

The power of three

Together, governments, entrepreneurs and corporations can spur growth across the G20

The EY G20 Entrepreneurship Barometer 2013

Country profiles

Argentina
Australia
Brazil
Canada
China
France
Germany
India
Indonesia
Italy
Japan
Mexico
Russia
Saudi Arabia
South Africa
South Korea
Turkey
United Kingdom
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▶ **European Union**

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G20
Young Entrepreneurs'
Alliance

European Union at a glance



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Institutions and Global Advisory
Services Leader, Government
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Stefan Olivier
Strategic Growth Markets
Leader, Belgium, EY

Unemployment crisis gives added impetus to entrepreneurship drive

Key facts

Overall Barometer ranking	Quartile 2
Population	509 million
GNI per capita (PPP)	US\$32,953
GDP growth	-0.3%
Exports as % GDP	42.8%

Source: The World Bank, 2012



The need to boost entrepreneurship in the European Union (EU) has become more urgent in recent years as financial and economic crises – particularly in a number of southern Eurozone economies – have led to surging unemployment. This is especially worrying among younger age groups. Across the EU, youth unemployment rose to 23.1% by May 2013, and 23.9% within the Eurozone countries in particular.¹ In certain countries, such as Greece – where youth unemployment stood at 59% in April 2013² – this crisis threatens to do lasting damage to the economy as well as to the prospects for the next generation.

The European Commission (EC) sees entrepreneurship as a crucial part of the solution because it covers a number of key bases: it gives people an alternative career option, it leads to the creation of new jobs, and individuals with entrepreneurial skills are more employable even if they don't start their own business. The need to boost entrepreneurship is reinforced by the fact that start-ups and small businesses accounted for 67% of all jobs in the EU in 2012, making them a crucial source of new job creation.³

The centerpiece of the EU's effort is the Entrepreneurship 2020 Action Plan.⁴ Launched in early 2013, this program sets out a range of objectives across three key areas: education and training support for entrepreneurs, and entrepreneurship culture.

Entrepreneurship conditions vary widely between the various EU Member States, so the EC has a valuable role to play in identifying best practices and seeking to roll them out across the EU. The

barriers that need to be overcome include frequent fragmentation of member-state legal frameworks, problems with access to finance, an inadequate focus on entrepreneurship in schools, and relatively high levels of risk aversion. As is often the case with European policymaking, a key challenge will be to convert ambitious EU-level goals into concrete progress at the member-state level. The EY G20 Entrepreneurship Barometer 2013, which surveyed 337 entrepreneurs across the EU, highlights the need for greater urgency in this area. For example, 77% of respondents describe access to funding as difficult, while nearly twice as many young entrepreneurs surveyed consider it very difficult.

In addition to the Action Plan, a number of other EU initiatives aim to boost entrepreneurship. An important example is the Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), which will run from 2014

¹ "Unemployment Statistics," European Commission: *Eurostat website*, epp.eurostat.ec.europa.eu, accessed 21 June 2013.

² Ibid.

³ P Wymenga et al, *EU SMEs in 2012: at the crossroads - Annual Report on the small and medium-sized enterprises in the EU, 2011/12* (ECORYS, 2012).

⁴ European Commission, *Reports on the results of public consultation on The Entrepreneurship 2020 Action Plan* (European Commission, 2012).

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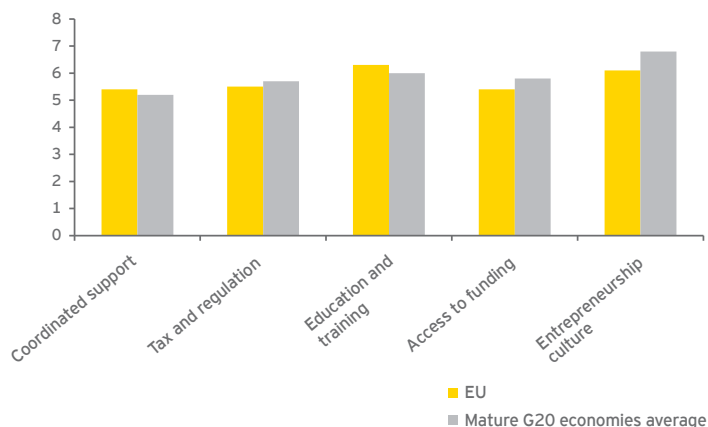
What to watch for

to 2020 with an estimated budget of €2.5b. It has five key aims that overlap with the action plan:

