High-growth SMEs: understanding the leaders of the recovery

Data and analysis provided by Delta Economics
This report discusses the challenges, difficulties and the successes that growth-oriented entrepreneurs have in the US, European and BRICSA (Brazil, Russia, India, China and South Africa) economies and compares them with an international benchmark created by this study.

The implications of the findings for governments, financiers and advisers are considered in terms of what support entrepreneurs need to build sustainable companies and thereby continue to stimulate their domestic and global economies.

About ACCA

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We use our expertise and experience to work with governments, donor agencies and professional bodies to develop the global accountancy profession and to advance the public interest.

Our reputation is grounded in over 100 years of providing world-class accounting and finance qualifications. We champion opportunity, diversity and integrity, and our long traditions are complemented by modern thinking, backed by a diverse, global membership. By promoting our global standards, and supporting our members wherever they work, we aim to meet the current and future needs of international business.

ABOUT DELTA ECONOMICS

Delta Economics is a leading research-led economics consultancy founded in 2006 by Dr Rebecca Harding, a trade economist. Delta specialises in economic growth and trade modelling/forecasting. It also has extensive expertise in quantitative and qualitative market research, market intelligence and thought leadership with a specialism in the entrepreneurial and small and medium-sized business sector.
As the world sets itself on the path to economic growth and recovery, two key mechanisms have the potential to drive sustainable growth. The first mechanism is the expectation that new, growth-oriented young businesses will create markets and drive the global economy back into expansion. The second is the realisation that growth will not come from European markets, but rather, from the highly entrepreneurial emerging markets where there is real evidence of growth in domestic demand for Western products and services, and a growing innovative culture that thrives on new challenges.

This report aims to shed some light on the growth path along which these growth-oriented entrepreneurs (GOEs) take their businesses, comparing the fast developing economies of the BRICSA countries (Brazil, Russia, India, China and South Africa) with the mature, major European and US economies. It compares these businesses in terms of turnover, the jobs they create, their access to finance, capacity to innovate, tendency to be international, and their growth strategies and patterns. This report demonstrates that, in spite of the recession, it has been possible to develop a company rapidly in BRICSA, while those in the West have also exhibited the ability to expand and prepare for sustainable growth.

This report discusses the challenges and difficulties GOEs face and the successes they have in individual countries and compares them with an international benchmark created by this study. What works in one country may or may not be applicable elsewhere – because of culture, tradition, natural resources, economic conditions, etc. Nonetheless, by making comparisons, governments, professionals, banks, investors and advice networks can identify where opportunities to increase or improve the support they offer may lie, which in turn will help build a better-performing entrepreneurial sector and stimulate economic growth.

The report asks and attempts to answer several questions. How have growth-oriented entrepreneurs fared during the global recession? What are the challenges to and motivations for these entrepreneurs? What growth strategies do they adopt (including sources of finance and advice)? What are the main drivers of growth? What are the differences in and
between the major European and US economies and those in the fast-emerging markets of BRICSA (and the corollary, where are they similar)? The implications of these findings for governments, financiers and advisers are then considered in terms of what support entrepreneurs need to build sustainable companies.

**WHO ARE THESE ENTREPRENEURS?**

The entrepreneurs in the sample have an average age of 45 years, though this varies from a median age of 35 in China to 52 in Belgium. This may be older than the generally accepted average for entrepreneurs, but it must be remembered that they are running highly successful businesses and some may be serial entrepreneurs who have more experience and are thus likely to be older. Around 15% of the total is female, again with China showing most at 26%, with Spain at a surprisingly low 9% and no women at all present in the Indian sample. Many of the differences can be explained by cultural and demographic factors, but may include differences in the types of business run by women, education systems and the pace of economic change in some countries.

**HOW BIG, HOW FAST**

Chinese growth businesses are by far the biggest in the survey, with an average turnover of $4.13 million in the last full year of trading and a median growth rate of 453% since start up (measured from first full-year turnover). South Africa follows closely behind China with a growth rate at 269% and a turnover of $4.01 million. Brazil and India also show remarkable growth rates from start up of 311% and 216%, respectively, while Russia’s is the lowest in the sample. The US GOEs growth rate is a not-insignificant 130%, on average turnover of $3.77 million, while the European businesses in the survey range from 100% to 150% growth rate; from Germany at $2.99 million turnover, to France with $1.6 million. The UK businesses show a relatively impressive 176% growth since start up (see Figure 1).

GOEs have also shown remarkable growth in employment, employing an average (at time of survey) of around 25 people and expecting to nearly double that level in three years’ time (see Figure 2). This seems at odds with an expected 50% increase in turnover, nevertheless this may be interpreted as re-staffing post-recession in anticipation of more growth. Both current figures and expectations underscore the value of these businesses to their countries and to global economic revival.

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1. All values are US$
WHO CAN HELP?

Of the total sample, 87% of entrepreneurs admitted seeking advice from at least one source; the rest refused, failed to answer or responded ‘don’t know’. On examination, there was little if any direct relationship (correlation) between the individual source of advice given and the rates of growth experienced. This could suggest that seeking advice is more of a psychological factor in the process of setting up a business, reassuring and reinforcing the entrepreneur’s ambitions, rather than creating any specific market advantage.

It is worth noting the wide disparity of responses by country to the question of sourcing advice. In France, the Netherlands and Spain, apart from seeking advice from professionals, budding entrepreneurs seemed to seek little counsel at all from other sources. Similarly, Italians were happy to talk to their bank and family, but sought little advice from elsewhere. It is difficult to compare these networks across borders, but there is no doubt an opportunity and a necessity for improved performance among networks and the agencies that support these entrepreneurs.

In BRICSA, a comparable experience emerges, with the South Africans seeking a broad range of advice but in India, only family, friends and business agencies being consulted. In Russia and Brazil, more than one-quarter of respondents sought no advice, and most sources of advice were ignored.

Contrasting evidence comes from China and the US, which have a remarkable resemblance in scoring highly for almost every potential source of advice. Those in the US are less likely to seek help from government – very much a national characteristic – and US and Chinese GOEs are less likely to consult their banks, but in all other areas, GOEs in both countries seek as much advice as possible. China boasts the largest (by turnover) companies in BRICSA, and the US the largest in the developed world. Perhaps more advice leads to better performance though, as we will see, no individual source can be credited directly with growth.

Only 1% of GOEs in Russia and India, 2% in Brazil and 9% in South Africa sought advice at start up from their government (or their agencies); consultation rates in China were much higher at 21%. Perhaps governments generally are not well suited to assist high-growth businesses, but it may also suggest that governments could play a more important part in stimulating entrepreneurship in the BRICSA economies. The percentage taking advice from government agencies in Europe and the US was also in single figures, though one would expect the private, institutional and professional networks to be more developed in those countries.

CHALLENGES

Taxation and regulation were – predictably – overwhelmingly a negative influence on entrepreneurial growth worldwide. Only Indian entrepreneurs (62%) considered their country’s tax system as a positive issue. Similar sentiments were expressed on regulation, where Belgium stood out among the West at an alarming 83% negative score. China was neutral on the issue and India saw it again as a positive factor (71%).

