Corporation (NSDC) is a public-private partnership that aims to promote skills development through assisting the creation of large, quality, for-profit vocational institutions. The NSDC acts as a catalyst in skills development by providing viability gap funding to enterprises, companies and organizations that provide skill training. The NSDC's role is to stimulate and coordinate private sector initiatives in the skills development sector.	2009	India
RCSME (SME resource center) offering news, events and information exchange		
RCSME developed a unique service (website and mailing system) for regional business support organizations and SMEs that facilitates information exchange between the regions as well as between federal and regional business support organizations. The system is one of the most helpful and efficient for SMEs and SME support organizations.	2002	Russia
National Youth Development Agency (NYDA)		
The National Youth Development Agency (NYDA) is a South African youth development agency, aimed at creating and promoting coordination in youth development matters. NYDA was formally launched on 16 June 2009 by President Jacob Zuma at a special Youth Day commemoration event, as a result of the merger of Umsobomvu Youth Fund (UYF) and the National Youth Commission (NYC).	2009	South Africa
Support for business development centers		
The program aims to increase the productivity and efficiency of business development centers, to create an entrepreneur-friendly environment. These business centers act as incubators. KOSGEB provides financial support in the form of fixed expenses as well as company expenses to these centers.	2010	Turkey
Local Enterprise Partnerships		
Local Enterprise Partnerships are locally owned partnerships between local authorities and businesses, and play a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs. Local Enterprise Partnerships are better placed to determine the needs of the local economy and also have a greater ability to identify barriers to local economic growth.	2010	United Kingdom

Methodology

For this first edition of the Entrepreneurship Barometer, our analysis of the G20 country ecosystem is articulated around the five enablers defined by the G20 Young Entrepreneurs' Alliance (YEA) in Toronto, Canada (20-22 June 2010):

- ▶ Entrepreneurship culture
- ▶ Education and training
- ▶ Access to funding
- ▶ Regulation and taxation
- ▶ Coordinated support

Our analysis is based on four building blocks:

- ▶ Business environment indicators of variables directly influencing entrepreneurship
- ▶ A perception survey of 1,001 entrepreneurs across the G20 countries
- ▶ Twenty-seven qualitative interviews with representative entrepreneurs
- ▶ An analysis of G20 government leading practices
- ▶ Definition of young entrepreneurs

Throughout this report, we emphasized in our analysis the entrepreneurship specificities for young entrepreneurs. This group is defined by the G20 YEA as young women and men aged between 18 and 40 who, by founding and running successful businesses, represent the hope of "... social change, job creation and economic renewal."

Timescale

In an increasingly volatile environment, we adopted a reasonably large timescale for our analysis in order to analyze long-term trends:

- ▶ We focused our analysis on the progress made during the last five years (2005-10).
- ▶ We explored the challenges going forward by looking at factors that will impact entrepreneurship in the next three years.

Country grouping

Throughout our analysis, we observed marked differences between countries that benefit from a mature economy, and countries with rapid-growth rates. Hence our analysis of the G20 countries focuses on two groups of markets:

- ▶ **Mature markets:** Australia, Canada, France, Germany, Italy, Japan, South Korea, United Kingdom, United States
- ▶ **Rapid-growth markets:** Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, Turkey

This split is based on the International Monetary Fund grouping of "advanced economies" and "emerging and developing economies."¹⁵

Government leading practices

The government leading practices listed in the Entrepreneurship barometer have been selected by the Ernst & Young global network of knowledge and Strategic Growth Market (SGM) professionals.