1. To boost access to finance
2. To create a business-friendly ecosystem
3. To foster a more dynamic entrepreneurship culture
4. To raise productivity levels
5. To help small businesses expand into overseas markets

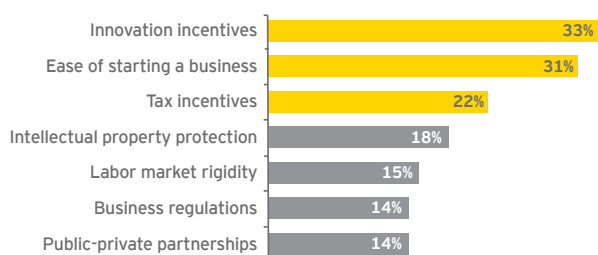
Another significant EU initiative as far as entrepreneurship is concerned is Horizon 2020, which focuses on fostering innovation. This reflects the fact that Europe's entrepreneurs need to be given greater opportunities to deliver on their clear potential as sources of innovation.

European Union's pillar scores compared to mature G20 economies average



Source: EY G20 Entrepreneurship Barometer 2013

Proportion of entrepreneurs citing improvement in areas of tax and regulation over the past three years



Source: EY G20 Entrepreneurship Barometer 2013

Horizon 2020 will boost support for innovative entrepreneurial businesses

The EU's efforts to promote innovation moved into interesting territory in mid-2013 with the announcement of €22b in investments being made under the new €80b Horizon 2020 program, which takes effect at the start of 2014.⁵ While these funding plans are mainly accounted for by large public-private partnerships in five high-tech sectors, they also include the creation of a new financial support scheme designed to help innovative entrepreneurial businesses access funding.

Precise details have yet to be confirmed, but the small business scheme is likely to comprise three stages: a €50,000 grant for developing a business plan; a €1m-€3m grant for research and development (R&D), prototyping and demonstration; and access to risk finance such as loans from the European Investment Bank (EIB). A lot of details still need to be determined, but in theory the EU has crafted a useful and relevant scheme to promote innovation and entrepreneurship. A further advantage is that applications from individual entrepreneurial businesses will be permitted, whereas other elements of Horizon 2020 require the creation of a consortium.

The Entrepreneurship 2020 Action Plan also includes a particular focus on fostering digital entrepreneurship.⁶ This is a sensible area to focus on, given that digital enterprises have a range of natural advantages: they are cheap to establish and face low barriers to entry, making them an easy route into entrepreneurship. They come with higher-than-average risks of failure, but with correspondingly high rewards if they are successful, which can lead to exponential growth in earnings and business size. One striking example of this is Rovio, the Finnish creator of mobile gaming app Angry Birds, which has grown rapidly to become a global gaming brand. In addition to economic and employment growth, digital start-ups are valued for the transformational effect they can have on countries by driving innovative, high-value, high-skills economic activity.

Overall, these measures – along with a range of individual schemes in varying Member States – appear to be having an impact. Thirty-three percent of entrepreneurs surveyed in the EU report an improvement in innovation incentives over the past three years, higher than any other tax or regulatory improvements. But more urgency is still needed: 46% cite further improvements in tax incentives for innovation as vital for bolstering the overall long-term environment for entrepreneurship across the EU, following only a cut in taxes and the simplification of tax rules.

⁵ "Any questions? A guide to Horizon 2020," Science Business website, sciencebusiness.net, accessed 28 June 2013.

⁶ European Commission, Reports on the results of public consultation on The Entrepreneurship 2020 Action Plan (European Commission, 2012).

How the EU is helping

Moving Europe forward

In April 2013, EY and the Brussels-based Centre for European Policy Studies (CEPS) think tank published *Moving Europe forward: innovating for a prosperous future*, a report on EU innovation policy.⁷ Among the inputs to the report was a survey of 680 business leaders from across Europe, which contained mixed news for EU policymakers: three-quarters of these business leaders believe the EU has the potential to play a key role in driving innovation, but even more (81%) say that policy is still too fragmented across the EU's Member States..

Public spending remains the dominant way of funding innovation across the EU, and *Moving Europe forward* argues that this is holding back innovation in the region. Of the business leaders surveyed, 68% agreed that innovation policy in the US is more effective than in the EU. In order to start to bridge that gap, the report suggests ways of improving the commercial impact of publicly funded R&D and of boosting levels of private R&D.

EY and CEPS make three broad recommendations to improve the EU's innovation policy. The first is to encourage more technology transfer between universities and industry (supported by 95% of business leaders surveyed), as well as increased collaboration across national borders. The second recommendation is to upgrade the infrastructure on which successful innovation relies: high-quality energy and IT networks, a business-friendly regulatory environment, and a solid rule of law.