As one might expect, the macro-economic environment proved a performance challenge to all but one of the countries surveyed. Over 80% in these countries saw it at best as a neutral to negative influence, or at worst a wholly negative one. BRICSA countries were on the whole slightly less negative, save again for India, where 56% of business saw the macro economy as a positive influence on growth.

INNOVATION

The majority of these fast-growth businesses show some level of innovation in their approach to the market, product differentiation or R&D. There was in fact a particularly strong and significant correlation between spending on R&D and being innovative across all areas. No direct causal link between any specific area of innovation and turnover growth was found in a correlation exercise, but it must be remembered these are relatively young businesses and they may not yet have managed to create the return from their innovation investment.

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4. Sources were personal friend, mentor/coach, another entrepreneur, a business support network, bank, potential investors, work colleagues, professional advisers, member of family, government support agency, other.
GOING ABROAD

Internationally oriented businesses grew faster than those focusing on domestic markets; and analysis of the larger UK sample has also shown that the international businesses that initially establish themselves as domestic grow faster only when becoming international. Nonetheless, the BRICSA sample, with fewer international companies overall, has the highest percentage of businesses that have started out as domestic only and become international (32% against 25% for the EU sample and 27% for the US and UK samples). Hence the path to a fast-growth economy seems to lie in encouraging nascent entrepreneurs to grow strong in domestic markets first, and then to look for international markets for accelerated growth.

WHAT DRIVES THEM ON?

Four drivers are most common in motivating entrepreneurs worldwide:

- following a dream
- taking advantage of a market opportunity
- getting autonomy over their time
- ‘making a lot of money’.

‘Following a dream’ is the most or second most important factor in setting up a business in all countries, with over one-half of respondents listing it. Only in Russia was this below 50% (at 41%), but even here it was the third biggest motivator. ‘Taking advantage of the market opportunity’ was important (over 75%) in the US, China, Brazil and Germany, and ‘wanting to make a lot of money’ was a strong driver in the US, China and Brazil (over 70%) but less so in Germany at 51%. While most other countries reported money making as significant, to Italians (3%) and Spaniards (18%) it seemed to have little motivational value. Perhaps the next survey should ask if making ‘enough’ money is a driver.

HOW DID THEY RATE THEMSELVES ON THE TRIPLE BOTTOM LINE?

The entrepreneurs were happy that they had maintained market share and built their brands through the recession. They were equally satisfied with their performance in managing finances, keeping cashflow, profits and the monetary value of the business on a positive track. Their only disappointment was in not paying a good dividend, but since they were in most cases the largest shareholder, this is understandable as they retained money in the business to invest in growth.

GOEs generally were happy with their achievements in job creation and felt comfortable with the way they had treated employees. Few of the entrepreneurs see themselves as poor environmentalists and the majority thought they had done well for the local community.

CONCLUSIONS FOR ADVISERS

A contrasting picture emerges for professional advisers. In Europe (including the UK), the US and South Africa, their advice is sought by around one-half of the entrepreneur sample, often along with many other sources. In the BRIC countries, however, professionals are notable by their absence at the start-up stage. Later on, as the business develops, professional advice is sought and is seen as a positive influence in all countries and is actually rated highest in these BRICs countries. It might be that entrepreneurs in BRICs prefer family and friends, or only have access at start up to such sources and as the business develops they become known and attractive to professional advisers. If discovered at an earlier stage these businesses might prove an interesting market for professionals, and allow the building of relationships for the long term. Of course, spotting the winners is the difficult part.
CONCLUSIONS FOR GOVERNMENTS

These high-growth businesses have provided employment, tax revenue and economic stimulus throughout the recession. Nonetheless, they all face problems and challenges that could be alleviated or softened through more support and enabling policies at government level. Not surprisingly, they complain of over regulation and high taxes (with the exception of India). In the main they have no access to, or do not value, the advice given by government agencies, especially in the BRICSA sample. Universally, they face skills shortages, a problem they share with much larger companies. Women in particular seem to be held back or restricted from setting up and developing a business, even though when present in the sample female-run companies show the same growth capabilities as male-run companies. Governments face pressure from all sectors of the economy for special attention and favourable treatment, and are preoccupied currently with macroeconomic and financial considerations. Entrepreneurs believe paying more attention to the business environment might provide a solution.

CONCLUSIONS FOR FINANCIERS

GOEs complain little about accessing finance: in fact many see it as a positive experience. Nonetheless, not all are successful in getting finance when required and many get less than they need, which must hinder growth prospects. These entrepreneurs preferred or were obliged to self-finance their businesses at start up, or borrow from family, friends and private investors. These are successful companies that are leading their economies, and through their international connections stimulating the global economy as well. Perhaps those seeking investment opportunities should work harder to spot and support these winners, while remaining conscious of the risks.

THE BOTTOM LINE

In spite of the recession, entrepreneurs across the globe have proved their determination and resilience in building highly successful and fast-growing businesses. Taking support and funding from wherever it may be available, they have followed their dreams and pursued opportunities to provide employment, good returns for investors and stimulus for the local and international economy. BRICSA entrepreneurs in the emerging economies in the main face the same challenges, concerns and opportunities as their peers in developed markets and have shown remarkable strength in achieving superior growth rates. These businesses and others that will follow them are the engines of growth, which will take the global economy out of recession. Governments, institutions, banks and professional advisers need to pay careful attention to their needs now and in the longer term.
This report asks and attempts to answer several questions. How have growth-oriented entrepreneurs fared during the global recession? What are the challenges faced by and sources of motivation for these entrepreneurs? What growth strategies do they adopt (including sources of finance and advice)? What are the main drivers of growth? What are the differences in and between the major European and US economies and those in the fast-emerging markets of the BRICSA (and the corollary, where are they similar)? The implications of these findings for governments, financiers and advisers are then considered in terms of what support entrepreneurs need to build sustainable companies.

The report examines the data from the Delta Economics ‘Challenges and Opportunities for Growth and Sustainability’ (COGS) surveys of entrepreneurs in BRICSA countries (Brazil, Russia, India, China and South Africa), in the US and in Europe (UK, France, Germany, Italy, Spain, Belgium and the Netherlands) conducted between October 2010 and December 2011. The entrepreneurs run relatively young businesses (between 2 and 10 years old) and have turned over a minimum of $300,000 after the second year of trading. They are therefore ‘growth oriented’ and have survived the economic and financial traumas of the past four years.

They are businesses that are still managed by the founding entrepreneur, are growing and have grown through the recession. They are companies that have the potential to become the sustainable heart of the more established owner-managed business sector in a few years’ time if they overcome the challenges they face and make the most of the opportunities they have.

METHODOLOGY

There has been no attempt to standardise the absolute figures in this report, either for GDP or for GDP per head of population, or to adjust for inflation. While the figures are used in comparison, this is merely to present the basic facts, against which comparisons in growth drivers, motivation, strategies, financing, challenges, innovation and advice are made. These companies are oriented to global competition, so it is not unreasonable to measure them in the same way that they measure themselves.

