

Management summary

Entrepreneurs are a key source of employment and wealth in any economy. In Europe, for example, they account for 99% of businesses and they provide two out of three of the private sector jobs.¹ In the USA they accounted for 98% of businesses in 2011² and for 82% of employment in China.³ Given their role in driving economic development, it is a promising sign that, in this latest research report from Regus, as many as 78% of business respondents globally report a rise in entrepreneurship in their country.

It would seem that this climate of increasing entrepreneurship is also favoring female start-ups with one in ten respondents (11%) reporting an increasing presence of women entrepreneurs in their sector. Similarly, more current entrepreneurs, perhaps revitalized by an air of economic recovery, are becoming serial entrepreneurs and setting up one company after another (11%).

So, in the opinion of business respondents, which sectors are believed to hold the richest potential for setting up a business nowadays?

Over half of respondents report that IT and software (54%) are expected to lead, while over a third (34%) identified consultancy and business services as the sector with the greatest potential.

In an interesting further development, many are now advocating that entrepreneurship be fostered **within** firms in order to ensure that the work environment is focused on innovation prepared for future change. These pundits advocate that a new type of employee needs to be nurtured alongside traditional workers; this employee is a type of internal entrepreneur currently described as an **intrapreneur**.

So which factors actively help foster internal entrepreneurship and innovation? Respondents report that flexibility over working time and location (48%), skills updating (42%) and mixing staff from different functions (36%) are core measures to help foster innovation within a business and provide the most fertile ground for intrapreneurs to flourish.

Of course, the top ranking factor, which taps into employee demand for a better work:life balance by allowing them to work their own hours and from different locations (such as closer to home at least some of the time), businesses can also help employees mingle with workers from different functions and different sectors. This in turn helps them share ideas with a broader pool of professionals and encourages them to explore lateral ideas and potential partnerships.

78%

of business respondents globally report a rise in entrepreneurship in their country.

¹ EU Commission, 27-05-2013

² US Department of Trade, International Trade Administration, 2013

³ A. Collier & S. Hsu, Liquidity crunch could devastate China's SMEs, 20-01-2014



key findings and statistics

- Entrepreneurship plays an undeniably important role in any economy generating wealth and providing employment. In China for example, SMEs account for 60% of GDP and 82% of employment.⁴ SMEs also account for two out of three private sector jobs and contribute to more than half of the total value-added created by businesses in the EU.⁵
- Given the key role of SMEs in the economy it is good news that 78% of business respondents globally report that they are seeing a rise in entrepreneurship in their sector.
- In particular one in ten (11%) report that they are seeing more female entrepreneurs and more **serial** entrepreneurs - those that start up one business after another. In the USA alone female entrepreneurship contributes nearly \$3 trillion to the economy and accounts for 23 million jobs.⁶
- But not all sectors are believed to be an equally good bet for start-ups and the sectors thought to hold more promise for budding entrepreneurs are IT and software (54% of respondents) and consultancy (34%).
- There is also a growing body of evidence that shows that innovation and entrepreneurship should be nurtured **within** organisations to ensure they always stay ahead of the curve.
- So which factors help foster innovation and develop entrepreneurship across the board? Respondents report that flexibility is a key measure. In particular they place flexibility over work time and location (48%) as the top requirement.
- Skills updating programmes (42%) and mixing of staff from different functions (36%) encourage workers to keep up to date and tackle problems from different angles, so it is not surprising that they are also among the top innovation-enhancing measures.

In the USA alone female entrepreneurship contributes nearly \$3 trillion to the economy

⁴ A. Collier & S. Hsu, Liquidity crunch could devastate China's SMEs, 20-01-2014

⁵ EU Commission, 27-05-2013

⁶ The World Bank, Female Entrepreneurship Resource Point — Introduction and Module 1: Why Gender Matters

Introduction

The importance of entrepreneurship to any economy is well documented. In Europe SMEs not only account for all but 1% of businesses and provide two out of three of the private sector jobs, but they are also the main drivers in R&D and innovation.⁷ In France for example, SMEs make up 99.8% of businesses, while micro-firms account for 93% and in Germany, the 'German Mittelstand' contributes almost 52% of total economic output.⁸

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In 2011 in the USA SMEs account for 98% of businesses and for 33 percent of goods exports and entrepreneurship is flourishing:⁹ The Kaufman Index of Entrepreneurial Activity (KIEA), reports that the entrepreneurial rate in the USA is higher than during the dot.com bubble of 15 years ago, accounting for a full 300 out of 100,000 adults in 2012.¹⁰ In Canada, small firms make up an even larger proportion of overall business at 98.2% of employer businesses, while medium-sized businesses make up 1.6%, leaving large businesses a very small share indeed.¹¹