The report's third key recommendation is to give the private sector a greater role in creating an environment that's conducive to the emergence of young and innovative businesses. Some 71% of survey respondents from the EU said that large European companies should act as 'innovation intermediaries', outsourcing some of their R&D to smaller enterprises, which can be more agile in exploiting new technologies to develop innovative solutions.

European Network of Mentors for Women Entrepreneurs

The European Network of Mentors for Women Entrepreneurs was inaugurated in Warsaw, Poland in November 2011. The mentor network is intended to provide advice and support to female entrepreneurs on the start-up, running and growth of their enterprises in the early phase of a business. Spanning 17 European countries and with 170 mentors, it aims to boost the rate of female entrepreneurship across the EU.

Launch date: 2011

Most relevant pillar: entrepreneurship culture

Programme for the Competitiveness of Enterprises and SMEs (COSME)

One of the EU's high-profile initiatives, COSME will run from 2014 to 2020, with an estimated budget of €2.5b. It holds a range of key objectives, including improving entrepreneurial businesses' access to finance, creating an environment and culture that is more conducive to creation and entrepreneurship, strengthening the sustainable competitiveness of EU enterprises, and supporting the globalization of Europe's entrepreneurial businesses. COSME is expected to help 40,000 firms annually, generating €400m annually in additional turnover and aiding in the launch of 1,200 new business products, services or processes.

Launch date: 2011

Most relevant pillars: access to funding, entrepreneurship culture

⁷ For more, see EY and CEPS, *Moving Europe forward: innovating for a prosperous future* (EYGM Limited, 2013).

€3m

The potential maximum grant available to innovative entrepreneurial businesses as part of a new innovation-related funding scheme

Erasmus for Young Entrepreneurs (EYE)

Erasmus for Young Entrepreneurs is a cross-border exchange program that provides new entrepreneurs with an opportunity to learn from experienced entrepreneurs running small businesses in other EU countries. The one-to six-month exchange takes place during a stay with experienced business people, which helps new entrepreneurs acquire the skills needed to run a small firm. The hosts benefit from fresh perspectives on their businesses and get the opportunity to cooperate with foreign partners or learn about new markets. By summer 2011, 3,730 potential new and host entrepreneurs from all EU countries had applied to participate in the program.

Launch date: 2009

Most relevant pillar: entrepreneurship culture



Key insight: building a digital success story

Mikael Hed, CEO, Rovio, EU

Founded in 2003, Rovio is the Finnish company behind Angry Birds, which has become one of the most successful mobile games of all time. With offices in Finland and Sweden, as well as in the US, Korea and China, the company is the epitome of the kind of digital entrepreneurship that the EU aims to foster: a small business working with novel technologies to deliver high growth and rapid job creation.

Rovio received its first round of funding from a business angel in 2005, but it was two years later, with the launch of the iPhone, that the scene was set for the explosive success of Angry Birds when it launched in 2009. Keeping the company going in the meantime wasn't always easy. "We were only 12 people by the time Angry Birds was released, and we were in a tight spot financially," says CEO Mikael Hed.

Before Angry Birds, Rovio relied on earnings from doing projects for other companies, such as EA Games, for its own survival. It took the company some time to trust that the game's success would last. "Even when it went to number one in the UK and the US and we wanted to plan for growth, we still had reservations in the back of our minds," says Hed. "It took a

while to feel strong enough to give up on all the other activities that made money for us."

Developed on a budget of €100,000, by late 2011 Angry Birds had grossed €50m. Earlier that year, Rovio had secured investments totaling US\$42m from three venture capital funds. The following year saw profits grow by almost 57% to €56m, largely fueled by spin-off Angry Birds products. The next phase in the company's expansion will see it take its key franchise beyond the mobile gaming platform. An Angry Birds cartoon channel has been released, and a 3D feature film is scheduled for release in 2016.

Rovio's workforce increased fourfold in 2011 and then more than doubled in 2012. By mid-2013, it had expanded to employ 600 people. "Of course, managing a company as it grows so much bigger requires different processes," says Hed. "But it's also a matter of optimizing the existing organization, not just adding new functions. Perhaps structures need to be a bit more rigid than when we were very small and it was possible to talk to everybody in person. It has been a learning process to go from that to having a tier of managers."