The UK research was done first in the series and a larger sample (1000) taken to allow comparison between the regions of the UK and to cross-reference findings in the sample (eg correlating types of investment leading to fastest growth, male vs female parameters, etc).

Sample sizes in other countries (c100) needed only to be large enough to allow statistically significant results in the parameters measured. Indeed, in some countries, the sample size represents a significant proportion of the population of GOEs (that were willing to participate). Use of the larger, more accurate and therefore more reliable UK sample does not invalidate comparison between nations.

Data were not collected on regional location within each country sample as this was not the purpose of the study. The results are weighted for the whole business population meeting the specifications of the sample frame thereby making the results robust. Only statistically significant results are reported. Hong Kong is not included in the China sample.
A telephone survey took the form of computer automated telephone interviews managed and conducted by one independent market research firm centrally to ensure consistency of data collection and methodology.

The survey was of founders of businesses that have $300,000 in annual turnover after two years of trading and that have been operating for less than 10 years. Only the founding entrepreneurs were questioned.

The sample of founders was drawn from a sample frame derived from the Dun and Bradstreet database. The respondents were asked if they would like to be contacted to be case studies and if they would like to be surveyed again in subsequent years.

Delta has been surveying in the UK since 2008 and has a panel that started with 1,800 entrepreneurs in 2008 and now (2012) has 900.

A pilot of 100 entrepreneurs in 11 additional countries were surveyed in 2010–11 (Germany, France, Spain, Italy, the Netherlands and Belgium, South Africa, US, Brazil, Russia, India and China).

### HIGHLIGHTS

**Growth and employment**

Chinese growth-oriented businesses are the biggest, with an average turnover of $4.13 million (in the last full year of trading) and a median growth rate of 453% since start up.

Brazilians are most optimistic, expecting to double turnover in three years.

German GOEs employ an average of 13 people and are expected to employ 21 in three years’ time, showing the highest figures in Europe.

Employment growth in BRICSA is impressive; GOEs in China currently employ 32 people, a number that is predicted to increase to 84 in three years’ time and India 27, growing to 50.

**Demographics**

China has the largest number of female entrepreneurs at 26%.

The survey average for female participation is 16%, with India registering none.

The average age of growth-oriented entrepreneurs is 45. The lowest average age is in China at 35: Belgium has the highest average age at nearly 52.

**Finance**

Entrepreneurs in the survey obtained between 60% and 80% of initial finance from self-investment.

Self-funding came mostly from savings (75% on average).

Of the external finance that entrepreneurs used to start their businesses, 10–25% came from family and friends and from ‘other’ investors.

20% are looking for finance and 72% of these are also looking for growth finance.

**Advice**

European and US GOEs were more likely to seek professional advice than were those in the BRICSA, especially at start-up stage.

In India (62%) and China (65%) GOEs are twice as likely as European GOEs to have sought advice from family members.

### RESEARCH SAMPLE

The following were the sample sizes of growth-oriented entrepreneurs, chosen because they run relatively young businesses (between 2 and 10 years old) and have turned over a minimum of €250,000 after the second year of trading.

UK = 1,000

US, France, Germany, Spain, the Netherlands, Brazil, India, China, Russia, South Africa = 100

Italy = 101

Belgium = 96
Influences at start
Recruiting people with the right skills and training was a major challenge in Germany, the UK and Spain. In South Africa, 40% saw this as an issue.

In most countries, the process of accessing government grants was a seriously negative experience; the situation was similar for access to government contracts.

Seeking advice from support networks or agencies was seen as an unhappy experience.

Taxation and regulation were overwhelmingly a negative influence on growth worldwide.

Advice from professionals, such as lawyers and accountants, was seen as a positive influence.

Challenges
Ten ‘challenges to growth’ were put to the respondents.

• All saw the macroeconomic climate as a major obstacle.
• Maintaining profit and cashflow were a problem for most.
• Chinese and South African entrepreneurs registered the most concerns.

Innovation
Growth-oriented firms in Brazil, China and South Africa stand out in all areas of innovation.

Brazilian (55%), Chinese (71%) and South African (47%) companies are more likely to have invested in R&D than their counterparts in the US (41%) and Germany (22%).

Innovation spending was not directly related to turnover growth, which may be due to time lags.

International
Internationally-oriented businesses grow faster than domestic only.

The UK sample shows that the international businesses that establish as ‘domestic only’ first grow faster still.

Three-fifths of UK and European GOEs showed evidence of being international.

In the US it was the opposite with three-fifths domestic only.

BRICSa entrepreneurs were just under 50% international.

Motivations
The top four drivers (of 10) in order:

• following a dream is the most important factor in setting up a business, then
• taking advantage of a market opportunity
• getting autonomy over the entrepreneur’s time
• and ‘making a lot of money’.

Corporate social responsibility
Leaders felt comfortable with the way they had treated employees.

Very few entrepreneurs saw themselves as poor environmentalists.

The majority thought they had done well for the community.
Turnover, growth and employment

GROWTH SINCE START UP

Chinese growth businesses are by far the biggest in the developed world with an average turnover of $4.13 million in the last full year of trading and a median growth rate of 453% since start up (measured from first full-year turnover). South Africa follows closely behind China with a turnover of $4.01 million and a growth rate at 269%. Brazil, $2.8 million and India, $1.9 million also show remarkable growth rates since start up of 311% and 216%, respectively; their relatively lower current turnovers suggest they started from a much lower first-year base. Russia’s average stands at $1.48 million, the lowest in the BRICSA sample (see Figure 3).

US GOEs’ average turnover is a not-insignificant $3.77 million with a 130% growth rate, while European businesses in the survey range from Germany at $2.99 million to France with $1.6 million. UK businesses show a relatively impressive 176% growth from start up (fastest in the West), while other Europeans range from 100% to 150% growth. Given the UK economy’s slow or negative growth, it suggests that these GOEs are looking elsewhere for growing markets; a premise borne out later when we learn that 60% of UK GOEs trade internationally.

The high growth and turnover of the BRICSA countries is obvious evidence of their dynamic domestic economies which have maintained their momentum through the global recession. This report will show the positive effect international trade has on these figures and consider the constraints that hold back these entrepreneurs from even faster growth.

EMPLOYMENT

Businesses within Germany are Europe’s biggest employers. On average, a German business will employ four people when starting, compared with two in France and the UK, and three in Italy. A typical Spanish business will also employ four people; however the differences lie in the rate of expansion thereafter. In France and the UK sample firms currently
employ seven people, Italy’s businesses five people and Spain’s businesses eight. German growth-oriented companies employ an average of 13 people and are expected to employ 21 within three years’ time. This compares with 8 for those in France and Italy, 10 in the UK and 11 in Spain.

BRICSA businesses tend to employ more people than their European or American counterparts. Lower labour costs obviously play a part here; and no adjustment is made for GDP. Growth-oriented firms in China and India, for example, will employ 5 and 10 people, respectively, when they start. Employment growth in BRICSA is equally impressive; GOEs in China currently on average employ 32 people, a number that increases to 84 in three years’ time and India currently 27, growing to 50. Brazil will typically employ three people at a business’ inception; however, this number expands to 18 people currently and to 30 people in three years’ time. South Africa’s figures make it the major employer in BRICSA with 22 at start, 80 today and 120 forecast in three years’ time.