SME definition

European Union SME definition¹⁶

Firm size	Headcount	Turnover	Balance sheet total
Medium	<250	≤€50 million	≤€43 million
Small	<50	≤€10 million	≤€10 million
Micro	<10	≤€2 million	≤€2 million

Other country examples¹⁷

Country	Employees	Annual sales (revenues)
Canada	10-499	<CAN\$50 million
Mexico	11-250	
Turkey	20-249	<TL25 million in net sales or <TL25 million in total assets
United States	10-499	<US\$7 million for most non-manufacturing, but ranges up to <US\$35.5 million

15. Source: <http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/groups.htm>

16. Source: European Commission Recommendation 96/280/EC

17. World Bank Enterprise Survey

Perception survey

The perception survey was launched to provide qualitative data to help the barometer establish evaluations for measuring entrepreneurship. Furthermore, it provides a “grass roots” perception to foster entrepreneurship by enhancing the dialogue between entrepreneurs and policy-makers.

The field research was conducted by CSA Institute between 27 May and 7 July 2011.

► **Panel**

An international panel of 1,001 entrepreneurs across the G20 countries was interviewed (50 interviews per country). The European Union entrepreneurs’ perception survey data is a composite measure of 9 European Union countries (10 interviews each in Spain, Luxembourg, Belgium, the Netherlands and Portugal, together with the 50 interviews conducted in each of Germany, France, Italy, UK).

► **Perception barometer consolidation**

For questions with three or five modalities, a perception barometer was set up by calculating a weighted average of country performance scores. The barometer aggregates the weighted scores, divided by the total number of responses (excluding non-responses or “can’t say” responses).

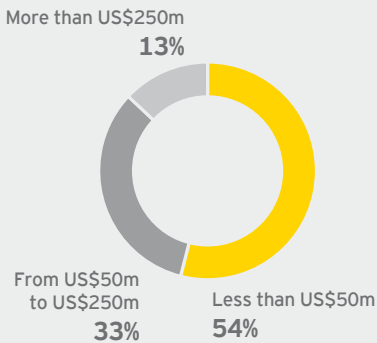
Weights applied for a question with five modalities:

- Highly improved = 100
- Fairly improved = 33
- Neither improved nor deteriorated = 0
- Fairly deteriorated = -33
- Highly deteriorated = -100

Weights applied for a question with three modalities:

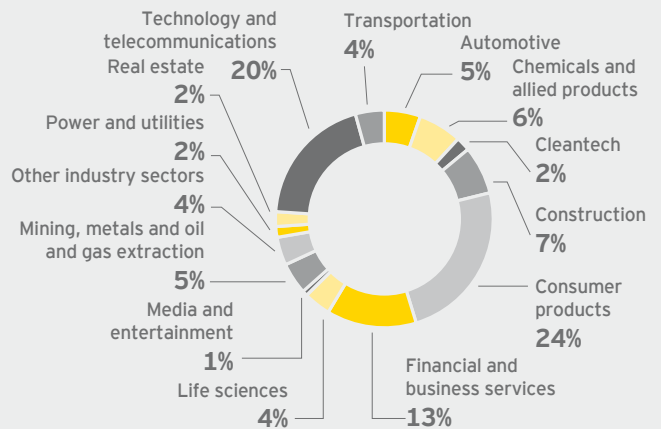
- High = 100
- Medium = 50
- Low = 0

Size of the company group



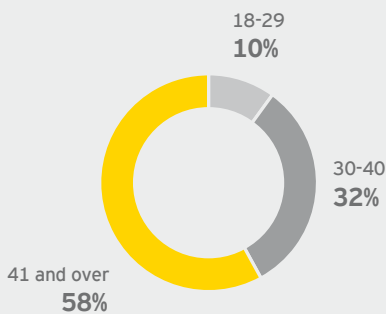
Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

Sectors



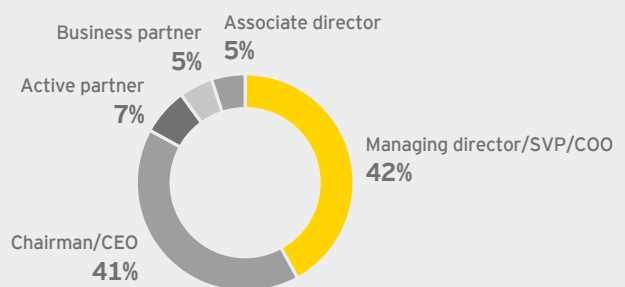
Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

Interviewees' age



Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

Job title



Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

Key performance indicators' sources and definitions

Measuring entrepreneurship-based macroeconomic indicators is a challenging objective:

- ▶ Entrepreneurship is a rich activity that involves multiple factors such as cultural and economic factors.
- ▶ The G20 countries do not share the same definition of SMEs.
- ▶ Public and private organizations provide few indicators focusing on SME activity and, when available, they often do not cover all the G20 countries.
- ▶ Several indicators provide an outlook of the overall economy, with no specific focus on entrepreneurship.