Access to funding

Pillar ranking: 12

77%

of EU entrepreneurs surveyed experience difficulties accessing the finance they require

Conditions are difficult, but large-scale changes have been proposed

Access to funding	EU	G20 average	Period
IPO market activity			
IPO amount invested (% of GDP)	0.11	0.22	2009-11 average
Access to credit			
Domestic credit to private sector (% of GDP)	139.4	99.0	2008-10 average
Venture capital availability (Scale of 1=impossible to 7=very easy)	3.1	3.0	2009-11 average
M&A deal value (% of GDP)	3.1	3.4	2010-12 average

Sources: The World Bank, Dealogic, IMF, World Economic Forum

In recent years, entrepreneurs across the EU have seen concerns about access to finance intensify due to the financial crisis. Entrepreneurial businesses tend to rely on bank lending to a greater extent than larger businesses, so problems in the banking sector have had a disproportionate impact on smaller businesses. In the EY G20 Entrepreneurship Barometer 2013, 77% of entrepreneurs in the EU report difficulties accessing funding, while 62% say that access to bank lending has deteriorated in the past three years. Bank lending is the priority form of funding for any efforts to boost entrepreneurship, according to respondents.

In December 2011, the EC published an action plan setting out medium- and long-term measures aimed at expanding the range of funding options open to entrepreneurs.⁸ One of the key proposals is for a new venture capital regime that would tackle the fragmentation of the current system by allowing venture capital funds to raise capital and market their funds on a pan-European basis. A second proposal is to create new SME growth markets that would specialize in the trading of shares and bonds issued by entrepreneurial businesses.

Implementing these kinds of changes is unlikely to be easy or quick, but the proposals show a welcome understanding of the need to tackle the financing constraints that entrepreneurs face in Europe relative to their counterparts in a country such as the US, which has encouraged the development of a more sophisticated funding environment. This is in line with what entrepreneurs in the EU want: when asked what would do most to boost entrepreneurship in the next three years, by far the most popular response was “new innovative funding platforms.”

A new financial support scheme is being introduced as part of the Horizon 2020 program that starts in 2014.⁹ This will provide grants of up to €3m to help fund the R&D costs of innovative entrepreneurial businesses. Steps are also being taken to tackle the cash flow problems that can be caused by late payments. In March 2013, amended late payment legislation took effect across the EU, requiring customers (businesses and public bodies) to pay interest and recovery costs to creditors if they do not pay for goods and services on time (60 days for business customers, 30 days for public bodies).¹⁰

31%

of entrepreneurs from the EU surveyed say availability of government financial support has improved in the past three years

⁸ European Economic and Social Committee, *An Action Plan to improve access to finance for SMEs*, INT/632 (European Economic and Social Committee, 2012).

⁹ “Any questions? A guide to Horizon 2020,” *Science Business website*, sciencebusiness.net, accessed 28 June 2013.

¹⁰ “Fighting Late Payments,” *European Commission website*, ec.europa.eu, accessed 17 June 2013.

Entrepreneurs' view on the top five access to funding instruments aiding entrepreneurship



Source: EY G20 Entrepreneurship Barometer 2013

Entrepreneurship culture

Pillar ranking: 8

48%

of entrepreneurs surveyed from the EU say their country has a culture that supports entrepreneurship

Europe has a lot of ground to cover to boost the image of entrepreneurship

Entrepreneurship culture	EU	G20 average	Period
R&D spending (% of GDP)	2.0	1.6	2007-09 average
Scientific and technical journal articles (per 10,000 people)	5.0	3.3	2007-09 average
Cost of resolving insolvency (% of estate)	9.7	11.8	2010-12 average

Source: The World Bank

Promoting the status of entrepreneurship across the EU remains a significant challenge. In its Entrepreneurship 2020 Action Plan, the EC highlights the lack of high-profile success stories that could encourage more people to see entrepreneurship as a viable career path.¹¹ In all but two Member States – Sweden and Latvia – a majority of people feel self-employment is unfeasible for them.¹²

The need for more prominent entrepreneurs as role models is reflected in the EY G20 Entrepreneurship Barometer 2013. Fifty-three percent of EU entrepreneurs expect that improved communication of success stories will have a high impact on entrepreneurship culture over the next three years. In addition to directly boosting the status of entrepreneurship, these success stories might also help encourage a much-needed wider debate in the media about the importance of entrepreneurship.

