

Entrepreneurship in the EU and beyond

A survey in the EU, EFTA countries, Croatia,
Turkey, the US, Japan, South Korea and China

Summary report

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This document does not represent the point of view of the European Commission. The interpretations and opinions contained in it are solely those of the authors.

Flash EB Series #283

Entrepreneurship in the EU and beyond

Survey conducted by The Gallup Organization,
Hungary upon the request of
Directorate-General for Enterprise
and Industry



EUROBAROMETER

Coordinated by Directorate-General
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THE GALLUP ORGANIZATION

Introduction

One of the main challenges facing EU Member States is the need to boost entrepreneurship. That was one of the objectives set by the Lisbon European Council, in March 2000, with a view to improving the Union's performance in terms of employment, economic reform and social cohesion. The European Commission opened the public debate by publishing, at the start of 2003, a Green Paper on "Entrepreneurship in Europe", which focused on two questions in particular:

- Why do so few Europeans set up their own business?
- Why are so few European businesses growing?

The development of entrepreneurship has important benefits, both economically and socially. Entrepreneurship is not only a driving force for job creation, competitiveness and growth; it also contributes to personal fulfilment and the achievement of social objectives. Moreover, numerous factors play a role in the decision to start up a business, for example, the existence of a suitable opportunity or market, any prevailing administrative complexities, financial obstacles or the need to acquire new skills. That is why the EU considers that it has a duty to encourage entrepreneurial initiatives and unlock the growth potential of its businesses and citizens.

The European Commission's Directorate-General "Enterprise and Industry" has been studying, for the past 10 years, the development of entrepreneurship in EU Member States, and has compared European opinions with those outside of Europe, especially in the US. In the current survey – Flash Eurobarometer N°283 "Entrepreneurship in the EU and beyond" – the opinions of residents in some Asian countries have been added to this comparison.

The earliest surveys¹ covered the EU15², US, Iceland and Norway. The accession of 10 new Member States to the EU, on 1 May 2004, enlarged the scope of the surveys conducted in 2004 (Flash N°160) and 2007 (N°192) which, while ensuring the continuation of previous surveys, covered 28 countries – the EU25³, together with the US, Iceland and Norway. The current survey – Flash Eurobarometer N°283 "Entrepreneurship in the EU and beyond" – covers 36 countries:

- the 27 EU Member States⁴
- two candidate countries: Croatia and Turkey
- three EFTA countries: Iceland, Norway and Switzerland
- the US
- three Asian countries: China, Japan and South Korea.

Flash Eurobarometer N°283 "Entrepreneurship in the EU and beyond" covers topics such as the development of entrepreneurship, how entrepreneurial mindsets are being fuelled and what encourages people to become entrepreneurs. It provides data about public attitudes on issues such as entrepreneurship, entrepreneurial education, risk-taking, start-ups, obstacles to entrepreneurship and business failures.

The survey's fieldwork was conducted in December 2009. Over 26,000 randomly selected respondents, aged 15 and over, were interviewed in the EU's 27 Member States, Croatia, Turkey, Iceland, Norway, Switzerland, the US, China⁵, Japan and South Korea. Interviews were predominantly carried out via fixed-line telephones. To correct for sampling disparities, a post-stratification weighting of results was implemented, based on important socio-demographic variables. More details on the survey methodology are included in the annex of this report.

¹ Flash N° 83 – 09/2000, Flash N° 107 – 09/2001, Flash N° 134 – 11/2002 and Flash N° 146 – 09/2003.

² 15 Member States: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the UK.

³ Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia joined the EU on 1 May 2004 – creating the EU of 25 Member States.

⁴ Romania and Bulgaria joined the EU on 1 January 2007 – leading to the EU of 27 Member States.

⁵ In China, interviews were conducted with randomly selected individuals (aged 15 and over) in urban areas.