Thus, our analysis had to be restricted to a list of indicators largely available, robust and representative of the G20 economies for the period covered (the last five years).

When possible, macroeconomic data was refined to get a more focused view of SME activity (i.e., SME stock markets and SME IPOs).

▶ General indicators

Stock markets used to evaluate the number of listed companies, the value of share trading, the number of IPO deals and the IPO amount invested in a given stock market

Indicator	Definition	Source
New business entry density	Ratio of new businesses registered is the number of new, limited liability corporations registered per 1,000 people age 15-64 in the calendar year.	World Bank
New businesses registered	New businesses registered is the number of new, limited liability corporations registered in the calendar year.	World Bank
Self-employed (% of total employed)	Self-employed workers are those who, working on their own account, or with few partners, or in cooperatives, hold the type of jobs defined as "self-employment jobs".	World Bank

▶ Education and training

Indicator	Definition	Source
Educational levels		
Public spending on education (% of GDP)	"Public expenditure on education" consists of current and capital public expenditure on education. This includes government spending on educational institutions (both public and private), education administration and subsidies for private entities (students, households and other private entities).	World Bank
School enrollment, secondary (% growth)	"Gross enrollment ratio" is the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of education shown. "Secondary education" completes the provision of basic education that began at the primary level, and aims at laying the foundations for lifelong learning, and human development, by offering more subject- or skill-oriented instruction, using more specialized teachers.	World Bank
School enrollment, tertiary (% growth)	"Gross enrollment ratio" is the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of education shown. "Tertiary education," whether or not to an advanced research qualification, normally requires, as a minimum condition of admission, the successful completion of education at the secondary level.	World Bank
Tertiary – type A and advanced research program (number of graduates)	"Advanced research qualifications" refers to tertiary programs that lead directly to the award of an advanced research qualification, e.g., PhD. The theoretical duration of these programs is three years full-time in most countries (for a cumulative total of at least seven years full-time at the tertiary level), although the actual enrollment time is typically longer. The programs are devoted to advanced study and original research.	OECD

► Regulation and taxation

Indicator	Definition	Source
Ease of starting a business		
Start-up procedures to register a business (number)	Start-up procedures are those required to start a business, including interactions to obtain necessary permits and licenses and to complete all inscriptions, verifications and notifications to start operations.	World Bank
Time to start a business (days)	The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments.	World Bank
Cost to start a business (% of income per capita)	Cost includes all official fees and fees for legal or professional services if such services are required by law.	World Bank
Paid-in minimum capital (% of income per capita)	The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration, and up to three months following incorporation, and is recorded as a percentage of the economy's income per capita.	World Bank
Business regulations		
Time spent on tax issues (in hours)	The indicator measures the time taken to prepare, file and pay three major types of tax and contribution: the corporate income tax, value added or sales tax and labor taxes, including payroll taxes and social contributions.	World Bank
Innovation incentives		
Tax subsidy rate for US\$1 of R&D, SMEs	Tax subsidies are calculated as one minus the B index. For example, in Spain, one unit of R&D expenditure by large firms results in 0.39 units of tax relief. The more favorable a country's tax treatment of R&D, the higher the tax subsidy rate for US\$1 of R&D. The B index is equal to the after-tax cost of an expenditure of US\$1 on R&D, divided by one minus the corporate income tax rate.	OECD
Tax incentives		
Start-up incentives	Direct government grants targeted to facilitate starting a business.	OECD
IP protection		
Number of patents	A patent is an exclusive right granted for an invention that is a product or a process that provides, in general, a new way of doing something, or offers a new technical solution to a problem. In order to be patentable, the invention must fulfill certain conditions.	WIPO
Labor market rigidity		
Cost of hiring	Ratio of minimum wage to average value added per worker.	World Bank
Severance cost	Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks).	World Bank
Notice period	Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks).	World Bank