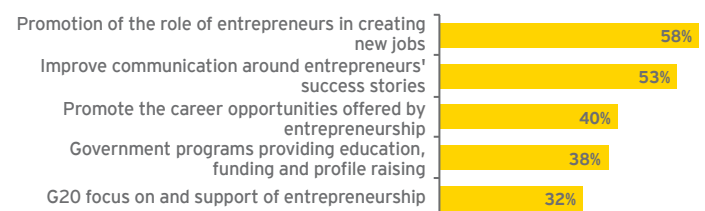
Nearly half (48%) of entrepreneurs across the EU felt that their home countries had a culture that was supportive of entrepreneurship, compared to a G20 average of 57%. One clear illustration of this relative weakness lies in local attitudes toward business failure: only 12% said failure was seen as a learning opportunity in the EU. Instead, failure can be penalized harshly, with bankruptcy rules often discouraging or disqualifying entrepreneurs from starting a second venture, despite the fact that these are more likely to succeed.

For example, until late 2012 Ireland's bankruptcy rules imposed a 12-year waiting period before automatic discharge.¹³ This is now being reduced to three years, but in the UK, which has a stronger entrepreneurship culture, the wait is only one year. The EC has called on Member States to introduce a maximum wait of three years by the end of 2013.¹⁴ It also wants to see improved provision of support aimed at avoiding bankruptcy or at helping businesses to restructure and relaunch.

Each year an "SME Week" is held across Europe. In 2012 this involved 1,500 events in 37 countries.¹⁵ Most of the events involve a strong mentoring element, with existing companies sharing their experiences. The week will soon incorporate a new Entrepreneurship Day for students in their final years of second-level education. Students will attend events such as meetings with entrepreneurs, workshops and company open days.

Only 12% of entrepreneurs surveyed from the EU say business failure is viewed as a learning opportunity in the EU

Entrepreneurs' view on the top five factors that will have an impact on entrepreneurship culture in the next three years



Source: EY G20 Entrepreneurship Barometer 2013

¹¹ European Commission, *Reports on the results of public consultation on The Entrepreneurship 2020 Action Plan* (European Commission, 2012).

¹² European Commission, *Entrepreneurship in the EU and Beyond*, Flash Eurobarometer 354 (European Commission, 2012).

¹³ "Ireland shakes up insolvency rules," *The Telegraph website*, telegraph.co.uk, accessed 19 June 2013.

¹⁴ "Consultation on a new European approach to business failure and insolvency," European Commission – *Justice website*, ec.europa.eu, accessed 17 June 2013.

¹⁵ "What is European SME Week," *Euoprean Commission Industry website*, ec.europa.eu, accessed 18 June 2013.

Tax and regulation

Pillar ranking: 10

72%

of entrepreneurs surveyed in the EU think that administrative complexities make it too difficult to start their own business

Some gradual progress, but entrepreneurs want bolder moves

Tax and regulation	EU	G20 average	Period
Ease of starting a business			
Start-up procedures (number)	5.8	7.6	2010-12 average
Time to start a business (days)	14	22	2010-12 average
Cost to start a business (% of income per capita)	5.3	9.4	2010-12 average
Paid-in minimum capital to start a business (% of income per capita)	17.0	17.9	2010-12 average
Business regulations			
Time spent on tax issues (hours)	207	347	2010-12 average
Labor market rigidity			
Cost of firing (weeks of wages)	30	50	2007-09 average
Labor and tax contributions (% of commercial profits)	27.7	24.0	2012
Taxation			
Total tax rate (taxes and mandatory contributions borne by the business expressed as a share of commercial profit)	42.6	49.7	2012
Indirect tax rate (taxes collected by the company and remitted to the tax authorities)	21.2	14.2	2012

Source: The World Bank

61% of EU entrepreneurs say that simplification of tax rules and regulations would have a substantial impact on levels of entrepreneurship

The complexity of business regulations and the tax system are a significant obstacle to the expansion of entrepreneurship in the EU. In a 2012 EC survey, 72% of respondents said they thought it would be too difficult to start their own business because of the administrative burden involved.¹⁶ In the EY G20 Entrepreneurship Barometer 2013, entrepreneurs share similar concerns: simplification of tax rules and regulations is a clear priority, with 61% saying it would have a substantial impact on levels of entrepreneurship.

There are limits to the tax reforms that can be driven from the European level because of EU Member States' control over fiscal policy. As a result, EU efforts in this area tend to focus on measures to streamline business regulations. These changes can be technical and incremental. For example, the EU-wide Invoicing Directive prohibits Member States from insisting that businesses use a specific technology for electronic invoicing.¹⁷ The survey suggests that EU entrepreneurs are of the view that bolder moves are needed. In the survey, only 14% of entrepreneurs in the EU say that business regulations have improved over the past three years, while 53% say they have deteriorated.