Summary

Self-employed or an employee – preferences and reasons

Preferences

- EU citizens were almost evenly divided in their preference for being self-employed or having employee status: 45% would prefer the former and 49% the latter. These EU-level results, however, tended to hide large variations between individual Member States: the preference for being self-employed varied from 26% in Slovakia to 66% in Cyprus.
- In 18 EU Member States, respondents who preferred employee status outnumbered those who would opt for self-employment.
- Looking at 2000-2009, there have been major changes within individual EU Member States: for example, in Cyprus, preference for self-employment was stable between 2004 and 2007, but increased by 12 percentage points to 66% in 2009; in Portugal, the proportion of respondents with a preference for self-employment has decreased to 51% (-20 points from 2002).
- In the EU, men, younger interviewees, those with higher levels of education or those still in education, and respondents with an entrepreneurial family background were more likely than their counterparts to prefer to be self-employed.

Reasons for opting between self-employment or employee status

- As for reasons why respondents would prefer to be an employee, four in 10 EU citizens referred to a “regular and fixed income” and 35% mentioned “stability of employment”.
- Across all of the surveyed countries, a regular, fixed income (vs. an irregular, variable income) was mentioned most frequently as a reason for preferring employee status by respondents in Turkey and Hungary (75% and 70%, respectively) and least often by respondents in China, the US and Iceland (11%-14%).
- Respondents in eastern European countries appeared to be more likely than their counterparts in all other countries (except for China) to name some constraints of being self-employed (such as a lack of finances or lack of an appropriate business idea) as the reason for their preference for employee status.
- A large majority of EU citizens who expressed a preference for self-employment made this choice because of the freedom provided, such as personal independence, self-fulfilment and the chance to do something of personal interest (mentioned by 68%) or freedom to choose their own place and time of work (35%).

Society’s image of entrepreneurs

How entrepreneurs are regarded by society

- Almost 9 in 10 EU citizens agreed that entrepreneurs were job creators and a large majority also thought that entrepreneurs created new products and services and were therefore of benefit to society in general (78%).
- Respondents across all countries included in the survey were in agreement that entrepreneurs were both job creators and that they created new products and services and were therefore of benefit to everyone; the US stood out with 60% and 56%, respectively, of interviewees who *strongly* agreed with both statements.
- Interviewees across the EU were not so likely to agree that entrepreneurs only thought about their own wallet (54%) and that they exploited other people’s work (49%).

- Comparing the 2007 and 2009 results, however, respondents in almost all countries were now more likely to agree that entrepreneurs only thought about their wallet or that they exploited other people's work; these increases were particularly noticeable in Slovakia and Estonia.

Attitudes towards entrepreneurs compared to other professional classes

- Entrepreneurs were rated favourably by 49% of EU respondents; only people working in the liberal professions (such as lawyers, architects etc.) received a higher rating (58%).
- While 83% of Danes and 78% of Finns held a *favourable* opinion about entrepreneurs, this proportion dropped to 26% in Hungary.
- Respondents in Iceland and the US (82% and 73%, respectively) shared this favourable attitude towards entrepreneurs.
- There were seven countries where entrepreneurs were ranked above all other professional classes: Denmark, Iceland, Finland, the US, Ireland, Norway and Portugal.
- Across almost all socio-demographic segments in the EU, entrepreneurs received the second highest ratings – behind people working in the liberal professions.

Feasibility (or otherwise) of becoming self-employed

Feasibility of becoming self-employed

- Two-thirds of EU citizens who were not (yet) self-employed at the time of the survey felt that becoming self-employed in the next five years was unrealistic.
- Several Nordic countries were among those with the highest proportions of respondents who felt that becoming self-employed was realistic; in China, 49% of respondents thought this was a possibility compared to just 12% of Japanese.
- In almost half of all of the countries surveyed, the proportion of respondents who considered it feasible to become self-employed in the next five years has decreased by at least five percentage points from 2007 to 2009. The most significant decreases were seen in Slovakia, Latvia and Lithuania.
- In the EU, men, younger interviewees, those with an entrepreneurial family background, respondents with higher levels of education and those still in education were more likely than their counterparts to consider it feasible to become self-employed in the next five years.