► Entrepreneurship culture

Indicator	Definition	Source
Innovative environment		
R&D expenditure (% of GDP)	"Expenditures for research and development" are current and capital expenditures (both public and private) on creative work undertaken systematically, to increase knowledge, including knowledge of humanity, culture and society, and the use of knowledge for new applications. "R&D" covers basic research, applied research and experimental development.	World Bank
Scientific and technical journal articles	"Scientific and technical journal articles" refer to the number of scientific and engineering articles published in the following fields: physics, biology, chemistry, mathematics, clinical medicine, biomedical research, engineering and technology, and earth and space sciences.	World Bank
Researchers in R&D (per million of population)	"Researchers in R&D" are professionals engaged in the conception or creation of new knowledge, products, processes, methods or systems, and in the management of the projects concerned. Postgraduate PhD students (ISCED97 level 6) engaged in R&D are included.	World Bank

► Access to funding

Indicator	Definition	Source
IPO market activity		
IPO amount invested (US\$m)	<p>The "IPO amount deal value" shows the sum of IPOs' cash flow investments in the stock market per year. IPO "amount invested" data is split into broad market data and SME stock market data.</p> <p>This indicator focuses on IPOs of operating companies for which the data provider, Dealogic, offers data regarding the issue date (the day the offer is priced and allocations are subsequently made), the trading date (the date on which the security first trades) and proceeds (funds raised including any over-allotment sold).</p> <p>Non-operating company IPOs; Introductions or "admission to trade" deals, private placement deals, transfers, postponed IPOs and those that have not yet been priced are therefore excluded.</p> <p>IPOs are attributed to the domicile nation of the company undertaking an IPO. A foreign listing is where the stock exchange nation of the company is different from the company's domicile nation.</p>	Dealogic
IPO number of deals	This indicator shows the number of IPO deals in a country. IPOs are attributed to the domicile nation of the company undertaking an IPO. IPO "number of deals" data is split into broad market and SME stock market.	Dealogic
VC fund-raising		
VC number of deals	"VC" is the money and resources made available to start-up firms and small businesses with exceptional growth potential. The "number of deals" calculates the number of VC deals made in a year.	Thomson ONE
VC equity invested (US\$m)	The "VC equity invested" shows the sum of cash flow investments in venture, whether seed, early, expansion or later stage development.	Thomson ONE
PE		
PE deal value (US\$m)	The "PE deal value" shows the sum of private investment in a country per year. The country is defined by fund location.	Dealogic
Stock market		
Number of listed companies	The "number of listed companies" indicator shows the number of companies that have shares listed on an exchange at the end of the period, split into SME markets and broad market.	World Federation of eExchange
Value of shares trading (US\$m)	The "value of shares trading" is the total number of shares traded, multiplied by their respective prices. Value of share trading data is split into SME markets and broad markets.	World Federation of Exchange
SME lending		
Loan value (% of GDP)	<p>The "ratio of SME lending to GDP" uses the ratio of overall private credit to GDP; a control for offshore financial services (both from the IMF), and the number of days to start a business (from the <i>Doing Business</i> database) by employing a regression model.</p> <p>Private credit/GDP: ratio of credit from deposit taking financial institutions to the private sector (International Financial Statistics lines 22d and 42d) to GDP (International Financial Statistics line 99b), expressed as a percentage. Line 22d measures claims on the private sector by commercial banks and other financial institutions that accept transferable deposits such as demand deposits. Line 42d measures claims on the private sector given by other financial institutions that do not accept transferable deposits but that perform financial intermediation by accepting other types of deposits or close substitutes for deposits (e.g., savings and mortgage institutions, post office savings institutions, building and loan associations, certain finance companies, development banks and offshore banking institutions).</p> <p>Source: International Monetary Fund, International Financial Statistics (September 2004). For estimation results, see Ardic, Mylenko, and Saltane (forthcoming) on SME financing</p>	World Bank
Business angels		
Number of business angels networks	This indicator shows the number of business angels networks in a country in a given year.	EBAN