In Africa the scenario is similar, with SMEs for example accounting for 70% of Ghana's GDP and 91% of formalized businesses in South Africa, contributing 52%-57% of GDP and providing 61% percent of jobs. On average, in African countries SMEs provide about 50% employment.¹² Across the globe, in China, SME contribution to GDP and employment stands at around 60% and 82% respectively, while Trade India reports that India is home to close to three million SMEs, representing around half of industrial output and 42% of total exports.¹³

In Brazil SMEs account for 99% of the country's registered companies and 40% of the 15 million new jobs the country has created since 2001 now totalling 52% of the workforce,¹⁴ but Mexico is the country where SMEs hold the largest economic sway as they account for 99.8% of enterprises and a huge 73.3% of employment.¹⁵

⁷ EU Commission, 27 May 2013

⁸ European Commission, SBA Factsheet 2012 France, German Federal Ministry of Economics and Technology, 2011

⁹ US Department of Trade, International Trade Administration, 2013

¹⁰ Kaufmann Index of Entrepreneurial Activity, April 2013

¹¹ Gov of Canada, Key Small Business Statistics, August 2013

¹² C. Frimong, University of Ghana, 29 July 2013

¹³ A. Collier & S. Hsu, Liquidity crunch could devastate China's SMEs, 20 January 2014

¹⁴ Banco Santander Brazil, 27 June 2013

¹⁵ OECD, Mexico: Key Issues and Policies, 29 April 2013



This latest research also analyses which sectors are regarded as most profitable for entrepreneurs to start up and reports that the top scoring sectors are the IT and software and the consultancy and business services sectors. This result is supported by anecdotal evidence and official reports.

In the EU for example reports show that the IT sector will continue to expand with employment growth of 7.7% Compared with the all-sector average of 3.4%. This growth equals an increase in workers which goes from 3 million in 2010 to 3.2 million in 2020.¹⁶ In the USA, home to the Silicon Valley, employment in software development is set to rise a stunning 22%,¹⁷ while in ASEAN the ICT sector already employs more than 11.7 million people, contributing to more than 3% of area GDP and is projected to grow further.¹⁸



82%

of businesses say they won't reduce their consultancy spend

Consultancy is also seeing a positive upturn in many countries. In the USA, over the next 12 months, 82% of businesses say they won't reduce their consultancy spend and 42% actually plan to increase it, some (5%), by even by more than 50%.¹⁹ South Africa too is seeing a growing need for consultancy businesses, as the finance, real estate and business services sector have increased their importance to the economy from 17% in 1993 to approximately 24% in 2012.²⁰

The Centre for European Policy also advocates the strengthening of a single market for services in order to improve productivity performance in European business services and confirms that because of its importance to other industries, business services should be a key industry in the Europe 2020 strategy of the Commission.²¹

¹⁶ EU Skills Panorama (2012) Information and Communication Technologies (ICT) Sector Analytical Highlight, prepared by ICF GHK for the European Commission

¹⁷ US Bureau of Labor Statistics, Occupational Outlook Handbook, Software developers

¹⁸ ASEAN ICT Masterplan 2015, 2011

¹⁹ Bloomberg Business Week, Where the Growth Is in Management Consulting, June 2013

²⁰ Statistics South Africa, 25 February 2014

²¹ H. Kox, Unleashing competition in EU Business Services, CEPS (Centre for European Policy Studies), September 2012

²² Vijay Govindarajan and Jatin Desai, Recognize Intrapreneurs Before They Leave, Harvard Business Review Blog

Fundits advocate that fostering entrepreneurship within the business is a key driver of innovation.

But entrepreneurial mentality is becoming more and more in demand, even when recruiting for employees. Pundits advocate that fostering entrepreneurship within the business is a key driver of innovation. This type of internal entrepreneur has been dubbed **intrapreneur**. A recent Harvard Business Review article declares that 'Intrapreneurs can transform an organization more quickly and effectively than others because they are self-motivated free thinkers, masters at navigating around bureaucratic and political inertia.' Using Google, Lockheed Martin and 3M as examples, Dan D. Schwabel sums up the issue in Forbes: 'Smart companies want you to become an intrapreneur because it fuels business growth and allows them to gain a competitive advantage in their industry.'²³

So how do organisations encourage this type of employee to flourish? Dell for example takes an enlightened approach to time encouraging 'constant on-the-job tinkering with systems and processes', while Google allows employees 20% of their time to work on pet projects. But flexibility is not the only ingredient to developing intrapreneurship, warns McCartney at the CIPD (Chartered Institute of Personnel Development), you also need to help employees that have entrepreneurial flair develop with senior staff and system support.²⁴

Given the key importance of entrepreneurship within the economy and even inside single businesses, Regus commissioned research canvassing the opinions of over 19,000 business managers and owners globally asking them about the state of entrepreneurship in their sector and which measures help boost innovation.

