Amway Global Entrepreneurship Report 2013

Encouraging Entrepreneurs – Eliminating the Fear of Failure

SURVEY DESIGN

Fieldwork: *8th March – 19th May 2013*

Sample: *26,009 respondents women and men aged 14+ (representative target groups of the countries' populations)*

Countries: *24 countries (Australia, Austria, Colombia, Czech Republic, Denmark, Finland, France, Germany, Great Britain, Greece, Hungary, Italy, Japan, Mexico, Netherlands, Poland, Portugal, Romania, Russia, Spain, Switzerland, Turkey, Ukraine, USA)*

Method: *Face-to-face / telephone interviews*

Institute: *GfK Nuremberg, Germany*

Introduction



Michael Meissner

With our annual survey on entrepreneurship, Amway aims to understand what drives entrepreneurship all over the world and to facilitate a growth in self-employment by releasing concrete socio-political thought-provoking impulses. Thanks to the range of high quality products and specific business model, Amway offers unique career opportunities and therefore takes on the responsibility for engaging in public discussion on entrepreneurship – providing decision makers in politics, economy and society with a basis for measures to encourage the foundation of businesses.

One important finding of the Amway Global Entrepreneurship Report 2013: There is great potential for self-employment everywhere, but actual self-employment rates remain at an ever low level. So what is preventing people from taking the move into self-employment? On the one hand, "lack of starting capital", the "uncertain economic situation" and especially the "fear of failure" with its multiple facets such as financial ramifications, legal responsibilities, or disappointment of family, have consistently been identified as the greatest obstacles to self-employment. On the other hand, it is also a question of legislative bodies and educational institutions remaining challenged in improving the conditions and regulations affecting entrepreneurship. We therefore highly welcome the measures of the Entrepreneurship 2020 Action Plan[1] implemented by the European Commission, to reduce the fear of failure.

Nevertheless, we still need to get to the very bottom of one fundamental question: Why are some people and nations more willing to take risks than others? To find out about cultural differences in attitudes, concerns and desires of entrepreneurs from the most various nations, Amway decided this year to extend the survey to 24 countries all over the globe and to engage in a partnership with the Chair for Strategy and Organization of the Technical University Munich.

Always discussing topics relevant to the encouragement of entrepreneurs and advantages of self-employment, the 2011 report led to insights on family-friendly employment, and in 2012, the role of self-employment as the labor model of the future was discussed.
This year's Amway Global Entrepreneurship Report 2013 gives an up-to-date view on self-employment potential and obstacles hindering entrepreneurial culture, such as the fear of failure. Whatever the focus, the report's overall goal was and is to point out the economic potential for entrepreneurs in the different national economies and to support their activation.



Michael Meissner,
Vice President Corporate Affairs, Amway Europe

Fostering an Entrepreneurial Culture



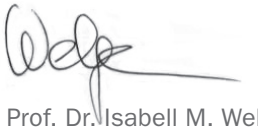
Prof. Dr. Isabell M. Welpe

Entrepreneurship is a necessity in our society. It is a philosophy based on individual initiative and on the insight that professional life is more than just getting a job. Entrepreneurship achieves self-fulfillment, gains respect and enables real innovation by looking at the next necessary steps towards a better world. The Amway Entrepreneurship Report of 2013 has shown the fundamentals of self-employment, regarding attitudes, motivation and fears towards entrepreneurship, and generated deeper scientific insights into entrepreneurship on an international scale. There is no doubt that entrepreneurs are willing to follow their ideals but there are still too many potential entrepreneurs, not putting their plans into action. Here, a lack of entrepreneurial thinking and vision, scarce political initiatives and insufficient supporting infrastructure offered by the state all has a role to play.

A major aspect of the unfavorable situation in many countries is the lack of entrepreneurial encouragement and education. Some participants of the AGER survey might be willing to start a life in self-employment, but often feel they are lacking the necessary education, knowledge and social encouragement. It is here that universities have a potential role to play in encouraging faculties and students to commercialize their scientific discoveries and scientific inventions through entrepreneurship. In order to start a business, consistent re-thinking is necessary and a change of perspective is indispensable, as well as bringing together a group of people with business and technical backgrounds. However, universities as we know them may often be the wrong place to teach and foster radical innovation, so we might rather need some new approaches towards a world that has changed in cycles since the history of mankind began.

Society and politics also have their role to play in supporting entrepreneurial individuals in their quest for social and technological innovation by showing them respect and appreciation for advancing human economies and societies. “Throughout the centuries there were men who took first steps down new roads armed with nothing but their own vision. Their goals differed, but they all had this in common: that the step was first, the road new, the vision unborrowed, and the response they received - hatred. The great creators - the thinkers, the artists, the scientists, the inventors - stood alone against the men of their time. […] But the men of unborrowed vision went ahead. They fought, they suffered and they paid. But they won.”[2]

Even though it is a long-term goal, we need to establish a culture that values entrepreneurship, encourages potential entrepreneurs and helps them to overcome the fears of an uncertain future. It will be worthwhile.



Prof. Dr. Isabell M. Welpe,
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Key Results of the Amway Global Entrepreneurship Report 2013

Despite the recent economic uncertainties, people are positive about entrepreneurship. Our respondents name independence as the most important motivation for becoming self-employed. Yet, fear of failure remains a severe obstacle to starting a business. Policy makers should address these fears and take the necessary steps to remove them and foster an entrepreneurial culture.

Entrepreneurship is an important pillar of economic growth. To better understand attitudes and motivations behind entrepreneurial attitudes the 2013 Amway Global Entrepreneurship Report surveyed 26,000 respondents in 24 countries. The results show that entrepreneurship continues to enjoy a high reputation. 70% of respondents to the 2013 Amway Global Entrepreneurship Report have a positive attitude towards entrepreneurship and 39% can imagine becoming self-employed. Yet, the gap between potential entrepreneurs - people that have a latent preparedness to embrace an entrepreneurial opportunity - and actual entrepreneurs is still large. So why do so few potential entrepreneurs make the move?

Key Drivers of Entrepreneurial Intentions

Independence and income are important drivers of entrepreneurial intent, whereas perceptions of risk represent an obstacleto becoming self-employed[3].

→ The survey results yield a clear answer as to what motivates people: Independence is a more important driver for becoming self-employed than income. Respondents name being independent from an employer and realizing their own ideas as the dominant reasons for starting a business, while income-related aspects such as a second income or return to the job market were less important.

→ However, two patterns suggest that people think of starting a business out of necessity rather than due to opportunity. First, in countries with relatively low GDP per capita[4], entrepreneurship as a second source of income becomes a main driver. Second, in countries involved in the European economic crisis, people consider entrepreneurship as a way out of unemployment.