Stock markets used to evaluate the number of listed companies, the value of share trading, the number of IPO deals and the IPO amount invested in a given stock market

Country	List of stock exchanges (broad markets)	List of SME markets
Argentina	Buenos Aires SE	Pyme Board
Australia	Australian SE	Not applicable
Brazil	BM&F Bovesspa	Organized OTC market
Canada	Toronto SE	TSX Venture Exchange
China	Shanghai SE	
	Shenzhen SE	SMEs Board
		ChiNext
France	NYSE Euronext	Alternext
Germany	Deutsche Börse	Entry Standard
	Wiener Börse	Semi-official market and Third Market
India	Bombay SE	Not applicable
Indonesia	Indonesia SE	Not applicable
Italy	Borsa Italiana	AIM Italia
		Mercato Expandi
		Mercato Alternativo del Capitale
Japan	Osaka SE	Hercules, Jasdaq
	Tokyo SE	Mothers
South Korea	Korea Exchange	Kosdaq
Mexico	Mexican SE	Not applicable
Russia	MICEX	RII
Saudi Arabia	Saudi SE – Tadawul	Not applicable
South Africa	Johannesburg SE	Alternative Exchange
		Development Capital Market
		VC Market
		Africa Board
Turkey	Istanbul SE	Second National Market
		New Economy Market
United Kingdom	London SE	AIM
United States	NASDAQ OMX	
	NYSE Euronext (US)	NYSE AMEX Equities

Ernst & Young and entrepreneurship

Ernst & Young is the world leader in advising, guiding and recognizing entrepreneurs. Our global focus on entrepreneurship is a critical part of our history and of our future.

Our identification with entrepreneurs and high-growth companies through programs such as the Entrepreneur Of The Year (EOY) and our Strategic Growth Forum (SGF) is a cornerstone of our brand identity.

We were the first professional services organization to form a most globally integrated practice, Strategic Growth

Markets, dedicated to the full spectrum of entrepreneurial, high-growth companies. We place a high value on advising entrepreneurial growth companies and providing the highest levels of attention, dedication, top talent and respect that many other professional services organizations have historically reserved only for their Fortune 50 clients.

We have long recognized the potential of entrepreneurs. Over the past three decades, we have been working with entrepreneurs, adapting our experience, industry capabilities and resources to work for entrepreneurial, fast-growth companies.

► How do our customers see us in relation to our competition?

► What are the best ways to capture customer insight and feedback?

► How can we use our insight to improve the customer experience?

► Why do our best people choose to stay with us in such a competitive marketplace?

► How can we attract people from market-leading businesses?

► What values underpin our culture and how do our employees embrace them?

► How will we fund our future growth?

► What is the optimal mix of debt and equity in our business and how will this change over time?

► How do we rate our own financial reputation?

► How do we identify and monitor the risks that are most important to our future success?

► Do we measure our team's performance on managing the risks as much as managing the rewards?

► How are our stakeholders affected by the key business risks and are we communicating to them effectively?

► What key changes would we adopt to make our business even more effective?

► How do we ensure that our business operations are capable of responding to a major new challenge?

► How do our operational changes affect our customer experience?

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G20 Young Entrepreneurs' Alliance

The G20 Young Entrepreneurs' Alliance (G20 YEA)

The G20 Young Entrepreneurs' Alliance is a collective of leading entrepreneurially-minded organizations representing the G20 countries who seek to promote youth entrepreneurship as a powerful driver of economic renewal, job creation,

innovation and social change. The Alliance was founded as a movement to engage the G20 leaders in the cause of youth entrepreneurship, share information across borders, affect positive policy change and create a global network of

young entrepreneur advocates while building a collaborative entrepreneurial environment worldwide. Find out more at www.g20yea.com.