²³D. Schwabel, why companies want you to become an intrapreneur, Forbes website

²⁴The Financial Times, Intrapreneurs to the rescue, 13th March 2014



The results

Confirming reports of an entrepreneurship resurgence, the overwhelming majority of respondents report that their sector has seen an increase in entrepreneurship in the last five years. It is well documented that during the downturn, a number of out-of-work professionals and even students turned to entrepreneurship in order to compensate the lack of jobs. This phenomenon has been named **forced entrepreneurship** or **reluctant entrepreneurship**.

As we leave the downturn, it would seem that entrepreneurs are far from reluctant and that entrepreneurship continues to grow in spite of improvements in the job market. In particular, it would seem that it is emerging economies that were not hit by a slow jobs market that are the most likely to be seeing a rise in entrepreneurship.

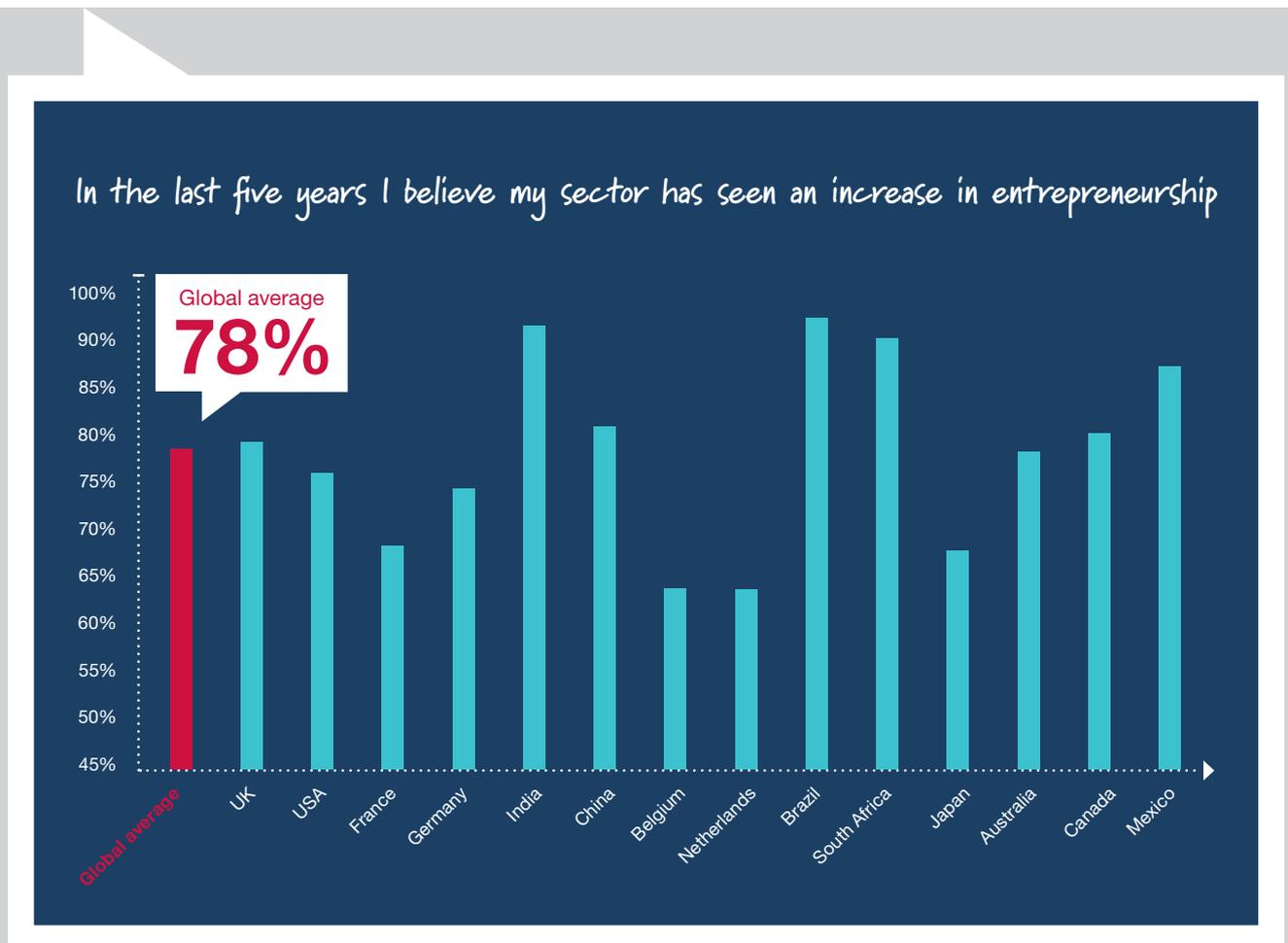


Figure 1 - Respondents reporting their sector has seen an increase in entrepreneurship in the last five years