→ Still, the fear of failure represents a strong obstacle to becoming self-employed. 70% of the respondents confirm this assertion.

→ The consequences of failure can be grouped into three categories: social, psychological, and financial[5]. The fear of the financial consequences of business failure is an obstacle to becoming self-employed (41%). Social consequences such as disappointing family, friends and co-workers and psychological consequences like personal disappointment all rank far behind financial consequences.

→ In countries directly involved in the European economic crisis more than every second respondent views the crisis as a severe obstacle.

National culture influences the evaluation of entrepreneurial intentions as well[6,7]. Countries that are more individualistic or less uncertainty avoidant value independence higher. Income as a motivation is not affected by culture. The survey also reveals a strong relationship between uncertainty avoidance and fear of failure. For example, in the USA, only 37% of the respondents name fear of failure as an obstacle to becoming self-employed, in Japan it is 94%.

Fostering Entrepreneurship

Given that more than two thirds of the respondents consider fear of failure as an obstacle to becoming self-employed, policy makers need to implement measures to help potential entrepreneurs overcome these obstacles and take action. For example, the European Commission recently presented an

action plan for fostering entrepreneurship. This action plan builds on three areas: entrepreneurship education, role models, and a fertile environment for start-ups[1]. The results of the survey suggest that implementing such measures may reduce the fear of failure and ease the start-up phase.

→ Respondents to the survey confirm the encouraging effect of entrepreneurship education on becoming self-employed (33%). Respondents with a university degree expect entrepreneurship education to be a stronger facilitator for starting a business than those without a degree. In part, this might be caused by intensified teaching of entrepreneurship skills at universities[8]. Consequently, the rate of respondents that can imagine starting a business is substantially higher among university graduates. Going one step further, policy makers might consider already introducing entrepreneurship education at school[1]. In fact, the outcome of teaching entrepreneurial skills at school is being currently examined in a project in Denmark[9]. Such initiatives can help to grow an entrepreneurial mind-set and foster an entrepreneurial culture. Policy makers should therefore work with the education establishment to facilitate entrepreneurship education throughout the curriculum at all ages and levels of attainment.

→ Established and successful entrepreneurs may also function as role models for potential and new entrepreneurs. Through mentoring programs and business networks, potential entrepreneurs and actual entrepreneurs may obtain crucial first-hand information on the start-up phase. Interestingly, again respondents with a university degree value this option more. Policy makers should work with stakeholders to create networks and national figureheads for the promotion of entrepreneurship and the creation of mentoring networks.

→ When being asked about fostering conditions, respondents name access to financing as the most important facilitator (42%). Also, a reduction in bureaucracy might reduce difficulties in becoming self-employed (29%). Especially respondents with a fear of financial failure and the legal consequences of business failure when starting a business view these conditions as beneficial. Policy makers should bring stakeholders together to examine the modernization of the legal consequences of failure, to remove stigmatization and provide pathways back into business.

Society can contribute to increasing the rate of entrepreneurship and innovation by valuing entrepreneurship and people who act entrepreneurially. By conferring social status, esteem and appreciation for entrepreneurs and entrepreneurial behavior of individuals, society can create sustainable entrepreneurship. Amway supports policy makers' attempts to encourage entrepreneurship and to tackle the fear of failure in a holistic manner. Amway believes that policy makers should follow suit and come together with stakeholders to develop action plans to remove the fear of failure and encourage entrepreneurship.

Results in Detail

Amway Global Entrepreneurship Report 2013

Positive Attitude Towards Entrepreneurship - New Countries from the Amway Global Entrepreneurship Report Up Front

The all-new Amway Global Entrepreneurship Report ascertains positive international trends in entrepreneurship, but the entrepreneurial gap is on par with the European findings of 2012. Politics, companies, and educational institutions need to join efforts to reduce it.

The change from a European survey in 2012 to an international analysis of entrepreneurial culture in 2013 has unveiled a slight increase concerning the positive attitude towards self-employment. This year's report rendered a positive attitude towards entrepreneurship of 70% on an international scale. However, when confronting the 16 participating countries from last year with their current results, we see a decrease down to 67% (2012: 69%). This confirms that especially newly-added countries are the ones that keep the positive attitude at a high level. The overall positive view on entrepreneurship yields hope for further growth in entrepreneurial ambition, as positive attitudes towards entrepreneurship increase people's intentions to become self-employed[3] that, in turn, build a basis for future entrepreneurs[10] – thus closing the constantly high "entrepreneurial gap"[11] (31%). A detailed overview of the entrepreneurial gap can be found on the following pages 8/9.

Since 2011, Denmark is leading the ranking with the most positive view on entrepreneurship. This year, Denmark could offset last year's decrease in its positive attitude (2013: 89%, 2012: 85%, and 2011: 88%). Denmark is followed by the two newly-participating countries Finland (87%) and Australia (84%). Even though Great Britain, last year ranking second, increased its positive attitude (+2%), four newcomers pushed in above.

The countries in the European Union cover the full spectrum and yield the countries with the least as well as most positive attitude towards entrepreneurship among all Amway Global Entrepreneurship Report countries. The Scandinavian countries in the study show the most positive view on entrepreneurship (Denmark, 89% and Finland, 87%). At the end of the EU ranking remain Hungary (53%), Austria and Germany (both 57%).

Respondents from countries that are commonly associated with the economic and financial crisis in Europe see entrepreneurship less positive than last year (Spain, -7%; Portugal, -6%; Italy, -5%; Greece, -3%). Beside the crisis-struck countries, Russia (-8%), Austria (-6%), France and Switzerland (both -5%) also had to deal with decreases in the positive attitude.

Overall, the positive attitude towards entrepreneurship is considerably high in the international survey. However, obvious gender-based differences can be observed, which are consistent with other scientific results[12]. The overall average of positive attitude towards entrepreneurship among the 24 countries sees men in front with 72% and women come up to 68%.