A useful way of responding to these concerns is by setting clear and measurable targets for cutting red tape – an obvious benefit to entrepreneurs. An example is the EC's call to Member States to cut the time it takes for new businesses to obtain any necessary licenses and authorizations to one month. The EC has said this could be done by 2015, from a 2010 baseline in which 7 out of 33 countries surveyed had already met the target.¹⁸ In the Barometer, however, EU entrepreneurs suggested that progress has been patchy so far: 31% said that the process of starting a business has improved, but 32% said it had become more burdensome.

Another promising way of supporting entrepreneurs is by providing more of one-stop-shop business support services. Barcelona Activa is a good example of best practice in this area, providing new and existing businesses in Barcelona with services ranging from mentoring and training to a business incubator and technology park. Barcelona Activa won the European Enterprise Promotion Award in 2011, when it supported more than 2,400 new projects, including 139 companies being developed within its business incubator.¹⁹

¹⁶ "Any questions? A guide to Horizon 2020," *Science Business website*, sciencebusiness.net, accessed 28 June 2013.

¹⁷ "e-Invoicing," *European Commission website*, ec.europa.eu, accessed 29 June 2013

¹⁸ European Commission, *Reports on the results of public consultation on The Entrepreneurship 2020 Action Plan* (European Commission, 2012).

¹⁹ "The European Commission recognises 'Barcelona Activa' as the best European initiative developing entrepreneurship," *Catalan News Agency website*, catalannewsagency.com, accessed 1 July 2013

Education and training

Pillar ranking: 5

88%

of entrepreneurs surveyed across the EU say students need specific training to become an entrepreneur

A crucial part of the EU's plan to bolster entrepreneurship

Education and training	EU	G20 average	Period
Public spending on education (% of GDP)	5.5	4.8	2008-10 average
Secondary school enrollment (total enrollment expressed as a percentage of the population of official secondary education age)	103.8	95.0	2008-10 average
Tertiary enrollment (total enrollment expressed as a percentage of the total population of the five-year age group following on from secondary school leaving)	61.2	53.5	2008-10 average

Source: The World Bank

Only six EU Member States have a specific entrepreneurship education strategy²⁰

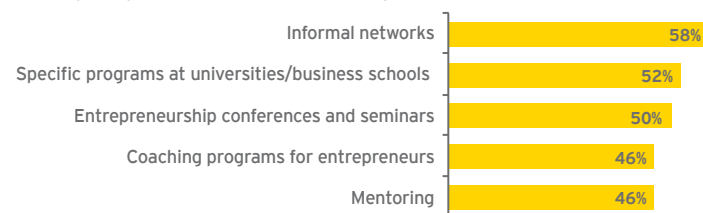
There is a strong focus on education in the EU's efforts to boost entrepreneurship. It forms a key strand of the Entrepreneurship 2020 Action Plan, which sets out a range of educational aims at both the EU and member state level.²¹ These include various EC initiatives to foster cooperation and best practice across the EU, as well as the proposed creation (in cooperation with the OECD) of a framework to help countries develop entrepreneurial schools. For their part, Member States are encouraged, among other things, to make sure that every student's compulsory education incorporates at least one entrepreneurial experience, such as running a mini-company.

Entrepreneurs across the EU are clear about the importance of boosting entrepreneurship education. In the Barometer, 88% of entrepreneurs surveyed in the EU say that students need specific training if they are to go on to become entrepreneurs. When asked how best to promote entrepreneurship to students as a viable career path, they stress the importance of entrepreneurship programs in universities and business schools, as well as the need to present students with role models and success stories. Encouragingly, entrepreneurs in the EU are positive about developments in entrepreneurship education over the past three years, with improvements reported by 52% of entrepreneurs for university and business school programs, 58% for informal entrepreneurship networks and 46% for mentoring programs.

There is still much work to be done, however, particularly as there are striking variations among different EU Member States. For example, the EU Action Plan aims to have entrepreneurship integrated into national curricula across primary, secondary, vocational and higher education by the end of 2015.²² In the Barometer, 25% of entrepreneurs in the EU say that specific programs such as this would do the most to improve student perception of entrepreneurship, along with the greater promotion of success stories.