US GOEs by comparison have very modest employment growth from 2 at the outset to 5 currently and 8 in three years’ time. When ranked against turnover this shows the obvious relative advantages of capital, productivity and available resources, but it also underscores the importance of fast-growth entrepreneurs to the economies of these leading emerging nations (see Figure 5).

**GROWTH EXPECTATIONS**

On expected growth in turnover, GOEs generally are likely to be modest about their expectations yet report quite rapid actual growth. Brazilians are most optimistic, expecting to double turnover in three years, while Chinese are looking for 75% growth and South Africans around 66%. The UK and US stand out in the west, with expectations of 60% and 57%, respectively. Others expect growth of 50% or less, in Germany only 25%.

This could be because of two things: as entrepreneurs grow, they tend to under-estimate future earnings. This could be because as they get beyond the very earliest stages (up to two years’ old) they realise how tough it is and therefore under-play expectations. It could also be because of the current climate, which is dampening expectations of growth over the next three years. Perhaps if such dynamic, fast-growth business leaders are gloomy, all others should take note.

**Figure 5: Percentage growth in turnover in three years’ time (median)**

<table>
<thead>
<tr>
<th>Country</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
<th>Brazil</th>
<th>China</th>
<th>India</th>
<th>US</th>
<th>Russia</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>40%</td>
<td>20%</td>
<td>80%</td>
<td>60%</td>
<td>60%</td>
<td>50%</td>
<td>46%</td>
<td>57%</td>
<td>66%</td>
</tr>
</tbody>
</table>
Demographics

GENDER

Within the BRICSA countries, China has the largest percentage of female entrepreneurs at 26%. This could be related to the fact that China has the highest female labour force participation rate of the countries surveyed (World Bank 2010). India, with the lowest female labour force participation in the sample countries – at 29% – registers no female entrepreneurs among high-growth firms. This could indicate either the scarcity of women entrepreneurs in the country, or that female-run businesses in the sample were too small to be included. This is possibly because they start off smaller or grow more slowly. Russia also has a relatively large number of female entrepreneurs at 21%. This is compared with 15% in South Africa and 4% in Brazil.

Of those interviewed from the US, 22% were female entrepreneurs. This is higher than for European countries where Belgium leads the way with 21%, closely followed by the UK, France and Italy at 17% and Germany at 15%. The proportion of female entrepreneurs in Spain is surprisingly low at just 9% (see Figure 6).

AGE

The average age of growth-oriented entrepreneurs is lowest in China, at 35. This is possibly a function of the relaxation of attitudes towards running a business in China, which has affected a younger generation more. By contrast, the average age in the other BRICSA countries is much higher. India and Russia are the next lowest at 40, followed by Brazil and South Africa at 45. The average age of growth-oriented entrepreneurs in the US is one of the highest globally at 50; although Belgium has the highest average at nearly 52. The UK, Germany and France are not far behind at 46. Interestingly, the average age of entrepreneurs in Europe is lowest in the Netherlands and Spain at 43 (see Figure 7).

5. Labour force participation rate is the proportion of the population aged 15 and older that is economically active: all people who supply labour for the production of goods and services during a specified period.
Some of this variance can be explained by the relative ages of the populations. For example, the median population age in China is 34.5 years, while in the UK and Germany it is 44.3, and in Russia is 37.9. This hypothesis is, however, weakened by the median ages in Brazil (29.1), India (25.1) and South Africa (24.9) (UN 2010).

The median age of growth-oriented entrepreneurs is linked to education, access to finance, unemployment rates, and other social and cultural factors that vary over time and between countries, and which are beyond this study. As noted elsewhere in the report, around one-third of GOEs are repeat entrepreneurs and thus their presence will tend to inflate the median GOE age. In former communist countries that cohort of repeat entrepreneurs will be missing so the median age would logically tend to be lower. Similarly, in countries with under-developed venture capital sectors repeat entrepreneurship will be rarer and therefore the median age should be lower.

For now, it remains an interesting observation that the average GOE in China is 17 years younger than his/her counterpart in Belgium.
Motivation

Four drivers are most common in motivating entrepreneurs across the globe:\(^6\)

- following a dream (68%)
- taking advantage of a market opportunity (67%)
- getting autonomy over their time (66%)
- making a lot of money (55%).

Following a dream is the most or second most important factor in setting up a business in all countries, with over one-half of respondents listing it (see Figure 8). Only in Russia was this below 50% (at 41%), but even here it was the third biggest motivator. ‘Taking advantage of a market opportunity’ was important (over 75%) in the US, China, South Africa and Germany, and wanting to make a lot of money was a strong driver in the US, China and Brazil (over 70%) but less so for Germany at 51%. While most other countries reported money making as significant, to Italians (3%) and Spaniards (18%) it seemed to have little motivational value. Perhaps the next survey should ask if making ‘enough’ money is the driver.

The numbers seeking autonomy over their time suggests many of them came from full-time employment elsewhere and a similar need to ‘do something different’ accounted for over 50% of respondents across the survey. Almost as many

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6. The 10 drivers included in the question were: follow a dream, help others follow dream, market opportunity, invest from sale of business, do something different, scientific research, autonomy over time, wanted to make a difference, needed income after redundancy, wanted to make a lot of money.
(47%) wanted ‘to make a difference’ to society with their business, with the highest ranking in Germany (84%), South Africa (77%) and Brazil (60%). A follow-on question asked these entrepreneurs which of several outcomes did they want to achieve and a significant proportion opted for creating jobs and making a social impact. This accounted for 32% of South Africans, 24% of Germans and Belgians and 22% of US and Brazilian responders.

While overall business start-ups were driven by the four key factors above, the social conscience is a major factor for many entrepreneurs who are in it for more than just the money.

In a separate analysis of the much bigger UK survey (which was therefore more reliable when regression of one variable on another is attempted), it was clear that ‘wanting to make a lot of money’ when setting up a business does not mean it will have a higher turnover or higher growth immediately: growth is faster and turnover higher among entrepreneurs who are serial entrepreneurs or who are commercialising research.
Of major importance to any entrepreneur is the advice they receive on setting up a business. Sources of advice range from family members and work colleagues to professionals (lawyers, accountants, consultants) and the bank manager. They might also seek help from business networks and government-led support networks, many of which exist solely to assist and advise new businesses. In the survey, entrepreneurs were asked to identify their main sources of support; the responses show a not unsurprising consistency across the continents, with the usual often inexplicable exceptions. It is also interesting, at the end of this section to compare sources of advice with sources of finance (see Figure 9).

As a rough generalisation, European and US GOEs were much more likely to seek professional advice than were similar entrepreneurs in the BRICSA. In Belgium 81% sought advice from professionals and 76% did so in Germany, while only 43% of South Africans and 32% of Chinese trod this path. In India the figure was 5% and in Russia only 10%. As ever, there is an exception to this rule; in Italy, only 5% sought advice from this source. Of course, the roles, traditions and definitions of professional advisers differ from country to country, and these observations must be taken with that in mind.