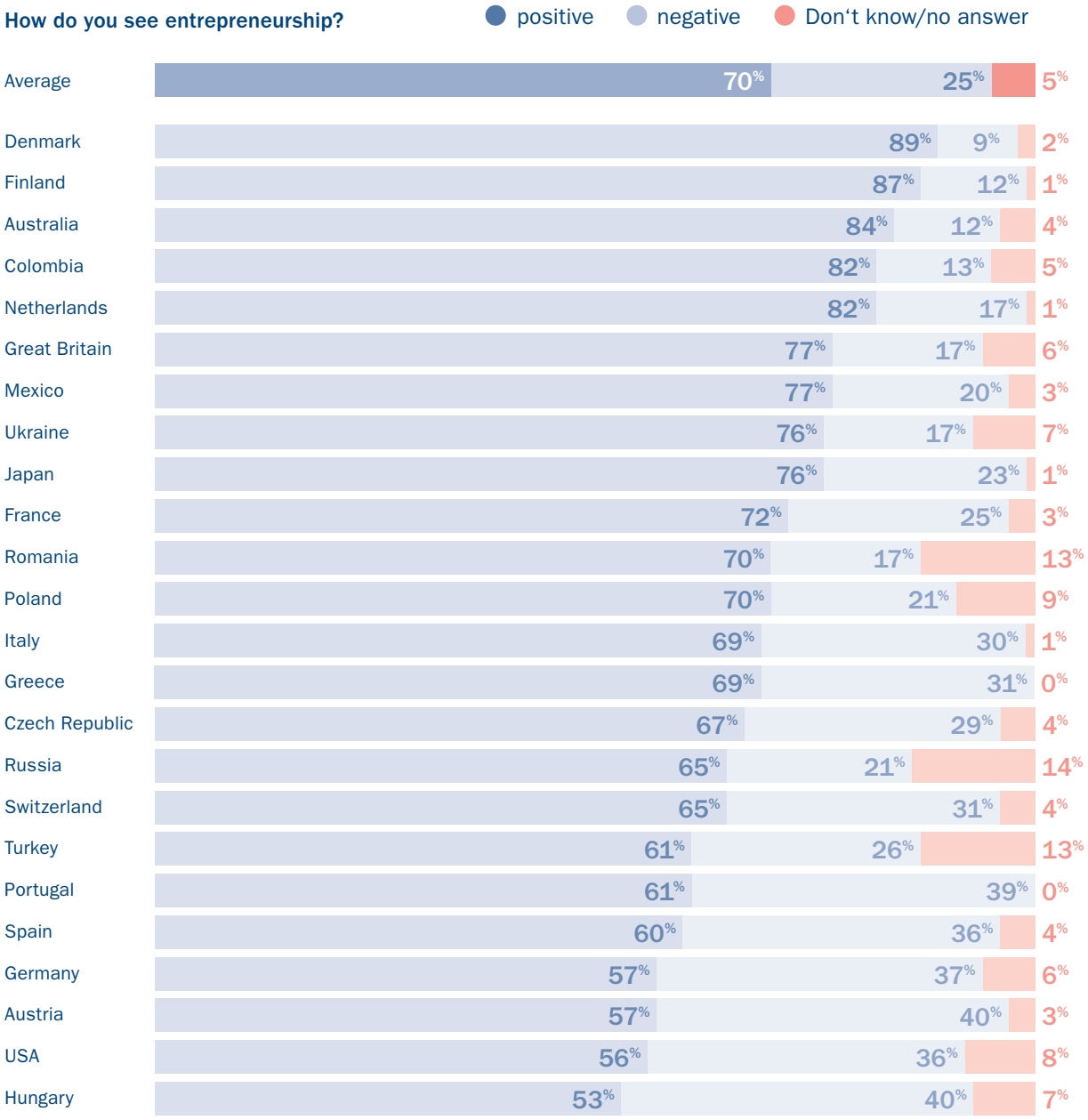
When it comes to age, it becomes obvious where the up-to-thirties are especially positive about entrepreneurship: Finland (92%), Denmark (90%), Netherlands and France (86%) are way ahead of USA (52%) and Switzerland (57%). Also, young participants in Turkey (66%) and Hungary (68%) are more comfortable with the idea of self-employment than Americans and Swiss interviewees.

The educational gap[13] opens wide when it comes to entrepreneurship, especially in the USA (27%), Italy, Portugal, and Spain (each 22%) as compared to Finland (2%), Greece (3%), and the Netherlands (4%). Among those with a university degree, the Danish rank highest (95%), the Australians second (93%) and the Colombians number three (91%). Hungarians (66%) and Turks (67%) are at the end of the line, just a short distance away

70%

of polled Amway Global Entrepreneurship Report countries have a positive attitude towards self-employment.

from Greeks (71%), Austrians and Germans (each 74%). People without a university degree show a ranking similar to their counterparts holding a university degree, yet with respectively lower percentages. Denmark (88%), Finland (87%) and the Netherlands (82%) range in the top positions of this list, while the last ranks are taken by the USA (48%), Hungary (51%) and Germany (55%). One explanation for the more positive attitude of graduates might be that universities more and more include entrepreneurship education in their curricula[8].



Entrepreneurship favoured by 70% in 24 polled countries worldwide.

A Closer Look at Obstacles to an Entrepreneurial Culture and at Possible Explanations for the Entrepreneurial Gap

What are the main reasons that interviewees perceive as obstacles against starting their own business? Which countries are leading the list when comparing self-employment potential to actual self-employment rates?

In the previous edition of Amway's Entrepreneurship Report, the "fear of failure" has been among the highest obstacles to becoming self-employed. It's those obstacles and fears that lead to a high gap between people that can imagine starting a business and those actually putting their plans into action. Is the gap because they do not believe in their abilities, their networks and ideas, or because they do not feel supported by their environment? This raises the question as to why some people are willing to take risks more than others and what facet of the fear of failure prevails? This year's report therefore aimed to find out more about the inner thoughts that go along with starting up a business and what can be done to encourage more entrepreneurship.

Risks and Obstacles Hindering Entrepreneurship

Among the polled countries worldwide, for 41% of the respondents "financial burdens up to bankruptcy" and for 31 % "the economic crisis" turn out to be considerable obstacles against starting one's own business. This turned out to be even truer for the member states of the European Union, where 43% and 37% respectively see it that way. Among the remaining (non- E.U.) participants of the AGER 2013, the economic crisis seems to have left less trace, as only 21% of the respondents feel threatened by it and also financial burdens restrain only 38% of the respondents from starting a business. However, despite the existence and threatening cognition of risks and obstacles to entrepreneurship, still a considerable number of people seem ready to give consideration to starting their own business.

The average self-employment potential[14] in all surveyed countries lies at 39%. Even if it is lower when evaluating the results of the EU member states, still over one third can imagine starting their own business (36%). Breaking it down to the single countries, the highest potential can be found in Colombia (63%) and Mexico (56%) while Greece, despite its financial problems, remains Europe's palladium of entrepreneurial potential, with a solid 53% (50% in 2012). The other end of the line is held by Germany, with only 26% of the respondents considering the possibility to start their own business while Japan ranks last with only 17%.