Respondents were also asked whether they had seen an increase in female and serial entrepreneurship and found that one in ten respondents (11%) reported either of these had increased over the five year period.

Brazil stands out for a striking increase in female entrepreneurship followed by France and South Africa. Chinese and Japanese entrepreneurs on the other hand are more likely to be trying their hand at their next business, as respondents here are more likely to report a rise in serial entrepreneurship.

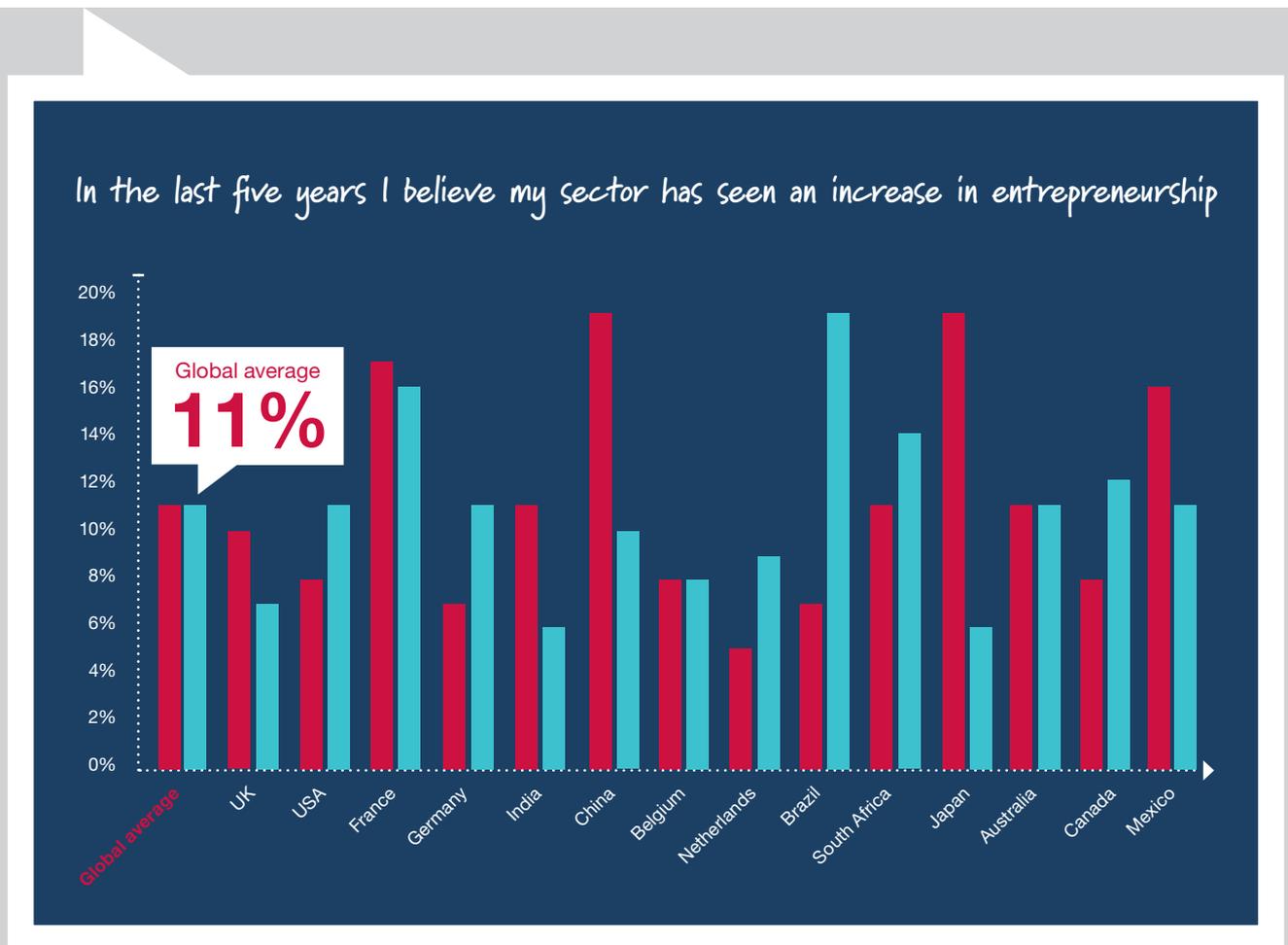


Figure 2 - Respondents that have seen a rise in female and serial entrepreneurship

- Serial Entrepreneurs
- Female Entrepreneurs

Given the rush to dive into entrepreneurship, the survey also asked respondents to reveal the sectors they believed would yield the richest potential and found that IT and software stand head and shoulders above the rest.