Advice from ‘your bank’ follows a similar pattern, with 25–50% of GOEs in most European Countries taking their bank’s advice – the exceptions this time being the Netherlands at 15% and Spain at 6% – while in BRICSA only South Africa (25%) and China (20%) find banks a worthwhile source of advice. (Since borrowing from banks is also rare, this is no surprise.) Only Indian GOEs (32%) sought help from a business support network (non-government).

Only 1% of GOEs in Russia and India, 2% in Brazil and 9% in South Africa sought advice at start up from their government (or its agencies); China was further ahead at 21%. Perhaps governments generally are not well equipped to help high-growth entrepreneurs, but it might suggest that governments could play a more important part in stimulating entrepreneurship in the BRICSA economies. The percentage seeking advice from government agencies in Europe and the US was also in single figures, though one would expect the private, institutional and professional network to be more developed in those countries.

In India (62%) and China (65%), GOEs are twice as likely as Europeans to have sought advice from family members; Brazil (21%) and Russia (23%) are below the average. Again, the Belgians (5%) seem to have no confidence in this source at all, and though 45% of them would go to a personal friend, only 5% would consult work colleagues.

GOEs in Brazil and Russia are again well below the norm in wanting to consult friends or work colleagues (22% average), while those in South Africa and India are above, but China tops the list with 74% consulting friends and 43% work colleagues. Within Europe, only the British (27%) and Germans (21%) discuss plans with work colleagues, and marginally more consult personal friends (32% UK, 27% Germany, 26% the Netherlands, others below 20%, Italy only 7%).

Of other named sources ‘another entrepreneur’ is most trusted, with GOEs in the US (54%), China (39%) and Germany (36%) most likely to take this option; a ‘mentor or coach’ seems to have resonance only in the US (35%), China and South Africa (both 26%), while only the Chinese, at 37%, sought advice from investors.
It is worth noting the wide disparity of responses by country to this question. In France, the Netherlands and Spain, apart from seeking advice from professionals (44%, 39%, 48%, respectively), budding entrepreneurs seemed to seek little counsel at all from other sources. Similarly, Italians were happy to talk to their bank and family, but sought little advice from elsewhere. In BRICS a comparable pattern emerges, with the South Africans seeking a broad range of advice, but in India only family, friends and business agencies were consulted; in Russia and Brazil no source was consulted by more than one-quarter of respondents, and most sources were ignored. Russians (25%) and Brazilians (16%) did suggest they consulted other sources not named, but it has to be asked if this is a national characteristic, is it a matter of trust, or is it an opportunity for professional and government advisers to sell themselves better.

China and the US have a remarkable resemblance in scoring highly for almost every potential source of advice. As stated, the US GOEs are less likely to seek help from government (6%) – very much a national characteristic – and US and Chinese GOEs are less likely to consult their banks, but in all other areas, they both seek as much advice as possible.

Of the total sample (all countries combined) 87% of entrepreneurs admitted to seeking advice from at least one source; the rest either refused or failed to answer or responded ‘don’t know’. On examination, there was little if any direct relationship (correlation) between the individual source of advice given and the rates of growth experienced. This could suggest that seeking advice is more of a psychological factor in the process of setting up a business, reassuring and reinforcing the entrepreneur’s ambitions, rather than giving them any specific market advantage. It is, however, just as likely to reflect the variance in quality of advice from each source in each country.

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7. This includes the larger UK sample, which weights the result. Without it, however, the average is almost identical.

8. Sources were personal friend, mentor/coach, another entrepreneur, a business support network, your bank, potential investors, work colleagues, professional advisers, member of family, government support agency, other.
INVESTMENT AT START UP

Seed capital (the total amount needed to start the business) was much higher in China and the US; otherwise the average amounts are not substantially different between countries.

Entrepreneurs in the survey obtained between 60% and 80% of initial finance from self-investment (ie what they invest themselves, either from savings, sale of assets or from some form of personal loan). Entrepreneurs in France, Brazil and China fall just below the 60% benchmark and thus seek more from other sources (see Figure 10).

Universally self-investment comes from savings (75% on average), with France (89%) and Belgium (97%) indicating savings as the source of at least one-half the overall funding in most (of the surveyed) economies. Germany also rates high at 90%, but also rates high on taking a personal loan (18%) and sale of assets (13%). These figures may reflect traditional high savings ratios in certain countries.

The UK is the lowest investor from savings in Europe but entrepreneurs here are more likely to sell assets (19% – home, goods or another business) or to take out a short-term loan via a bank or use credit cards (26%). Other Europeans spread their sources of self-investment over diverse sources of funding with none standing out, save for Italy where 25% take out a bank loan.

The US GOEs follow a similar pattern with 73% being self-funded, of whom 86% take money from savings, 17% sell assets and 19% take out short-term loans.

Among the BRICSA countries, Brazilian GOEs have the lowest self-invest rate at 52%, with only 66% of these taking money from savings and 22% from the sale of a house or assets. Chinese entrepreneurs’ investment from savings mirrors the developed nations at 85%, while Indian entrepreneurs invest only 41% from savings, with the rest coming from the sale of assets (23%) and short-term loans (35%). South Africans follow this route with only 60% self-funding and 27% taking short-term loans. Unusually, 16% of South African GOEs take profits from or sell shares in another business to raise funds, suggesting a higher proportion of repeat entrepreneurs.

Interestingly, high-growth firms in the other BRICSA countries find 5–11% of investment from ‘other’ self-sources (US is 12%), possibly again, other owned businesses.

Entrepreneurs were asked what percentage of their start-up investment was ‘self-funded’. This means funded form their own savings, selling goods or other investments, taking out personal loans, extending personal credit card debt or increasing their mortgage. ‘External’ sources include friends and family, colleagues, private investors, other partners or business loans for the company from banks and credit cards.

Figure 10: Percentage of total investment self-invested by entrepreneurs

9. Note these figures, like many in this report, are not exclusive as the respondents could have accessed multiple sources of funding.
Of the external finance that entrepreneurs use to start their businesses, 10–25% comes from family and friends and from ‘other’ investors (average 25% in Europe, 35% for BRICSA). The extremes are Brazil, China and India where 42%, 43% and 68%, respectively, come from family and friends, and the US and Russia, where 54% in both cases is secured from other investors.

Borrowing as a business ‘from the Bank’ ranged widely in Europe from 21% in Spain to 60% in the Netherlands, with other highs of 52% in France and 47% in Belgium. Among the BRICSA countries, bank borrowing was negligible, save in India where 50% of entrepreneurs seeking external finance took out a bank loan. (This could be in the form of microfinance, but this breakdown was not in the survey.) In Belgium, 40% of businesses sourced equity or venture capital finance (negligible elsewhere), 10% of Russians took out a credit card loan and 36% in Germany and Spain received funds from partners or other directors. Only China (25%) had significant investment from ‘other’ sources not mentioned here; it is known that China has an extensive informal financing network, which survived the transition to capitalism.