To implement the aforementioned potential, political decision-makers need to help potential entrepreneurs to put their ideas into action, as a long-term decline in start-ups and entrepreneurial activity and thus in small- and medium-sized business is a threat to every nation's economy and society as a whole. To present an example:

The traditional mid-size business culture in Germany is hit hard by this development. Projections of the German Chamber of Industry and Trade (DIHK) expect 1 million less self-employed people in 2050 compared to the status quo.[15] The comparably well-functioning German labor market may serve as one explanation, but an at least equally-important reason is believed to be the fear of failure is very high in Germany. 79% of all polled Germans reply yes to the question "In your opinion, is the fear of failure an obstacle to starting a business?" When asked, which aspects contribute the most to this fear of failure with an enterprise, 59% of the polled Germans confirm that "financial burdens up to bankruptcy" constitute the main obstacle.

Thus, it is no surprise that it is other countries that lead the ranking of successful entrepreneurship: the number of people

41%

of polled respondents see financial burdens up to a possible bankruptcy as one of the major obstacles to becoming self-employed .

confirming that they are already self-employed is highest in Greece (21%), Japan (18%), and Colombia (17%). Germany along with Finland, Australia, Poland, and the Ukraine is at 5%. Denmark, France (each 4%) and Russia (3%) rank last.

Great Entrepreneurial Potential not Fully Implemented

One crucial aspect of the worldwide survey is the entrepreneurial gap[16]. For the average of all polled countries, this gap between participants showing entrepreneurial potential and those already self-employed is at 31% (resulting from an average self-employment potential of 39% versus an average rate of 8% of people who are actually self-employed).

Furthermore, it is comparatively high in three of the new countries: Mexico is number one with 47%, followed by Colombia with 46% and Australia with 44%.

On the other hand, the lowest figures for the entrepreneurial gap can be observed in Japan (actually in this country the self-employment rate has been found to be 18%, whereas only 17% answered yes when asked whether they could imagine starting their own business), Germany (21%) and Spain (22%).

Encouraging Entrepreneurs, Eliminating the Fear of Failure

So why is it that countries like Colombia and Mexico have big entrepreneurial potential, but show low self-employment rates? One explanation could be structural obstacles: Respondents do not really fear to fail with an enterprise, but see “public funding and start-up loans”, “entrepreneurship education” and “support through business networks” as essential preconditions to start their own business. However, in the eyes of the respondents in Colombia and Mexico, government, media and society in general are nowhere near providing those encouraging conditions (How entrepreneurship-friendly is society in your country? Colombia: 66% unfriendly, Mexico 45% unfriendly).

Also, many of the findings that were collected in 2012 seem to be applicable to the new 2013 survey as well. The obstacles to founding a business identified in the European study of 2012 emphasized the significant role of cultural susceptibilities and the 2013 global survey shows the same cultural, social and political disadvantages. The individuals perceive objective obstacles against starting a business. Here’s where the various groups involved have to set up incentives, bring down bureaucratic hurdles and help finance new business by helping people to start up an own business. A comprehensive overview of possible measures that governments, educational bodies and other institutions in the various polled countries might implement in order to foster entrepreneurship can be found on pages 16–18.

Criteria of the Average Entrepreneurial Profile: Still Young, Male and Graduated

In the 2012 Amway European Entrepreneurship Report, the profile of possible entrepreneurs was quite easily defined: young, male and university graduates. The findings in this year's Amway Global Entrepreneurship Report also confirm this profile at a global level.

Self-Employment Is Very Popular Among Young Respondents

Starting one's own business is still very popular among younger participants: 77% of respondents under the age of 30 (compared to 70% of all age groups) have a positive attitude towards self-employment. Almost every second respondent in this age group (48%) can imagine becoming an entrepreneur (over all age groups: 42%). For younger respondents, these figures, on the whole, are similar to the results of the European survey 2012. For the overall average of all age groups, things have changed, as their entrepreneurial potential rose by 4% in contrast to last year. This shows that the gap between younger and older people is closing more and more.

In 2013, it is young Colombians, Mexicans and Romanians who express a particular interest in being self-employed (62% each of all interviewees from these countries). The highest amount of disapproval for entrepreneurship comes from Japan (82% of interviewees under the age of 30 cannot imagine starting their own business), Austria (58%) and Denmark as well as Portugal (each 56%).

Gender-Influence on Entrepreneurial Potential

Among all respondents from all countries, men show greater entrepreneurial potential than women (44% to 33%). This gender gap[17] of 11% also slightly widened by comparison with last year (2012 entrepreneurial potential: Men 43%; Women 34%).

The biggest differences in positive attitude between men and women can be found in Italy where every second male (52%) can imagine starting their own business, but only one third of women do so (32%), as well as in Denmark and Hungary where the gap is at 15%. On the other hand, in Colombia (1%), Germany (4%), Austria and Australia (each 5%) gender does not seem to influence people's attitude that much.

Are Graduates more Positive about Entrepreneurship?

Additionally, the 2013 report reveals a high educational gap[13] between people with a university degree (82%) and their counterparts who have not completed tertiary education (67%) when it comes to expressing self-employment potential. The educational gap has widened to a considerable 15% by comparison with last year (2012: 12%). Surprisingly the educational gap is highest in the U.S. (27%). Portugal, Spain and Italy share not only the difficult economic situation and financial havoc, but also a high educational gap with a collective value of 22%. Greece, despite its economic problems, boasts a decrease of 8% and hence is the country with the lowest educational gap (3%), after Finland (2%) and before the Netherlands (4%).

The question remains why graduates show higher entrepreneurial potential than people without a degree and entrepreneurship education might be a key factor. The inclusion of entrepreneurship education in universities' study programs[8] could positively influence graduates' attitude towards entrepreneurship and evidence from this report gives support to this argument: Entrepreneurship education is seen as an encouraging factor by many more graduates (39%) than by respondents with no degree (32%). Therefore policy makers should consider already incorporating entrepreneurship education in school education in order to foster an entrepreneurial culture.

48%

of all respondents under the age of thirty from all polled countries can imagine starting their own business.

However, it is not certain whether universities on the whole boost entrepreneurial spirit and actually contribute to radical innovations. This also depends on the personal suitability of potential candidates[18].

Entrepreneurial Profile

Summing up, the profile of potential entrepreneurs is still weighted by young, male, university graduates. People with lower educational levels and women seem to fall further and further behind their graduate male counterparts when it comes to the idea of self-employment although we can observe that self-employment seems to become a realistic working model for all age groups.

Overall, almost one third of the respondents can imagine starting a business, but have not taken any action (31%). This indicates that the decision-making process shaping potential entrepreneurs into real entrepreneurs is still a difficult task in the views of all respondents, and calls for further institutional reforms to foster entrepreneurship.