A third of respondents also opted for consultancy and just under a fifth selected marketing and retail. Some interesting exceptions are as follows: 24% of Canadian respondents selected marketing, while tourism is expected to yield good returns in India (30%), China (30%) and Brazil (32%), where the expected influx of tourists for the World Cup makes this an obvious choice for investment this year.

Respondents in Belgium (32%) and Mexico (35%) look favourably on telecoms, and 28% of Japanese respondents opted for the pharmaceutical and medical sectors.

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I believe the sectors that hold the richest potential for setting up a business are...

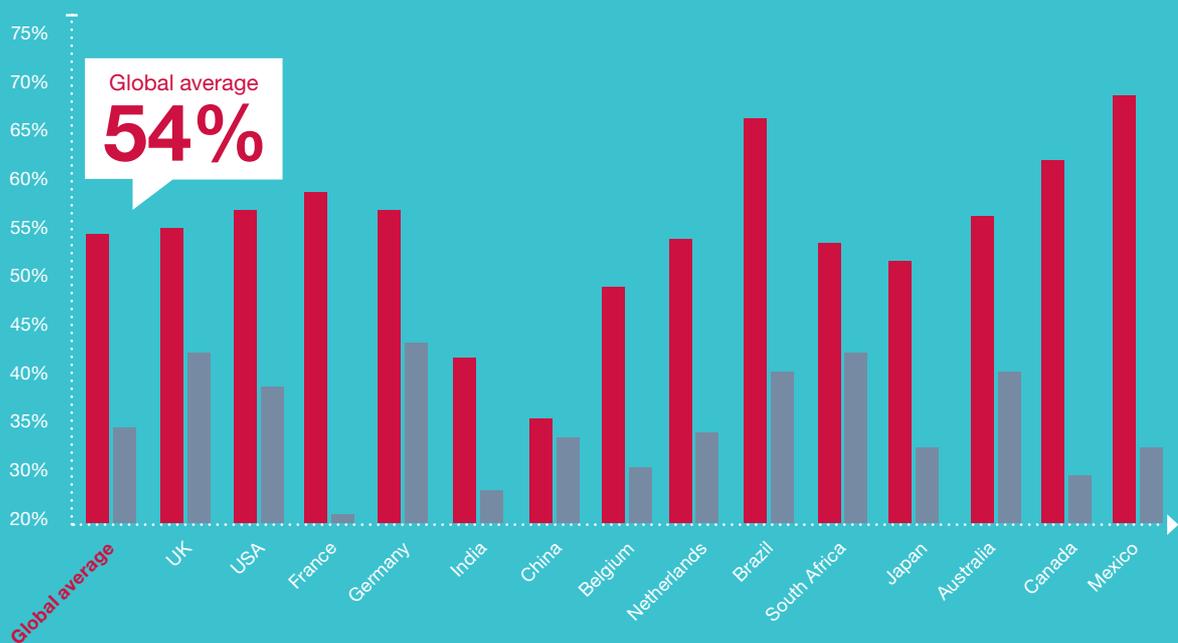


Figure 3 - Respondents that believe the IT and consultancy sectors hold the richest potential for entrepreneurs

36%

mixing staff from different functions

Given the importance placed on entrepreneurship by both national economies and single businesses trying to develop intrapreneurship, the research also asked respondents to highlight measures that they regard as effective in encouraging innovation. These were: flexibility over time and location (48%), skills updating (42%) and mixing staff from different functions (36%).

Among the countries analysed, Brazil, the Netherlands and Belgium are the countries most in favour of flexible working to help foster innovation, but the score for all countries sits over the third.