The G20 Young Entrepreneurs' Summit (G20 YES)

Annually, the G20 YEA holds a G20 Young Entrepreneur Summit (G20 YES) prior to the G20 Summit of political leaders. On October 31 – November 2, 2011, in Nice, France, under the aegis and with the support of the President of the French Republic, Monsieur Nicolas Sarkozy, the G20 YES will bring together, during the three days before the G20 Summit of political leaders, delegations of young entrepreneurs from the G20 member nations.

The G20 YES is a forum where young entrepreneurs from the G20 countries can meet with their peers, learn best practices in growing dynamic companies, and celebrate entrepreneurship as the leading source of job and wealth creation, innovation and the well-being of all nations. The goals of the summit include:

- ▶ Promote the vital role entrepreneurs play in the growth, job creation, innovation and competitiveness of nations.
- ▶ Identify actions likely to promote entrepreneurship amongst young people, and provide input for governments by recommending and assembling the best proposals within a communiqué to be endorsed by the G20 political leaders at their annual summits.
- ▶ Bring together entrepreneurs from around the world to exchange and share their experiences with the leaders of the entrepreneurial ecosystem from amongst the 20 most important economies in the world.
- ▶ Launch results of the first G20 Entrepreneurship Competitiveness Barometer that will measure the entrepreneurship competitiveness amongst the G20 countries; identify entrepreneur success stories across countries; be a tool to help governments prioritize measures and incentives by identifying gaps and best practices; trigger dialog between entrepreneurs and government leaders; and measure the impact of the G20 YEA recommendations over the long-term.
- ▶ Give inspiration to current and future generations of entrepreneurs.



FEDAJE
FEDERACIÓN ARGENTINA DE
JOVENES EMPRESARIOS

Argentina

The Federación Argentina de Jóvenes Empresarios (FEDAJE), it is a trade-union organization businesswoman integrated by young entrepreneurs and enterprising Argentinians of between 18 and 40 years. Grouping to more than 145 chambers lengthways and widthways of the country that in turn they congregate to more than 16.000 young people. The FEDAJE represents to the young branch of the Confederación Argentina de la Mediana Empresa (CAME), entity that defends the interests of the trade, the industry, the tourism and the regional economies of the national SMES with a strong federal composition in his conduction.

www.fedaje.org.ar



Brazil

SEBRAE – stands for Brazilian Support Service for Micro and Small Enterprises – works to (i) foster sustainable development, competitiveness and technical upgrading of SME's; (ii) to serve entrepreneurs who generate income and employment; and (iii) to be a real instrument for the transformation of the Brazilian society.

www.sebrae.com.br



Canada

The Canadian Youth Business Foundation (CYBF) is the 'go to' place for youth entrepreneurship. As a national charity, we are dedicated to growing Canada's economy one young entrepreneur at a time. We look at character not collateral, when providing youth, age

18-34, with pre-launch coaching, business resources, start-up financing and mentoring, to help them launch and sustain a successful entrepreneurial business. CYBF is also the founder of the G20 Young Entrepreneur Alliance, championing a global movement encouraging collaboration among entrepreneurship organizations.

www.cybf.ca



China

Youth Business China (in short for YBC) is a non-profit educational program aiming

for promoting youth entrepreneurship. By mobilizing resources from social sectors, particularly the business community, YBC provides business mentoring, seed money, skill and network support young entrepreneurs, thus helps them succeed in business start-ups.

YBC was initiated by the All-China Youth Federation, the Ministry of Labor and Social Security, the All-China Federation of Industry and Commerce, and other agencies in November 2003.