It's Not All About the Money – Desires and Ambitions

Independence from an employer, self-fulfillment and the possibility to realize ones' own ideas still rank high as motivational factors for entrepreneurship. But also traditional values like family, friends and leisure time have become more important to potential self-employers – at least in some parts of the world.

Despite remaining the most appealing aspect for starting up a business, "independence from an employer and being one's own boss" has lost importance by comparison with the last years (2013: 43%, 2012: 45%, 2011: 46%). The U.S. (65%), Denmark (64%), and Australia (62%), show the strongest need for independence, with Denmark's votes even rising in this category by 17% by comparison with last year. Seeking for independence is especially prevalent in countries with a high individualistic orientation. Relatively high rankings can also be observed in Greece (56%), Switzerland (53%), the Netherlands (51%) and Poland (50%).

Independence from an employer means that entrepreneurs have to trust their own judgment instead of relying on the decisions of others. Ultimately, it means taking the full responsibility for one's own life instead of trusting others with entrepreneurial decisions. Empirical evidence suggests that self-employed people may be higher in independence than others[19] however, an entrepreneur is obviously not free in every decision (self-employed persons still have to answer to financiers, banks etc.), although their level of independence is typically higher than that of an employed individual[3].

The chance for self-fulfillment and the realization of their own ideas stays at second place (2013, 2012, 2011: 38%). Consistently, people in countries with low uncertainty avoidance find self-fulfillment as a reason to start a business. The highest percentages in this category can be observed in the USA and Denmark (both 62%) as well as Finland (56%). This aspect ranks lowest in Russia (18%), Colombia (19%), and Romania (23%).

Especially young respondents under 30 years (45%) and every second participant holding a university degree (50%) show a strong need for "self-fulfillment and the possibility of realizing their own ideas". The latter even think of a fully self-destined life as the most appealing aspect for starting up their own business.

Contrasting this year's results with last year's participants (29%), second income prospects have slightly lost in importance by comparison with the European survey of 2012 (33%). Respondents from Romania (53%), the USA (47%) and Mexico (45%) assign high importance to this aspect, whereas the Netherlands (12%), Spain (13%), and Great Britain (14%) only report low affirmation to the perspective of an additional income as a motivation for starting one's own business.

The "better compatibility of family, leisure time and career" is highly appreciated by respondents from the U.S. (53%), Colombia (46%), and Australia (45%). As an antithesis to the aforementioned countries, respondents in Ukraine and Czech Republic rate this factor as the least appealing with only 12%. This factor is especially valued in countries where fear of failure is low. Overall, a quarter of the participants rate compatibility with family, leisure time and career to be a reason for becoming self-employed (24%).

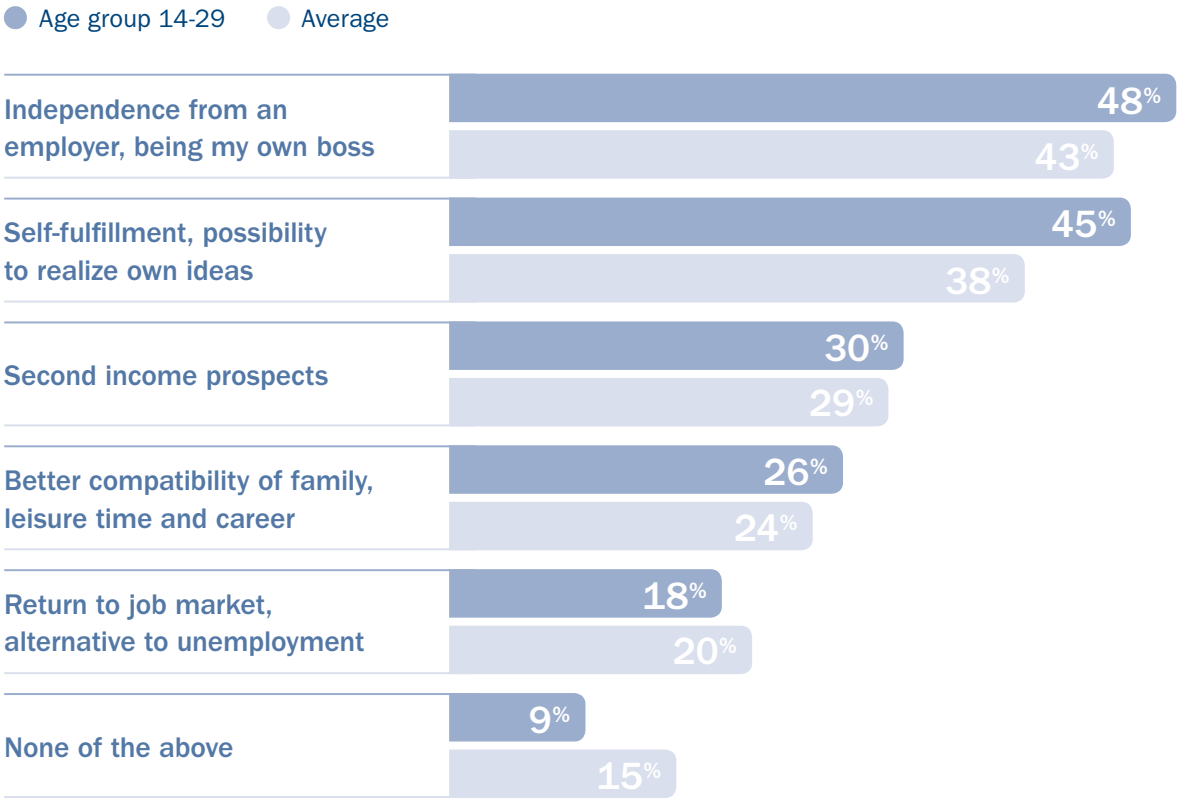
While in 2012, 22% of the academics named entrepreneurship as a possible alternative to unemployment, only 18% see it that way this year. The percentage of respondents with a university degree who are subscribing to this point of view is especially high in the USA (47%), Greece (42%) and Portugal (27%), whereas it is noticeably low in Japan (3%), Colombia (5%), and Romania (9%). The numbers

43%

of all polled respondents of the Amway Global Entrepreneurship Report 2013 specify "independence from an employer, being my own boss" as being the most appealing reason for self-employment.

do not change when asking the same question to participants who do not have a university degree: The highest affirmation of this group of interviewees to the question of self-employment being an alternative to unemployment comes again from Greece (45%), the U.S. (43%) and Portugal (32%), with Colombia (5%), Japan (7%), and Great Britain (9%) ranking lowest. So a point of view that "it's all about the money" no longer depicts the motivations and reasoning of would-be-entrepreneurs. In accordance with overall social developments, "old" values like family, leisure time and the compatibility of professional life with personal life make an important difference to almost one fourth of the respondents. It may be this new kind of entrepreneurship that leads the way into real innovation, self-fulfilling achievement and thus into a more balanced economy.