Reasons for self-employment not being feasible

- Focusing on EU citizens under the age of 65, 29% said it was not possible for them to become self-employed because they did not have the finances to start-up a business and 15% said that the timing was not right due to the current economic climate.
- Bad timing due to the current economic climate was given as a reason why it would not be feasible to become self-employed by 44% of Hungarian and 33% of Cypriot respondents aged between 15 and 64; this reason was mentioned, however, by just 4%-5% of respondents in Germany, the Netherlands, Sweden, Norway and Switzerland.
- More than half of Croatian (55%), Hungarian (63%), Bulgarian (61%) and Romanian (68%) 15-64 year-olds, who considered it unrealistic to become self-employed in the next five years, said it was a lack of finances that would prevent them from starting up a business.
- Throughout the EU, a lack of finances was most often cited as a reason for not being able to become self-employed by 25-39 year-olds, manual workers and respondents with financial problems (41%, 44% and 42%, respectively, compared to an EU average of 24% for all ages).

The preference for being self-employed compared to its feasibility

- Looking at those who were not self-employed, in most countries, the proportion of respondents who considered it feasible to become self-employed in the next five years was lower than the proportion of those who would like to be self-employed.
- In the Nordic countries, however, an opposite trend was seen – i.e. the preference to be self-employed was lower than the perceived feasibility of gaining such a status; for example, 49% of non-self-employed Swedish respondents said it would be feasible to become self-employed in the next five years, whereas just 28% had an actual preference for changing their status.

Likelihood of respondents starting up a business in the event that a significant amount of money was inherited

- Four in 10 Romanians, Turkish and Chinese respondents (41%-42%) and a third of Bulgarians would start a business if they inherited a significant amount of money; there were more than 10 countries, however, where less than a tenth of respondents would consider doing this - for example, 5% in Denmark and Japan and 6% in both Austria and Iceland.
- In most countries, and in the EU overall, a relative majority of respondents would either save the money or use it to buy a house or to repay their mortgage.

Entrepreneurship and business activity

Current entrepreneurial activity

- Four percent of EU citizens were currently in the *embryonic phase*, i.e. taking the necessary steps to start up a business, 3% were running a *new business* and 6% were running an *established business*. In total, 12% of EU citizens were currently involved in entrepreneurial activity.
- Within the EU, Finland and Cyprus had the highest rates of entrepreneurial activity (25% and 19%, respectively). Belgium, Denmark, France, Luxembourg, Malta, Slovakia and Slovenia, on the other hand, had entrepreneurship rates below 10%. Outside the EU, the level of entrepreneurial activity was the highest in China (27%), followed by Turkey (23%), the US (21%) and Iceland (20%).
- A comparison between the 2007 and 2009 results showed the largest decreases in entrepreneurial activity in Latvia and Estonia. In 2007, roughly a fifth of respondents in both countries were starting up or running a business (18% and 22%, respectively). In 2009, however, these proportions have been almost halved: to 10% in Latvia and 13% in Estonia.
- Finland and Cyprus have seen an increase in entrepreneurial activity in comparison to previous years: Finland has increased by 14 percentage points: from 11% in 2007 to 25% in 2009, in Cyprus, this increase has been smaller, from 12% in 2004 to 19% in 2009 (+7 percentage points).
- Entrepreneurship rates in the EU were higher for men, 25-54 year-olds, respondents with a higher level of education, respondents without financial difficulties and those with an entrepreneurial family background.

Never considered starting a business

- In the EU, the proportion of respondents who had never thought about starting up a business ranged from 32% in Greece to 65% in Luxembourg. The latter country was followed by Belgium and Slovakia, where 62%-63% of interviewees had never thought about starting up a business.

- The Japanese were the most likely to have never considered starting up a business, while the Chinese were the least likely to say this (67% and 22%, respectively).

Business failure

- In most of the surveyed countries, respondents who said they had sold, transferred or closed their business outnumbered those who said that their business had failed. For example, 34% of British respondents having business experience said that they had sold, transferred or closed their business and 9% reported a business failure.