FINANCING HISTORY

Previously when looking for external finance, entrepreneurs from developed economies have been far more likely to have access to sufficient funds, from 39% in Italy to 53% in France (46% US). Entrepreneurs in BRICSA countries have been far less likely to have access to sufficient funds with 36% in Russia and 25% or less in Brazil, India and China. The exceptions to both are the UK at 32% success rate and South Africa at 50% success.

This is also reflected in the ‘tried but failed to get any external funding’ bracket in which China and India show up at 29% and 19%, respectively, with South Africa at 24%, and in the ‘offered some but got less than needed’ category in which Brazil, China and India registered failure rates around 20% against Europe’s average of 10%. The US is an interesting case, with a high success rate (46% of entrepreneurs getting sufficient funds) but also with the highest number of GOEs applying for finance more than once. This may suggest that US business people just keep trying until something comes their way.

Figure 11: Top three sources of investment in each country

<table>
<thead>
<tr>
<th>Source of Finance</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Spain</th>
<th>Brazil</th>
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<th>Netherlands</th>
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<tbody>
<tr>
<td>Savings or current account</td>
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<td>Remainder from other investors</td>
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<td>Bank/business loan</td>
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<tr>
<td>Equity finance/VC</td>
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<tr>
<td>Partners/directors/founders</td>
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</tbody>
</table>

The table above shows the top three sources of investment in each country.
To complete the picture, it is worth noting that over one-half (55%) of Brazilian and Chinese GOEs have not applied for external finance since start up compared with an average for the rest at 43%, with Spain and South Africa the lowest at 27%. (This means 73% of the last two have looked for external finance since start up.) This supports the view that some businesses can grow very fast without any external finance.

CURRENT FINANCING NEEDS

The entrepreneurs were also asked ‘Are you looking for finance now?’. Since the surveys were conducted over the course of a year, only a rough comparison can be made on a country-by-country basis. More useful are the reasons why finance was being sought (see Figure 12 below). Across the board, one-fifth of businesses in the survey are ‘looking for finance now’. This ranges from Germany at 10% (UK also low at 16%), to China and India at over 40% and South Africa at 37%.

Of GOEs in the developed world, those in the US and France rank highest at 30% with the rest around 20%; Brazil (25%) and Russia (18%) are significantly below their other BRICS counterparts (see Figure 12).

Figure 12: Percentage looking for external finance

Funds were needed by many GOEs to provide working capital and boost cashflow, suggesting short-term difficulties, but most (72%) were also looking for growth finance (which can include working capital), suggesting that entrepreneurs believe that opportunities for growth are available if only someone will lend them the money. This is most evident in China and South Africa, where 36% and 37% of entrepreneurs are currently looking for growth finance. Given the performance and optimism surrounding these economies, this suggests that investors around the globe are not short of opportunity. This is further reflected in entrepreneurs’ need for funds for general investment (59% of the 22% ‘looking for funds now’).

One observation is that paying off debt seems not to be a major concern for these entrepreneurs; reflecting a different attitude from those of governments that are pursuing austerity programmes, or banks attempting to restore their liquidity balances. Only in Italy, Spain and Germany do one-third of businesses want to borrow to pay off or consolidate debt – perhaps looking for better rates – or refinancing because they are using loans as growth capital. At reported growth rates, paying down debt may in any case destroy value.

FINANCE AND GROWTH

A regression analysis on the complete dataset implied that the key determining variable for turnover growth is the total amount of initial investment in starting up the business (more important than the amount they invest themselves or any other factor).

In all countries but China, those who invested only from personal sources (which include personal loans from banks and similar) perform on average up to 150% better than those who included some investment from outside sources. China and Brazil, which show the fastest rates of growth overall, have the lowest self-invest rates but the highest rate of investment from ‘family and friends’. Without testing this against other aspects – such as motivators, which creates too small a sample to be worthwhile – one could argue that it suggests that self-investors are more likely to succeed or at least have greater success than those who source funds elsewhere. Do they work harder? Is paying off a personal loan more of a driver than paying off an investor or business loan? Do the borrowers from other sources spend too much time addressing their investors’ concerns and not enough on the business? An exciting challenge for further research, perhaps.
Growth-oriented firms in Brazil, China and South Africa stand out in all areas of innovation. By supplying products that are new to customers or differentiating from their competition, or in taking new approaches to the sector and technology, these fast-growth entrepreneurs have shown that innovation is a route to success. One-third of Brazilian and Chinese entrepreneurs, in particular, invest in all four innovation descriptors (adding R&D to the above) – in the US the comparative figure is one-fifth, while most of Europe is around one-tenth (except Belgium, strangely at 31%).

In extreme contrast, Russian and Indian entrepreneurs show little appetite for innovation and, of the developed economies, French entrepreneurs show least innovation and achieve the lowest turnover levels, and UK entrepreneurs exhibit a balance of innovation behaviour mirroring the global average in all categories.

One might expect that, in general, the BRICSA entrepreneurs will introduce new products as consumer wealth increases, and it is true that Brazilian (55%), Chinese (71%) and South African (47%) companies are more likely to have invested in R&D than their counterparts in the US (41%), UK (30%) and Germany (22%).

Is there a direct causal link between any specific area of innovation and turnover growth? None was found through correlation in the whole sample, but it must be remembered that these are relatively young businesses and they may not yet have managed to create the return from their investment. For older companies in the UK sample alone there was a significant causal relationship between higher innovation and turnover growth.

There is a particularly strong and significant correlation between spending on R&D and being innovative across all areas. These are also the businesses that are likely to invest more at the start and the causal link between investment and growth leads to the conclusion that there is a link between innovation and the growth that will manifest in later years.
The respondents were asked if they were involved in any way in business outside their domestic market; this included marketing/selling overseas, sourcing material, seeking finance and partnerships, or some element of ownership. To maximise the reliability of observations, for this section, the BRICSA countries were grouped together as were all mainland European countries (in the survey). Hence US, UK, Eurozone countries in the survey and BRICSA were the comparators (see Figure 14).

The UK and European GOEs reported three-fifths of businesses to be international, while in the US it was the opposite with three-fifths domestic only, which is unsurprising given (1) the proximity of a large free trade area to European businesses and (2) the large size of the US domestic market. BRICSA businesses fell between the two with just under one-half claiming some degree of internationalisation. From other sources it can be seen that two forces are at play here: in larger and poorer economies, fewer businesses are internationalised, while in the medium and small, and richer economies, more tend to be internationalised (EU 2010).

EU and UK business show further similarities with 42% and 37%, respectively, of these internationally oriented businesses stating they were international from the outset. In BRICSA (26%) and the US (29%) many fewer enterprises started off with international interests.

It is clear from regression analysis that internationally oriented businesses grow faster than domestic only; and analysis of the larger UK sample has also shown that the international businesses that first establish as domestic only grow faster still. The BRICSA sample, with fewer international companies overall, has the highest percentage of businesses that have started out as domestic only and later become international (32% against 25% for EU and 27% US and UK). Hence the path to a fast-growth economy seems to lie in encouraging nascent entrepreneurs to grow strong initially in domestic markets, and then look for international markets to achieve faster growth.