In your opinion, which of the following aspects appeal to you as reasons to start up your own business?



Different Countries, Different Fears – Accelerators and Brakes for Potential Self-Employment

The economic and financial crises have a great influence on entrepreneurship. But above that, it is still fears like the threat of financial burdens that discourage would-be entrepreneurs. However, the results of this survey clearly show that the fears vary from country to country.

The core problem lies within reach of more than two thirds (70%) of the polled respondents: it is the fear of failure that presents an obstacle to starting a business. Furthermore the scientific insights show that in countries where cultural uncertainty avoidance is high, the fear of failure also tends to be high. Interviewees' positive attitude towards entrepreneurship, however, in these countries is particularly low.

Especially respondents in Japan (94%), Italy and Czech Republic (each 91%) are extremely frightened of failure when trying to start a new life-scheme by starting with an enterprise. On the contrary, the U.S. (37%), the Netherlands (43%), and Mexico (47%) show the lowest percentages of those participants who are afraid of failing.

To respondents from all the polled countries, the fear of failure is composed of different factors. The most pronounced factor is "financial burdens up to bankruptcy" (41%). Followed by one that is basically valid for most of the internationally polled countries is the "threat of the economic crisis" (31%). Subsequently, the "threat of unemployment" (15%) has its own rank and the fear of "taking over the responsibility" and legal consequences such as lawsuits (each 13%) impact the respondents' opinion making.

The financial consequences of a failed business can be mitigated by the institutional and legal conditions of the country in which the failure took place. An important factor is the bankruptcy law applicable, as well as additional legislation.[5]

Other than expected, "reputation loss in front of friends, co-workers or business partners", "not to be given a second chance" (each 6%), and "disappointing or losing family" (9%) are minor parts of the fear of failure. This complies with the fact that "a culture that gives people permission to fail" is not in great demand (12%). However, standing out from the other countries, Turkish people name personal factors such as "personal disappointment, loss of self-esteem" (29%), "disappointing or losing family" (24%), "reputation loss in front of friends, co-workers, or business partners" (18%) as their most serious concerns. For the factor "reputation loss in front of friends, co-workers, or business partners", similar results can interestingly be observed for Switzerland (12%).
Investigating the U.S. and the E.U., a number of differences can be identified. While respondents in the U.S. (37%) do not seem to fear failure, respondents in the E.U. (73%) are even more frightened than the international average (70%). Especially "financial burdens up to bankruptcy" (E.U.: 43%; U.S.: 23%) and the "threat of the economic crisis" (E.U.: 37%, U.S.: 15%) cause much higher concerns in the E.U. than in the U.S. In contrast, Northern Europe[20] demonstrates a compromise between the E.U. and the U.S.: Their 60% affirmation concerning the fear of failure is largely made up of "financial burdens up to bankruptcy" (39%) and "threat of the economic crisis" (27%).

Currently crisis-struck-countries like Portugal (61%), Greece (54%), Hungary (52%), Spain, and Italy (each 50%) rate the "threat of the economic crisis" even higher than "financial burdens up to bankruptcy". In countries that are less directly affected by the crisis, the percentages range from under 20% such as Russia, Colombia, the Netherlands, Turkey, the U.S., and Mexico.
As already shown, Japanese

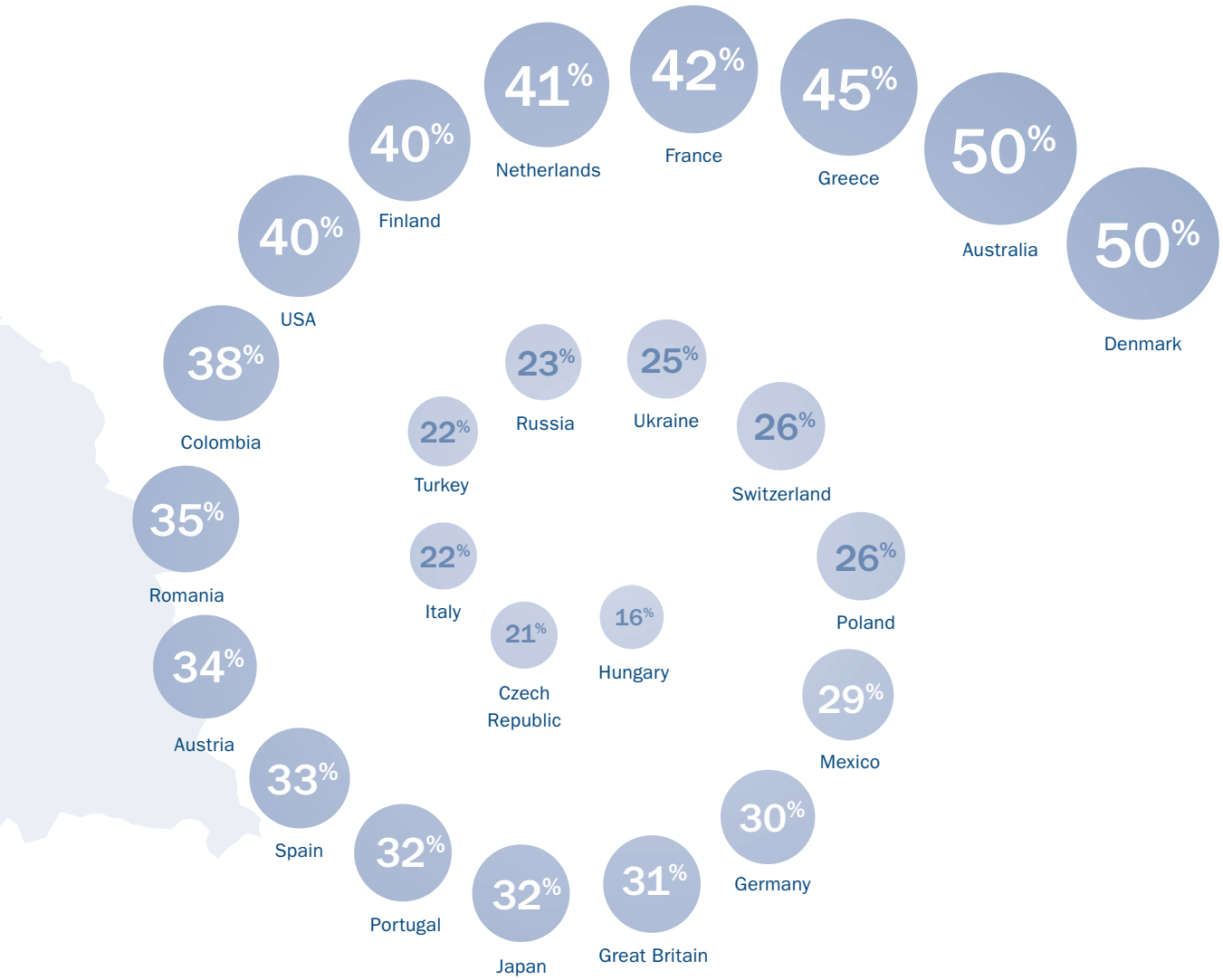
70%

of all polled respondents agree that the fear of failure is a grievous obstacle to starting a business. However, the results show a wide scope from Japan (94%) to the U.S. (37%).