Flexibility over time and location is a key factor in fostering innovation

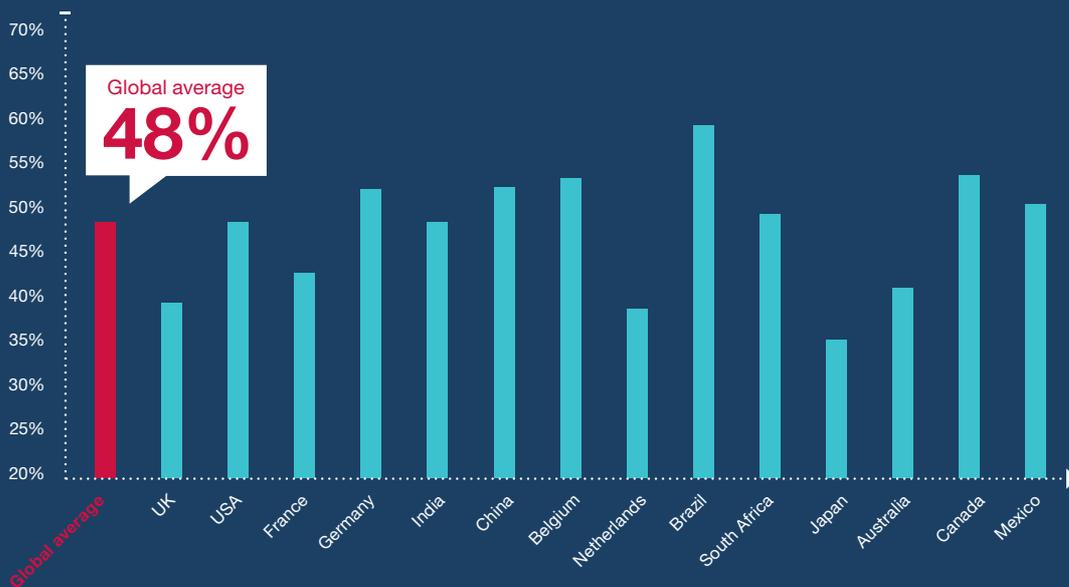


Figure 4 Respondents reporting that flexible working is one of three key measures to foster innovation

As encouraged by the CIPD, respondents also confirm that keeping skills up to date is important in fostering innovation as this keeps workers informed and ahead of the curve. Mexican businesses are less likely to favour this system, opting perhaps for less structured types of training to foster innovation.