Purchasing goods or services from outside the domestic market is the most frequent element of internationalism in all countries/groups, with selling abroad a close second. In the EU group 48% will buy abroad and 30% sell; though it is known that the bulk of this trade is with other EU states (Eurostat 2012).
In the UK 39% buy abroad while 31% sell; in BRICSA countries 32% are likely to buy outside their own country while 24% sell abroad. US businesses are much less likely to trade internationally with 20% selling to and 22% buying from foreign territories.

This trend is even more evident in the likelihood of dealing in other currencies. Not surprisingly, only 21% of EU businesses deal in currencies other than the euro, while only 22% of BRICSA businesses – less than one-half of those claiming to be international – trade in currencies other than their own. Over two-thirds of international UK companies in the survey (40% of total) are willing to trade in foreign currencies (mostly dollar and euro) while in the US only a remarkable 9% of entrepreneurs trade in other currencies, reflecting the dollar’s status as a reserve currency.

Of the other indicators measured, 10–20% of all companies surveyed have a subsidiary abroad, with UK GOEs highest and European GOEs lowest; and 10–15% have a joint venture (JV) abroad, this time with the UK lowest and BRICSA highest. This structure may be more acceptable as some (notably those in China) have embraced it at home (mainly owing to government mandate). Fewer than 10% in every region have a parent company abroad, offices or infrastructure abroad or are likely to own any non-domestic assets.
Entrepreneurs were asked how several aspects of business affected them as they expanded their business. These aspects were selected because they are known generally to detrimentally affect fast-growth businesses; it is not surprising therefore that the overriding responses were negative. The interest is in comparing the attitudes across the sample.

Recruiting people with the right skills and training was a major challenge in Germany, the UK and Spain, where up to one-third saw it as a negative factor. Only one-sixth saw it as a problem in Brazil, the US and Russia. It was not an apparent problem in China and India, reflecting perhaps not only the availability of labour, but their well-respected education systems. The opposite may be true in South Africa where 40% saw this as an issue and where the government has made education a priority.

On access to large-scale public procurement, the number of GOEs who experienced difficulty in Europe, the US and South Africa ranged from 25% to 33%. While this was not seen as a problem in China, India and Russia, it was in Brazil where 40% of businesses saw it as a growth constraint.

Similarly, the process of trying to get government grants was a seriously negative experience in some countries. Spain registered a thumping 66% negative opinion, while the rest of the European sample and the US were between 25 and 33% negative. It was a major issue too in BRICSA with 45% reporting negatively in Brazil and 42% in China and South Africa. In surprising contrast, it was a positive experience for 48% in India.

Getting access to private finance was a much more balanced experience and generally positive, with India again high at 60% positive and Germany ahead in the West at 40% positive.

Advice from professionals such as lawyers and accountants was seen as a positive influence, with around 40% positive scores in Europe and the US (Germany 54%) rising to 50% and more in the BRICSA (India 62%). As a contrast, seeking advice from support networks or agencies was seen as an unhappy experience, with the UK and EU countries registering mainly negative views; Spain rated this category as a 50% negative influence. Brazil too saw this as negative (42%) with China, Russia and South Africa broadly neutral. Once again, Indian GOEs bucked the trend with a 68% positive reading. This confirms their experience of starting a business, where most advice came from support networks and families. It is difficult to compare these networks across borders, but there is no doubt an opportunity and a necessity for improved performance among the networks and agencies that support entrepreneurs.

The access to research, innovation and the science base had little effect on the majority of countries, save India where 58% saw it as a positive influence and Spain, which registered strongly negative at 40%. Access is often through universities guided by government policies.

**TAX REGULATION AND THE ECONOMY**

Taxation and regulation were – predictably – overwhelmingly a negative influence on entrepreneurial growth worldwide. Taxation ranged as negative from 39% to 74% in the EU countries (the Netherlands seems an aberration at 9%), with the UK and US above 50%. Brazil (61%), Russia (68%) and South Africa (41%) also saw this as a major negative issue though Chinese business was essentially neutral and Indian entrepreneurs (62%) saw their tax system as a positive. Similar sentiments were expressed on regulation, where Belgium at an alarming 83% negative score stood out among the West (average 40%). The three newly developed economies reflected the Western view of regulation with Brazil (41%), Russia (43%) and South Africa (38%), but again, China (18% negative) was neutral on the issue and India saw it as a positive factor (71%).

As one might expect, the macroeconomic environment proved a performance challenge to all but one of the countries surveyed. Over 80% in these countries saw it at best as a neutral to negative influence, at worst (Spain 60%, France 68%) a wholly negative one. BRICSA countries were on the whole slightly less negative, save again for India, where 56% of business saw the macro economy as a positive influence on growth.
Across the 10 ‘challenges to growth’ put to the respondents, Chinese and South African entrepreneurs registered the most concern among the BRICSA, with one-third to two-thirds of the sample responding to every difficulty. All saw the macroeconomic climate as a major obstacle – perhaps it would have been more surprising to see any other response, given their responses above. Maintaining profit and cashflow were a problem for most, along with access to finance in all but Brazil and Russia.

Indeed, Russian entrepreneurs complained of little, registering the lowest challenges in every category. Only Brazil scored less (10%) as an issue in ‘access to finance’. Possibly Russian businesses consider these challenges as the norm in the course of running a business, rather than something unexpected.

Competition fears from domestic companies were highest in China at 68% and lowest in Brazil with 22%. China (27%) and South Africa (37%) were wary of competition from external companies, while others seemed less concerned with each below 14%. China, Russia and South Africa also saw difficulties in their sector as a significant obstacle.

The UK as a comparator was for the most part in the average of the BRICSA scores, suggesting that these challenges affect entrepreneurs to some degree whatever their country of operation. The UK registered most concern over the macroeconomic climate (63%), maintaining profit (65%) and domestic competition (57%).

PERFORMANCE (TRIPLE BOTTOM LINE)

Financial
Entrepreneurs were asked how their business performed through the period since start up, against several balanced scorecard or triple bottom line parameters. Against financial indicators, their response was overwhelmingly positive, indicating good management of the business and finances throughout the recession. India and China excelled on all counts, reflecting their performances as the two powerhouse growth economies.

Businesses thought they had managed cashflow well, with China and India at 64% and 67% positive, respectively. Germany stood out in the EU at 55% and only Spain showed a slightly negative skew at 35%.

Similarly entrepreneurs were pleased with their profit performance, with India at 69% positive and the other BRICSA countries beating the Western average. This was also reflected in the way they had maintained the monetary value of the business with 75–90% recording ‘neutral’ to ‘extremely well’.

Only in their views on ‘giving a good dividend’ were they not quite so satisfied with their achievements, with views on average evenly split across the negative/neutral/positive options. It may be that many will have retained earnings in order to finance themselves though the recession, preferring this to satisfying shareholders. Given that most would be the main shareholder, their disappointment is understandable. Only India and China skew to a positive opinion – and dramatically so at nearly 60% – once again perhaps, reflecting the relative strength of their economies.