respondents see the fear of failure as an intense obstacle to starting an own business. But unlike than the rest of the polled countries, Japanese respondents state an enormous fear of "being forced to take over the responsibility" (45%; the average rate lies at 13%) and with an enormous 70%, Japan represents the highest score when it comes to the fear of "financial burdens up to bankruptcy" (the average rate lies at 41%).

Finally, Colombia takes up a special position. The fear of failure is clearly present among 54% of the respondents. This is due to almost only one factor – namely "financial burdens up to bankruptcy" (33%). All the other factors stay under 18%. In the Latin country, only university degree holders, who are also worried by the "threat of the economic crisis" (31%), look at things from a slightly different angle (respondents without a degree: 16%). An almost similar to the overall Colombian findings, but weakened outcome can be found in the Netherlands (43% fear of failure, expressed in 30% financial burdens).

Percentages of respondents rating entrepreneurship education and teaching of business skills most important, when being asked about factors encouraging entrepreneurship and the foundation of businesses



Basic Conditions and Cultural Aspects: How to Reinforce the Encouraging Factors

The results of this survey confirm professional support and education to be more important for encouraging entrepreneurship rather than backing from family and social networks. But cultural aspects play an important role too and there are distinct differences in how entrepreneurship-friendly or -unfriendly respondents assess their countries as being.

As discussed earlier (see pages 8/9), "public funding and start-up loans" as well as "entrepreneurship education and teaching of business skills" rank high, when interviewees were asked to specify the most essential encouraging factors concerning the foundation of businesses. "Low bureaucracy" and "mentoring, support through business networks" also play an important role. But also "Backing from family and social networks" ranks in the mid-positions of the respondents' listing of reinforcing factors when they are thinking about self-employment.

Young adults (36%) and university degree holders (39%) vote above the total average (33%) when they are asked to rate the importance of entrepreneurship education. Even if the private "backing from family and social networks" is quite important to the graduated participants (24%), their focus, when it comes to private vs. professional support, lies on professional "mentoring, support through business networks" (30%).

University degree holders show notably higher rates than non-graduates when it comes to the wish for an "entrepreneurship education" (+8%). The same pattern can be observed for the desire for "support through business networks", and the above-mentioned "low bureaucracy" (each +7%). So, the decision for self-employment can be enhanced by a variety of factors.

Countries that show a high fear of failure naturally are also the ones that long for "low-risk business models". For instance in Germany (34%), Italy (29%), Hungary, Turkey, and Ukraine (each 26%) low risk is among the top three factors that encourage entrepreneurship. But also in Austria (30%) more than the average participants (23%) consider low-risk business opportunities to be an important factor. This correlates with the scientific findings that culture exerts a very important influence on the fear of failure and cultures that exhibit a high degree of uncertainty avoidance, also show higher percentages of the fear of failure.[21]

The cultural attitude towards uncertainty also bears a strong influence on the risk assessment as a reason against self-employment. This can be changed only very slowly and necessitates patience with the candidates, as well as long-term measures of financial and legal support and assistance. For instance, the European Commission's "second chance" policy[22] tries to channel the stigma associated with business failure by producing communication materials for both policy makers and the general public[5].

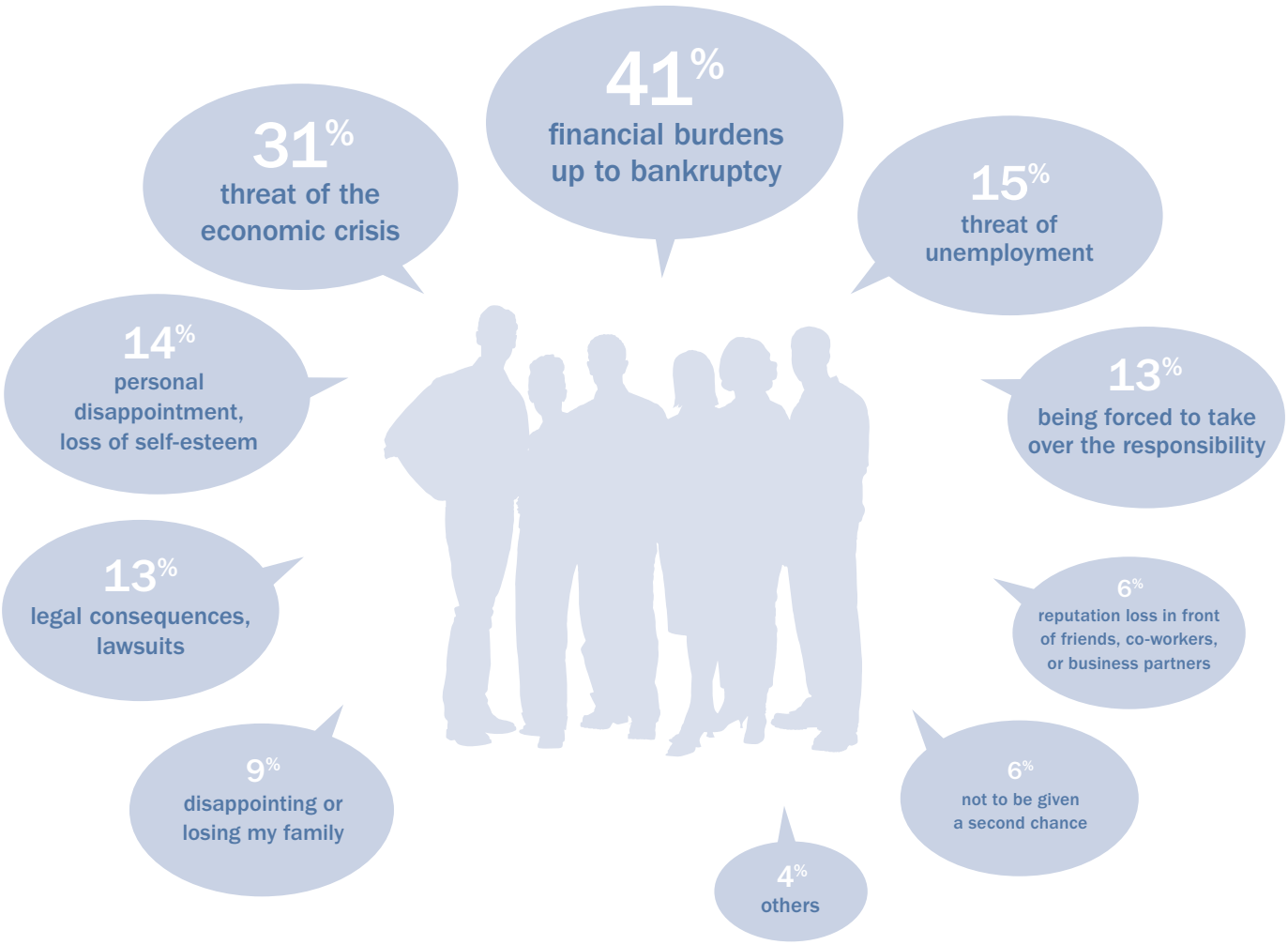
When it comes to the vital aspect of entrepreneurship-friendliness of the affected societies, respondents disperse into two groups with 46% on each side: The first group states that their society is entrepreneurship-friendly while the second group with the same percentage regards its society as entrepreneurship-unfriendly. Not surprisingly though, people in societies perceived as entrepreneurship-friendly exhibit less fear of failure. It is the young respondents under 30 years and graduates that show a small but powerful tendency towards the "entrepreneurship-friendliness" of their country (each 49%).