To the date, YBC has set local branches in 43 main cities in China, training over 3,000,000 young people who want to be entrepreneur, support over 2600 youth to create business, with 95% of their enterprises succeeding, creating 60,000 job opportunities. YBC recruited over 6000 voluntary business mentors to provide free guidance and mentoring to the youth.

www.ybc.org.cn



European Union

European Confederation of Young Entrepreneurs (YES) is the major association of young entrepreneurs throughout Europe representing 40.000 members and aiming to support and

improve the economic and social performance of young entrepreneurship in Europe. As such, it is the largest dynamic network of entrepreneurs, which constantly expands its activities.

www.yes.be



France

The "Journées de l'Entrepreneur" (JDE) is an association established under the French law of 1901 and created in 2007 as an open

entity comprising the main players in the entrepreneurial ecosystem (AFIC, CDC, Ernst & Young, 100 000 Entrepreneurs, APCE, Medef, CCIP, HEC Entrepreneur, Moovjee, CGPME, Institut Télécom, ESCP Europe, OSEO.....), who all together celebrate entrepreneurship and organize annually, during the 3rd week of November, a mobilization of the entrepreneurial community and its ecosystem, alongside political and economic decision takers.

www.journees-entrepreneur.com



Germany

With around 10,000 active members from all areas of business, JCI Germany is the country's largest association of young entrepreneurs and managers. Between them, the association's members are responsible for around 300,000 positions, 35,000 apprenticeships and over 120 billion euros in turnover.

Wirtschaftsjunioren Deutschland (JCI Germany) was founded in 1954. Since 1958, JCI Germany has been part of Junior Chamber International (JCI), a global young entrepreneurs' association founded in 1944. Today, JCI has around 200,000 members. in over 100 national associations, spread across 5,000 cities and districts.

www.wjd.de



India

Young Indians

Young Indians (Yi) is an integral part of the Confederation of Indian Industry (CII), India's premier business association, formed in the year

2002, with an objective of creating a platform for young Indians to realize the dream of a developed nation. Yi has over 1288 direct members in 25 city chapters. Yi has 160 members in 3 corporate chapters and engages another 12,000 members through its district chapter, Farmer Nets and Student Nets.

www.yionline.org



CONFINDUSTRIA
Giovani Imprenditori

Italy

The main activities of the Young Entrepreneurs Movement include (i) encouraging the spread of business culture and the growth of entrepreneurial opportunities within society; (ii) supporting the affirmation of the free market and competition, merit and social mobility with a view to furthering Italy's competitiveness; and (iii) enhancing the role of the entrepreneur, the latter being viewed as an active and responsible player for Italy's economic, social and civil development.

The Young Entrepreneurs Movement is composed of individuals aged between 18 and 40 years old, who hold management positions within companies that are registered with Confindustria local member associations.

www.giovanimpreditori.org/



Japan

The Japan Junior Chamber has a strong history, it was set up because of a sincere passion to contribute to society through engagement with youth and young business owners. Membership is open to all sectors and members have to be between the ages of 20 years to 40 years.

www.jaycee.or.jp



Mexico

In COPARMEX we strive to create more and better business in Mexico, which in turn will help generate a better quality of life, better jobs, better education, a Mexico more competitive. In COPARMEX we have the support of each and every one of our business

affiliates, but also need the active and conscious participation all private initiative, youth, workers, educational institutions, government, society in general.

www.coparmex.org.mx



The U.S. Russia Center for Entrepreneurship

Russia

The U.S. Russia Center for Entrepreneurship (CFE) is an entrepreneurship development organization based in Moscow, with centers in St. Petersburg and Nizhny Novgorod. CFE focuses on three areas. One, it trains and organizes network learning events for Russian entrepreneurs who have the desire and ability to grow their businesses. Two, it supports entrepreneurship education in Russian schools and universities. CFE has trained over 150 Russian university faculty in how to teach entrepreneurship and it initiated and finances the Russian Association of Entrepreneurship Education. And three, it acts as a catalyst organization and assists other NGOs and organizations in promoting and creating a healthy culture for entrepreneurship in Russia. CFE is a founding member of the G20 Young Entrepreneurs' Alliance.