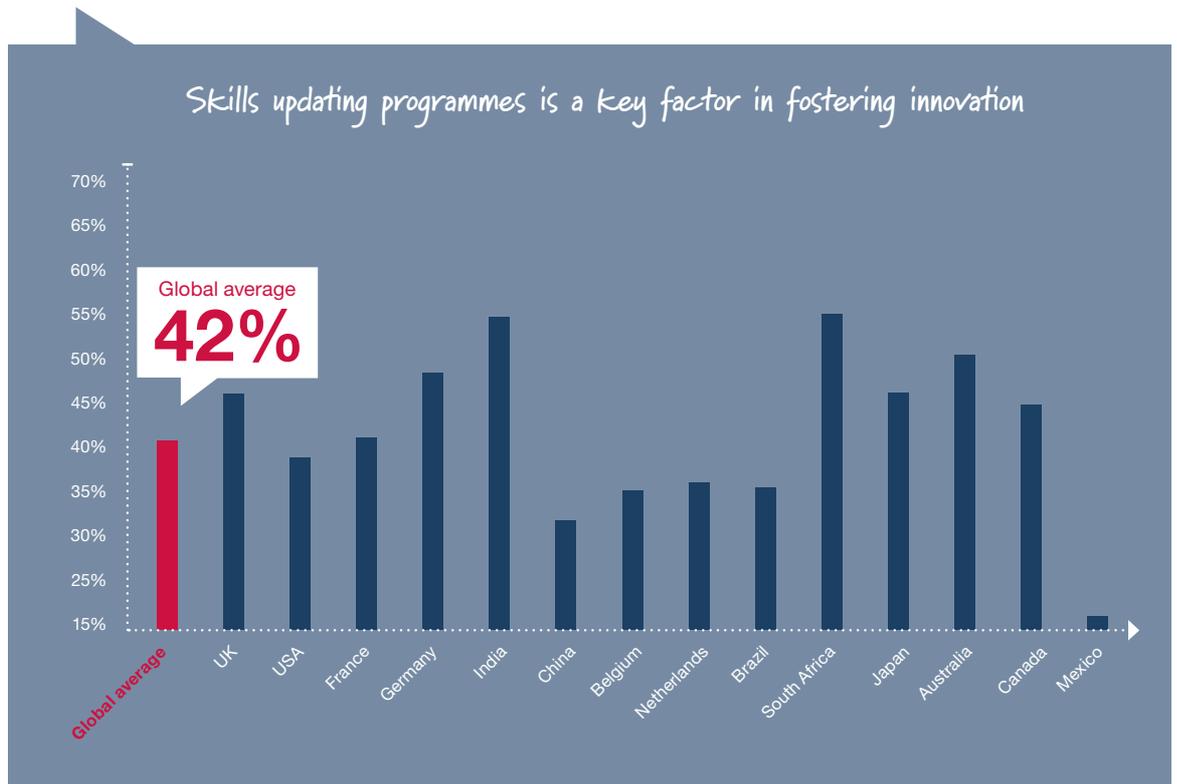
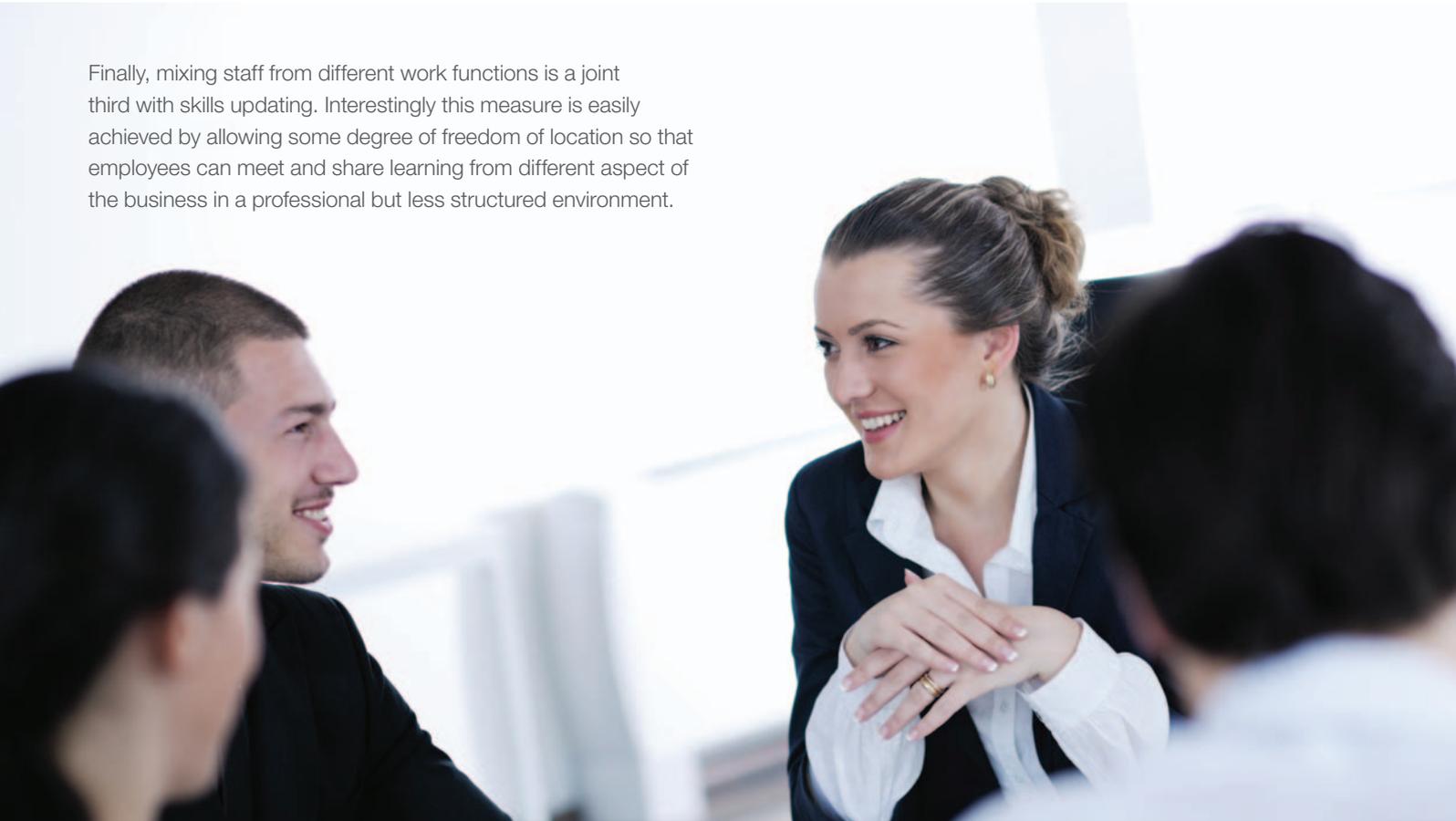


Figure 5 Respondents reporting that flexible working is one of three key measures to foster innovation



Finally, mixing staff from different work functions is a joint third with skills updating. Interestingly this measure is easily achieved by allowing some degree of freedom of location so that employees can meet and share learning from different aspect of the business in a professional but less structured environment.