Markets and jobs
Most businesses held on to or marginally improved market share, partially explaining some of the profit increases. Only Indian GOEs showed marked improvement, with a 55% positive view on how they had managed this important variable. Notably, in every country, entrepreneurs also thought they had been successful in building their brands.

12. Getting idea to market; cashflow; building a team; managing stock; protecting intellectual property; relationships with advisers; giving staff responsibility; macroeconomic climate; motivating self; sales and marketing.
Only the US showed a disappointment with salaried job creation, and marginally so with 30% reporting negative and 29% positive views about their own performance. All others registered satisfied or better with their performance. The question asked for performance on job creation, so presumably these entrepreneurs are not only engines of growth, but want to be stimulants for employment in their economies. This is an important message for politicians, who should look towards and support the small and growing business sectors to drive economies out of recession and create jobs (see Figure 15).

Employee welfare responses were skewed towards a positive view; in other words, these business leaders felt comfortable with the way they had treated employees in the growth period, with fewer than 10% overall seeing it as a negative performance. Only in Brazil (19%) did they wish they had done better. The most contented were Germany at 80% positive, and in the BRICSA countries, South Africa at 74% and China at 72%.

Environment and communities
A slightly similar story emerges with very few entrepreneurs considering themselves to be poor environmentalists, with only 16% on average in any way negative, against a 44% average environmentally friendly view. In Europe, Spain, Italy and Germany 50% or more of GOEs took a positive view of achievements, with 46% of US businesses registering a positive score. In BRICSA, China (65%) and India (62%) led the way, showing that GOEs believe that economic success does not go hand in hand with environmental damage. Only Belgium in the survey shows a slightly negative skew (see Figure 16).

On a metric of how their business performed in delivering social impact for the good of the community, the majority view was again neutral to positive. In Italy 47% thought they had done well, the Netherlands (40%) and Brazil (60%), India (61%) and South Africa (69%). For South Africa and Brazil, this aligns with their motivation on setting up the business ‘to make a difference’.

Figure 15: Satisfaction with their performance in creating salaried jobs

Figure 16: Satisfaction with the environmental performance of their business
Entrepreneurs across the world behave in remarkably similar ways, have the same driving ambitions, have encountered the same difficulties, face the same challenges and have very similar views on their own performance and contribution. On individual attributes and problems the results country by country do differ, and markedly so in some cases. Overall, growth-oriented entrepreneurs in the fast moving economies of the BRICSA see the same opportunities as those in established economies, and encounter the same problems.

In a series of regression exercises, very few direct correlations were found between the variables in the survey and the rates of growth achieved. Those who invested most at start up were more likely to grow faster, because they could get off to a flying start. From observation, those who self-invest the most are also more likely to grow quickly. In fact, as most entrepreneurs fall into this category – whether by design or circumstance, it tells us little. A clear correlation was discovered between those businesses that start off in their domestic market and, when strong, expand internationally, and with the fastest growth rates. Again, because of the nature of their business, some entrepreneurs may have no choice but to look abroad at the same time as tackling their domestic markets.

In general, other than the above, there was little that could be isolated as a major factor in generating growth. Chinese and US GOEs sought advice from most of the sources available and in these two countries the businesses grew fastest. This is merely an observation as no correlation between one type of advice or another and fast growth was established. One could argue that successful entrepreneurs are good at seeking out and taking good advice where it is available, and that good advice, along with access to finance, innovation, access to markets and a strong network of support is key to establishing strong, fast-growth businesses.

Another observation might suggest that although no positive correlation was found between individual motivations and success, no negative correlations were found either. So those entrepreneurs who sought to ‘make a difference’ – nearly 50% on average – were just as likely to achieve fast growth; in other words, social entrepreneurship is not a barrier to success; setting out to ‘do good’ is not setting out to fail.

Entrepreneurs generally did agree on the things that were a ‘challenge’ and by implication an impediment to growth. The state of the macroeconomy, taxation and regulation were serious problems, as were finding people with the necessary skills and training. These are all aspects that are outside the control and influence of entrepreneurs but fall squarely onto the shoulders of governments. While governments do inevitably have to balance their policies to accommodate other commercial, social and political expediencies, they must not overlook the interests of this small-to-medium business constituency, which may provide more solutions than others to current growth and economic pressures.

The conclusions below summarise what professional advisers, governments and financiers might learn from this survey.

**CONCLUSIONS FOR ADVISERS**

A contrasting picture emerges for professional advisers. In Europe (including UK), the US and South Africa, their advice is sought by around one-half of the entrepreneurs in the sample, often along with many other sources. In the BRIC countries professionals are notable by their absence at this start-up stage. Later on, as the business develops, professional advice is sought and is seen as a positive influence in all countries and is actually rated higher in the BRIC countries than the West. It might be that entrepreneurs in BRIC prefer family and friends, or have access only to such sources at start up, and as the business develops they become known and attractive to professional advisers. Finding these businesses at an earlier stage might prove an interesting market for professionals, while building relationships for the long term.
CONCLUSIONS FOR GOVERNMENTS

Fast-growth entrepreneurs provide many benefits to economies and governments. They create direct employment and indirectly stimulate more in their suppliers; pay tax revenues; grow exports; and their growth stimulates the economy. These modern businesses are likely to be kind to the environment, possibly even as ‘green’ businesses; they consider themselves generous to employees and work with their local communities.

In return, they seem to expect more than they currently receive in help and advice from governments. They do not have faith in government when seeking advice on starting and running a business – nor in the agencies and professionals who provide it. Given the GOEs’ difficulties in accessing finance at the very early and risky stages of growth, government help here might be welcome. Some consideration of the vast number of regulations they have to deal with and of course, a simpler and more generous tax structure, especially in those first few years, would also be welcomed.

Since recruiting people with the right skills for their businesses was a major issue for most entrepreneurs in most countries, improving education systems to focus on what business needs might lead to advantage in globalised competition.

Governments could also intervene to make it easier for women to set up and develop businesses, perhaps beginning by ending any institutionalised discrimination in all aspects of business and government.

Entrepreneurs also inevitably see the macroeconomy as a major challenge. Although all governments would no doubt argue they were facing that challenge, the entrepreneurs would suggest that creating the conditions – stipulated above – would go some way to allowing them to lead the way out of recession through innovation, exports, new job creation and ever-faster growth.

CONCLUSIONS FOR FINANCIERS

GOEs complain little about accessing finance when required: in fact many see it as a positive experience. Nonetheless, not all are successful in getting finance when required and many get less than they require, which seems to impede growth prospects. These are successful companies that are leading their economies and, through their international connections, stimulating the global economy as well. An observer may wonder where institutions are investing their clients’ money, if it is not in these successful companies.

Risk is obviously an issue, and even these entrepreneurs preferred or were obliged to self-finance their businesses at start up, or borrow from family, friends and private investors. Many did so through selling assets or through private bank loans, gambling all on success. Given the degree of difficulty in spotting such winners, it is unlikely that this trend will change and that financiers and banks will hold off until they see signs of growth in a new business. This makes the previous suggestion – that they work harder to spot and support these winners – even more acute.