However, the 2015 goal seems unlikely to be met, given that only six Member States had a specific strategy for entrepreneurship education by 2012.²³ One of these countries is Denmark, which in 2009 introduced a three-part strategy involving (i) the Government setting entrepreneurship objectives for each tier of education, (ii) establishing a Foundation for Entrepreneurship to develop teaching methods and materials and to train teachers, and (iii) creating an inter-departmental partnership between the ministries of culture, science, innovation, business and education to support entrepreneurship.²⁴ This provides an example for other EU countries to follow, but greater urgency is needed to move such initiatives along.

Proportion of entrepreneurs citing improvement in education and training programs over the past three years



Source: EY G20 Entrepreneurship Barometer 2013

²⁰ "Rethinking education: investing in skills for better socio-economic outcomes," European Commission website, ec.europa.eu, accessed 18 June 2013

²¹ European Commission, Reports on the results of public consultation on The Entrepreneurship 2020 Action Plan (European Commission, 2012).

²² "Entrepreneurship education needs to be boosted," Europa website, europa.eu, accessed 22 June 2013

²³ "Ireland shakes up insolvency rules," The Telegraph website, telegraph.co.uk, accessed 19 June 2013.

²⁴ European Commission, Entrepreneurship Education at School in Europe: National Strategies, Curricula and Learning Outcomes (Education, Audiovisual and Culture Executive Agency, 2012)

Coordinated support

Pillar ranking: 13

The EC is well placed to expand the range of support entrepreneurs can draw on

Coordinated support is one of the areas in which the EU is well placed to add significant value for entrepreneurs. While authority for many changes to the entrepreneurship ecosystem rests with national governments, the EC can use its pan-European reach to help entrepreneurs find assistance and exploit opportunities that may exist outside their home market.

The main delivery channel for this kind of support is the Enterprise Europe Network, which comprises 600 business support organizations in more than 50 countries.²⁵ In addition to providing entrepreneurs with advice about EU regulations and standards, these bodies provide a wide range of services aimed at expanding the number and growth potential of new European businesses. These services include help with access to finance, technology transfer, intellectual property, international collaboration, R&D funding and exporting to new markets, both within and outside the EU.

In the Barometer, entrepreneurs claim that informal networks is one of the forms of business support that has most improved in the past three years: 58% said they have improved (only 6% said they have deteriorated). The EC has targeted further improvements in this area. Its Entrepreneurship 2020 Action Plan includes a commitment to encourage increased cooperation between business networks and clusters.²⁶ Progress in this area would be welcome, as it would help disseminate knowledge, skills and best practices across the EU, allowing new businesses to tap into sources of sector-specific expertise that can be a crucial factor in entrepreneurial success, particularly for high-growth, innovation-led businesses.

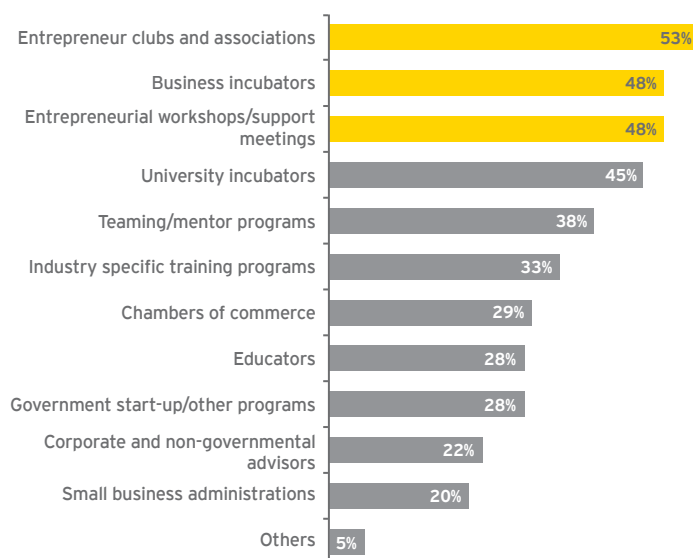
There is significant scope to increase the use of mentoring in the EU. In the survey, 38% of EU respondents say they currently work with or have worked with a mentor, slightly lower than the G20 average of 40%. The most significant mentoring initiative is the European Network of Mentors for Women Entrepreneurs, which was launched in 2011.²⁷ The EC has also taken steps to boost entrepreneurship among young people. Its Erasmus for Young Entrepreneurs (EYE) scheme facilitates exchanges by entrepreneurs from different EU countries, similar to student exchanges under the main Erasmus program.²⁸

38%

of EU entrepreneurs surveyed currently work with or have worked with a business mentor

48% of EU entrepreneurs say access to business incubators has improved, just less than the G20 average of 50%

Proportion of entrepreneurs surveyed citing improvement in areas of coordinated support over the past three years



Source: EY G20 Entrepreneurship Barometer 2013

²⁵ "About the Enterprise Europe Network," *European Commission website*, een.ec.europa.eu, accessed 4 July 2013.