→ Page 18

73%

of the U.S. citizens polled attest their country to be “very” or “rather” entrepreneurship-friendly.

In your opinion, is the fear to fail an obstacle to starting a business and if yes, which of the following aspects contribute the most to this fear of failing with an enterprise?



“It is essential for the EU to put in place an environment which helps entrepreneurs take risks and start new businesses. Failed entrepreneurs remain entrepreneurs, and are a precious resource. Due to experience gained by repeat entrepreneurs the failure rates of second start up attempts are lower than for initial efforts. We should therefore support entrepreneurs and give them a second chance.”

European Commission “Focus on boosting entrepreneurship at informal Competitiveness Council“, 19.07.2012[23]

Even if the entrepreneurial potential of the U.S. is only in the midfield, the interviewees voted their country as the most entrepreneurship-friendly (3.02 pt.[24]: 30% very friendly, 43% rather friendly). This overwhelmingly positive tendency of the U.S. places Denmark second (3.01 pt.: 19% very friendly, 62% rather friendly), and positions Australia at the third place (2.75 pt.: 12% very friendly, 50% rather friendly).

A vital argument for the sound development of an entrepreneurial culture is the support of local governments and societies. This becomes obvious in crisis-struck-countries where respondents state their own societies as the most entrepreneurship-unfriendly ones: Hungary figures a rather downbeat situation (1.81 pt.: 37% very unfriendly, 37% rather unfriendly), with Romania following suit (1.86 pt.: 24% very unfriendly, 33% rather unfriendly). The situation in financially-stricken southern European countries is slightly better, but still far from good. For instance, Portugal (1.90 pt.: 31% very unfriendly, 45% rather unfriendly), Spain (2.10 pt.: 25% very unfriendly, 39% rather unfriendly), and Italy (2.14 pt.: 24% very unfriendly, 40% rather unfriendly) show a tendency of more than half the population considering its society entrepreneurship-unfriendly. If entrepreneurship shall thrive, then society, educational institutions, governments and politics should start new approaches and have the stamina for achieving a positive culture.



Notes

[1] *European Commission (2013). Entrepreneurship 2020 action plan: Reigniting the entrepreneurial spirit in Europe. Brussels, Belgium: Retrieved from http://ec.europa.eu/enterprise/policies/sme/entrepreneurship-2020/index_en.htm.*

[2] *Rand, A. (1943). The Fountainhead. USA: Bobbs Merrill.*

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[4] *World Bank (2012). GDP per capita. Retrieved from: http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.*

[5] *Ucbasaran, D., Shepherd, D. A., Lockett, A., & Lyon, S. J. (2013). Life after business failure: The process and consequences of business failure for entrepreneurs. Journal of Management, 39(1), 163-202.*

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[10] *Kruger, N. F., & Brazeal, D. V. (1994). Entrepreneurial potential and potential entrepreneurs. Entrepreneurship Theory and Practice, 18(3), 91-104.*

[11] *Entrepreneurial gap is defined by the number of respondents answering "I can imagine to start up my own business" minus the number of respondents answering "I am self-employed".*

[12] *Shinnar, R. S., Giacomin, O., & Janssen, F. (2012). Entrepreneurial perceptions and intentions: The role of gender and culture. Entrepreneurship Theory and Practice, 36(3), 465-493.*

[13] *Educational gap is defined as the total of respondents with university degree answering „I can imagine to start up my own business", minus total of respondents without university degree answering "I can imagine to start up my own business".*

[14] *Self-employment potential = Total of respondents answering „I can imagine starting my own business", regardless if their general attitude towards self-employment is positive or negative.*

[15] *Kapalschinski, C., Sigmund, T., & Stratmann, K. (Aug 6, 2013). Das Gründersterben, Handelsblatt.*

[16] *Entrepreneurial gap is defined by the number of respondents answering "I can imagine to start up my own business" minus the number of respondents answering "I am self-employed".*

[17] *Gender gap is defined as the total of male respondents answering "I can imagine to start up my own business", minus total of female respondents answering "I can imagine to start up my own business".*

[18] *Shih, G. (Mar 12, 2012). Peter Thiel, university-hater, heads to campus, Reuters. Retrieved from http://www.reuters.com/article/2012/03/12/us-stanford-thiel-idUSBRE82A0EO20120312.*

[19] *Shanea, S., Locke, E. A., & Collins, C. J. (2003). Entrepreneurial motivation. Human Resource Management Review, 13(2), 257-279.*

[20] *Northern Europe corresponds to the average of Denmark and Finland.*

[21] *Mueller, S. L., & Thomas, A. S. (2001). Culture and entrepreneurial potential: A nine country study of locus of control and innovativeness. Journal of Business Venturing, 16(1), 51-75.*

[22] *European Commission (2013). A second chance to entrepreneurs. Retrieved from http://ec.europa.eu/sme2chance.*

[23] *European Commission (2012). Focus on boosting entrepreneurship at informal Competitiveness Council. Retrieved from http://europa.eu/rapid/press-release_MEMO-12-582_en.htm.*

[24] *Measured on a scale from 1 to 4 points. Higher numbers correspond to friendlier evaluations.*

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