Points to consider during business start-ups

Key driving factors

- As in previous years, EU citizens, in almost all countries, who had once started up a business or who were thinking about taking the necessary steps to start one, were most likely to answer that an appropriate business idea (85%) and receiving the necessary financial means (81%) had motivated them to start up a business.
- A slim majority of EU citizens (56%) identified dissatisfaction with their previous situation as an important element in their decision to take steps to start up a business.
- This same factor influenced three-quarters of Slovak and Turkish interviewees. Furthermore, five eastern European countries – Lithuania, the Czech Republic, Hungary, Romania and Latvia – joined these two with between 69% and 72% of respondents who said that dissatisfaction with their previous situation had influenced their decision to start up a business.
- Slovakia and Latvia had the largest increases in the proportion of respondents who said dissatisfaction with their previous situation had influenced their decision to start up a business (Slovakia: from 59% in 2007 to 76% in 2009; Latvia: from 59% to 71%).

Starting a new or taking over an existing business?

- Across almost all countries surveyed, for respondents with business experience, the proportion who would prefer to set up a new business largely outnumbered those who would prefer to take over an existing venture: in the EU, 61% for the former and 24% for the latter.

Recommended rate of growth

- About a sixth (17%) of EU citizens would advise a friend who had just started a business to try to expand it as quickly as possible; roughly three-quarters (74%) would give the advice to grow it slowly (if at all).
- There were, however, large variations between individual countries included in the survey: 41% French respondents said that the best approach for a new business would be to expand it as quickly as possible, but just 3% of Icelandic respondents shared this view.
- Throughout the EU, younger respondents, full-time students and those with a high level of education were more likely than their counterparts to feel that the best approach for a new business would be to expand it as quickly as possible.

Opportunity or necessity

- In the EU, among respondents who had started up a business or were currently taking steps to start one, 55% answered that they had started/were starting this business because they saw an opportunity and 28% did so out of necessity.
- Respondents in Denmark and the Netherlands were the most likely to say they had started/were starting a business because they had seen an opportunity (81% and 78%,

respectively). In Estonia, Bulgaria and Greece, less than 4 in 10 responded in that way (36%-39%).

- The US and Switzerland scored higher than the EU average in terms of the proportion of respondents identifying opportunity-driven entrepreneurship (62% and 65%, respectively, vs. 55%).
- The highest proportion of necessity-driven entrepreneurship was measured in South Korea (64% – compared to 18% “opportunity-driven”). In China and Japan, 50% of respondents answered that they had starting/were starting a business out of necessity.

Perceptions about the risks involved and barriers to starting up a business

Greatest fears

- When EU citizens were asked what they would fear most if they were starting up a business in today’s economic climate, about half (49%) said it was the possibility of going bankrupt. The uncertainty of not having a regular income was mentioned by 40% of respondents and a somewhat lower proportion (37%) selected the risk of losing their property.
- Respondents in Lithuania, Croatia and Turkey were the most likely to answer that they would fear the possibility of going bankrupt if they were setting up a business (57%-59%). Six in 10 Hungarians and about half of Greeks, Poles and Swedes (51%-52%) were most afraid of the uncertainty of not having a regular income when starting up a business.
- In 24 of the countries surveyed, the possibility of going bankrupt, the uncertainty of not having a regular income and the risk of losing their property were the three most mentioned fears associated with a business start-up.

Perceived barriers

- Roughly 8 in 10 EU citizens agreed that it was difficult to start up a business due to a lack of available financial support. A large majority of respondents (71%) also agreed that business start-ups were difficult due to complex administrative procedures.
- Furthermore, across all EU Member States, a majority of interviewees agreed that it was difficult to start one’s own business due to a lack of available financial support and that it was difficult to start up one’s own business due to complex administrative procedures.
- Across the EU, on average, more respondents now said it was difficult to start up a business due to a lack of available financial support compared to the number in 2007: 81% in 2009 compared to 75% in 2007. The proportion saying sufficient information needed to start up a business was not available has also increased: from 46% in 2007 to 51% in 2009.
- In the EU, older respondents, those with a lower level of education, manual workers and respondents who found it hard to manage on their current household income tended to be somewhat more likely to agree that business start-ups were difficult due to a lack of financial support, complex administrative procedures and problems in obtaining sufficient information.

The part played by attitudes and personality characteristics in business start-ups

- In the EU, the proportion of respondents who agreed that they were generally willing to take risks ranged from less than half of respondents in Hungary and Lithuania (43% and 46%, respectively) to 73% in Cyprus, Ireland and Romania.
- A similar variation in the total level of agreement was also seen across the other countries included in this study: respondents in Japan were the least likely to say they were risk-takers (39%) and respondents in the US were the most likely to fit that profile (82%).