²⁶ European Commission, *Reports on the results of public consultation on The Entrepreneurship 2020 Action Plan* (European Commission, 2012).

²⁷ "Encouraging women entrepreneurs," *European Commission website*, ec.europa.eu, accessed 3 July 2013.

²⁸ "The European exchange programme for entrepreneurs," *Erasmus for Young Entrepreneurs website*, Erasmus-entrepreneurs.eu, accessed 12 July 2013.

Rankings table

Ranking	Access to funding	Score	Entrepreneurship culture	Score	Tax and regulation	Score	Education and training	Score	Coordinated support	Score
1	United States	7.12	United States	7.67	Saudi Arabia	6.40	France	6.58	Russia	6.23
2	United Kingdom	6.86	South Korea	7.53	Canada	6.34	Australia	6.53	Mexico	5.89
3	China	6.75	Canada	7.45	South Korea	6.34	United States	6.50	Brazil	5.87
4	Canada	6.62	Japan	7.28	United Kingdom	6.19	South Korea	6.40	Indonesia	5.84
5	Australia	6.48	Australia	7.18	South Africa	6.10	EU	6.25	India	5.76
6	South Africa	5.95	United Kingdom	7.00	Japan	6.07	United Kingdom	5.98	China	5.75
7	Japan	5.81	Germany	6.88	Germany	5.84	Germany	5.89	Turkey	5.66
8	South Korea	5.75	EU	6.07	Australia	5.75	Argentina	5.85	South Africa	5.65
9	Brazil	5.67	France	5.68	Russia	5.65	Canada	5.81	Argentina	5.64
10	Indonesia	5.53	Russia	5.05	EU	5.48	Brazil	5.78	Germany	5.53
11	India	5.48	India	4.95	Turkey	5.45	South Africa	5.67	France	5.41
12	EU	5.41	Brazil	4.88	Indonesia	5.38	Saudi Arabia	5.66	Saudi Arabia	5.39
13	Saudi Arabia	5.25	Italy	4.67	United States	5.33	Italy	5.47	EU	5.37
14	Germany	5.23	South Africa	4.33	Mexico	5.21	Russia	5.46	South Korea	5.36
15	Russia	5.04	Turkey	4.30	France	5.12	Mexico	5.32	Australia	5.31
16	France	4.74	Argentina	4.06	China	5.07	Japan	4.72	Canada	5.29
17	Turkey	4.57	Mexico	3.96	Brazil	4.83	Turkey	4.39	United Kingdom	5.19
18	Mexico	4.42	China	3.88	Italy	4.76	China	4.35	Japan	5.04
19	Italy	4.03	Indonesia	3.80	India	4.39	Indonesia	3.88	Italy	4.97
20	Argentina	3.27	Saudi Arabia	3.38	Argentina	4.31	India	3.49	United States	4.85

About the EY Entrepreneurship Barometer model

The EY G20 Entrepreneurship Barometer 2013 introduces a model for scoring countries across the five pillars of entrepreneurship.²⁹ The purpose of this model is to help identify areas of relative strength by country and where opportunities for improvement lie.

The model is composed of qualitative information (from our survey of more than 1,500 entrepreneurs) and quantitative data based upon entrepreneurial conditions across the G20 economies. For each pillar, excluding coordinated support, this information is

weighted 50-50 between qualitative and quantitative inputs. For coordinated support, given a lack of quantitative indicators, this is based solely upon the survey responses.

The advantage of integrating both the survey results and quantitative data is the ability to provide an assessment of the current level and the trends in a G20 entrepreneurial ecosystem based upon local sentiment. To this end, official statistics (for example, on the average time taken to start a business or the tax burden) provide a baseline for each member country.

Survey information is an important complement to the baseline picture these statistics provide. Entrepreneurs' feedback on the pace of improvement or deterioration in conditions in their country's entrepreneurship ecosystem is incorporated in the model alongside the hard statistics.

Full details of the Barometer's methodology can be found on page 66 in the main EY G20 Entrepreneurship Barometer 2013 report.

²⁹ Note: As per the G20 membership, this list comprises 19 individual countries and also the European Union (EU), as an additional member. Our rankings show the performance of each country, along with an aggregate performance for the 27 EU Member States.

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