www.cfe.ru



Saudi Arabian General Investment Authority
SAGIA

Saudi Arabia

The National Competitiveness Center (NCC) was established by SAGIA in 2006 to act as an independent body to monitor, assess and support the enhancement of

competitiveness in the Kingdom of Saudi Arabia. The NCC fully supports SAGIA's 10x10 campaign to make Saudi Arabia one of the top 10 most competitive countries in the world by 2010 and is heavily involved in helping SAGIA to reach this goal. The NCC fulfils its role by serving as a think tank, facilitator and communicator of change.

www.saudincc.org.sa



South Africa

The Young Entrepreneur South Africa (YESA) promotes the exchange of ideas around entrepreneurship in South Africa so we can transform our economic landscape in our lifetime. We connect to the wider community of

global entrepreneurs and thereby, deepen South Africa's tentacles into the global economy and new markets.

Our mission is to champion, promote and support successful globally aware youth entrepreneurship across South Africa by providing a platform for young entrepreneurs to grow their readiness to start, run and grow new enterprises businesses that can contribute to sustainable economic development in their communities and thereby deliver the unrealized liberation dividend.



South Korea

Youth Entrepreneurs' Society of Korea (YES)

Korea) is a not-for-profit organization that helps young people search their dreams, start their own business and create employment. We are dedicated to empower young people to grow, by technical assistance, sharing knowledge and experiences, developing quality standards and generating resources.

YES Korea has been a host of the Global Entrepreneurship Week in Korea which celebrates entrepreneurship and mobilizes entrepreneurial community, and has developed an open entrepreneurial ecosystem with young people, communities and local governments.

www.yeskr.org



Turkey

TUGIAD (Young Businessmen Association of Turkey), founded in 1986, is the first and only National

Young Entrepreneurs' Association in Turkey. TUGIAD is a network of 770 prominent members between 21 to 45 years old, representing various business sectors. Allowing in excess of 400.000 employment throughout Turkey and a total export volume of ca. 14 Billion US Dollars per year, TUGIAD aims to be the leading Young Entrepreneurs' Organization in the region. TUGIAD is at present, the vice-president of YES (European Confederation of Young Entrepreneurs) representing 45.000 young entrepreneurs at European level.

www.tugiad.org.tr



United Kingdom

The Institute of Directors (IoD) is Europe's largest membership organisation for business leaders. Established in 1903, the IoD has been representing senior level professionals since they

gained Royal Charter in 1906, earning them the trusted reputation as the business network for leadership.

The IoD supports over 45,000 members through 44 regional branches across the UK, and an international network that covers six continents. Its 100-year success can be measured by the quality of its members, who are some of the most skilled and influential world leaders, from start-up entrepreneurs to CEOs of multinational organisations.

www.iod.com



Entrepreneurs' Organization

fueling the entrepreneurial engine

USA

The Entrepreneurs' Organization (EO) – for entrepreneurs only – is a dynamic global network of more than 7,500 business owners in 42

countries. Annual gross sales of members companies exceed \$U.S.150 billion and employ more than 1.5 million people around the globe. Founded in 1987 by a group of young entrepreneurs, EO is the catalyst that enables entrepreneurs to learn and grow from each other, leading to greater business success and an enriched personal life. Membership in one of EO's 116 chapters is by invitation only; the average member is 40 years old with annual revenues of US\$18.4 million.

www.eonetwork.org



Entrepreneurs speak out

A call to action for G20 governments

1 Through five key enablers, the entrepreneurship barometer analyzes entrepreneurs' perception as well as government leading practices in order to provide key recommendations to governments and entrepreneurs.

2 The country profiles explore the specificities of country entrepreneurship environment to provide a better understanding to entrepreneurs considering international expansion.

3 Highlighting the main conclusions of the report, the barometer website provides further Government leading practices and entrepreneurs success stories.

► www.ey.com/entrepreneurship-barometer

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Growing Beyond

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