- Respondents in the US most frequently agreed that they liked situations in which they competed with others (77%). The US was followed by Ireland, Luxembourg, Malta and China, where roughly 7 in 10 interviewees agreed that they liked to compete with others.
- In all countries surveyed, except Japan, a majority of interviewees agreed with the statement that they were inventive people; the level of agreement ranged from 59% in Korea to 93% in Cyprus.
- EU citizens having business experience were more likely than their counterparts to be willing to take risks, enjoy competition and to have a feeling they were inventive. For example, while 62% of respondents who did not have any business experience agreed that they were generally willing to take risks, this proportion rose to 76% for respondents who had started up a business or who were currently taking steps to start up such a venture.

The impact of school education

- Equal proportions of EU citizens *agreed*, or rather *disagreed*, that their school education had helped them to develop a sort of entrepreneurial attitude (49%-49%).
- Roughly 4 in 10 EU citizens agreed that their school education gave them the skills and know-how to enable them to become an entrepreneur (39%); just a quarter agreed, however, that their education had also made them interested in becoming an entrepreneur.
- In the EU, the proportion of interviewees who agreed that their school education had helped them to develop an entrepreneurial attitude ranged from roughly a quarter (26%) in Latvia to more than double that proportion in Cyprus and Portugal (63%-64%).
- None of the EU countries reached the levels measured in Turkey, the US and China where more than two-thirds of respondents agreed that their school education had helped them to develop an entrepreneurial attitude (68%-73%).
- Furthermore, respondents in Turkey, the US and China most frequently agreed that their school education had helped them to better understand the role of entrepreneurs in society; more than 7 in 10 respondents in these countries agreed with the statement.
- For both of the above two statements, the US had the most respondents strongly agreeing (36% and 35%, respectively).
- A comparison, between 2007 and 2009 results, concerning the extent to which respondents agreed that their school education prepared them to become entrepreneurs showed that, in 2007, a number of European countries scored better than the US in stimulating entrepreneurship (e.g. Norway 74%, Portugal 71% vs. US 63%); in 2009, however, the US outscored all European countries (US 73%, Cyprus 64%, Portugal 63%).

The EU in comparison to the US and China⁶

- Chinese respondents were much more likely to say they would prefer to be self-employed rather than an employee (71% vs. 55% of Americans and 45% of EU citizens).
- Entrepreneurs have a better image in the US than in the EU and China: 85% of American respondents saw entrepreneurs as job creators, vs. 87%-88% of Chinese and EU citizens; similar numbers were seen for opinions about entrepreneurs being beneficial for all.
- In the event of receiving a significant inheritance, a relative majority of Chinese would start a business (41%); in comparison, 48% of Americans would save the money and EU citizens would either save the money (30%) or buy a house (31%).

⁶ In China, interviews were conducted with randomly selected individuals (aged 15 and over) in 50 cities; this sample covered 115,000,000 of the 615,000,000 urban inhabitants – and accurately represented the total urban population.

- Over a third (37%) of Chinese respondents would expand a new business as quickly as possible; the figures for the EU and the US were, respectively, 17% and 14%.
- Half of Chinese respondents who had started a business said this had been necessity-driven; in comparison, 62% of Americans and 55% of EU citizens said they had seen an opportunity.
- American respondents were more likely than EU citizens and Chinese respondents to say they were risk-takers and liked competition (77%-82%); in comparison, the proportions for EU citizens were 55%-65% and for Chinese respondents, 65%-69%.
- When the impact of school education on entrepreneurship was measured, the US and China were seen to be ahead of the EU in all aspects: when asked to agree that a sense of initiative had been engendered, an understanding of entrepreneurship gained, and the necessary skills and interest developed, the proportions of Americans and Chinese respondents agreeing were, respectively, 51%-73% and 53%-75%; the proportions for the EU were 25%-49%. Furthermore, since 2007, the US proportions have been increasing whilst the EU proportions have been decreasing.