Mixing staff from different functions is a key factor in fostering innovation

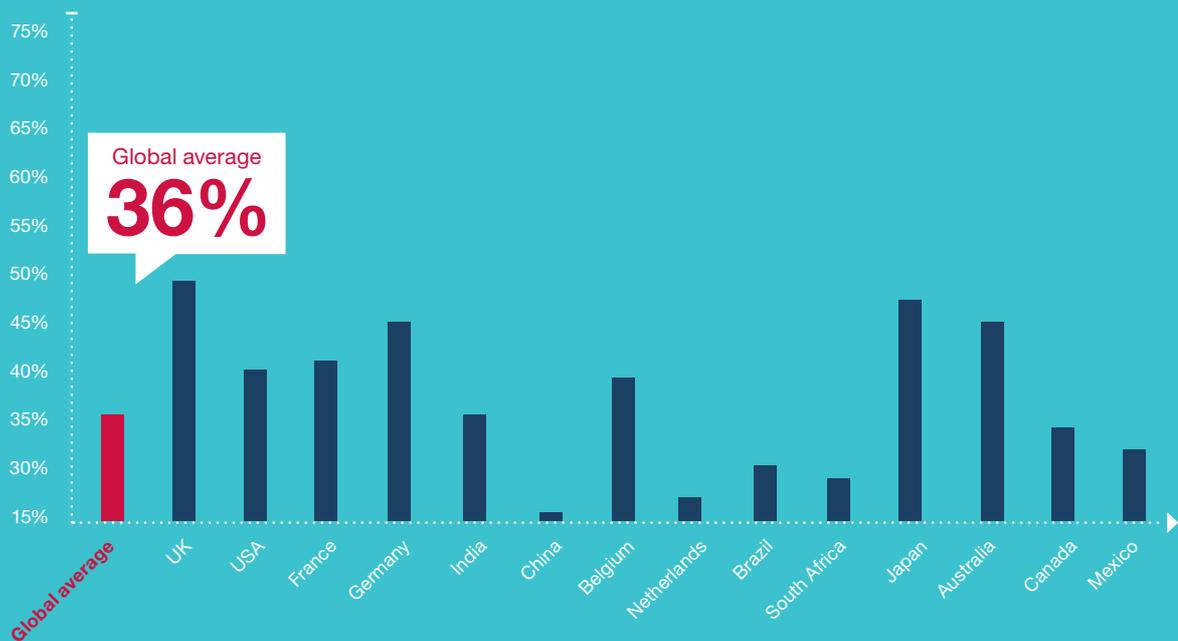
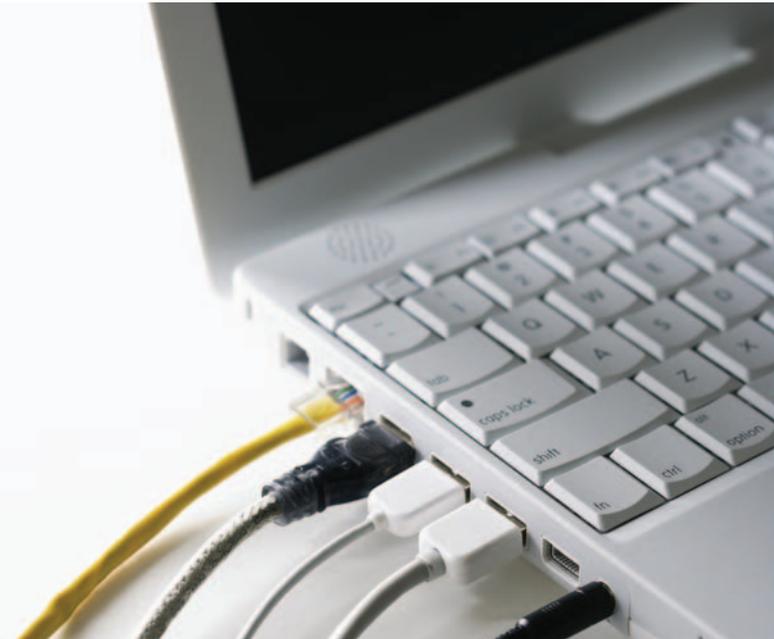


Figure 6 - Respondents reporting that mixing staff from different functions is one of three key measures to foster innovation

Conclusion

Entrepreneurs are a key source of employment and wealth in any economy and it would seem that entrepreneurship is increasing across the globe with more people starting up a business and an increase in serial entrepreneurship. But not all sectors are regarded as equally profitable by global businesses.



54%

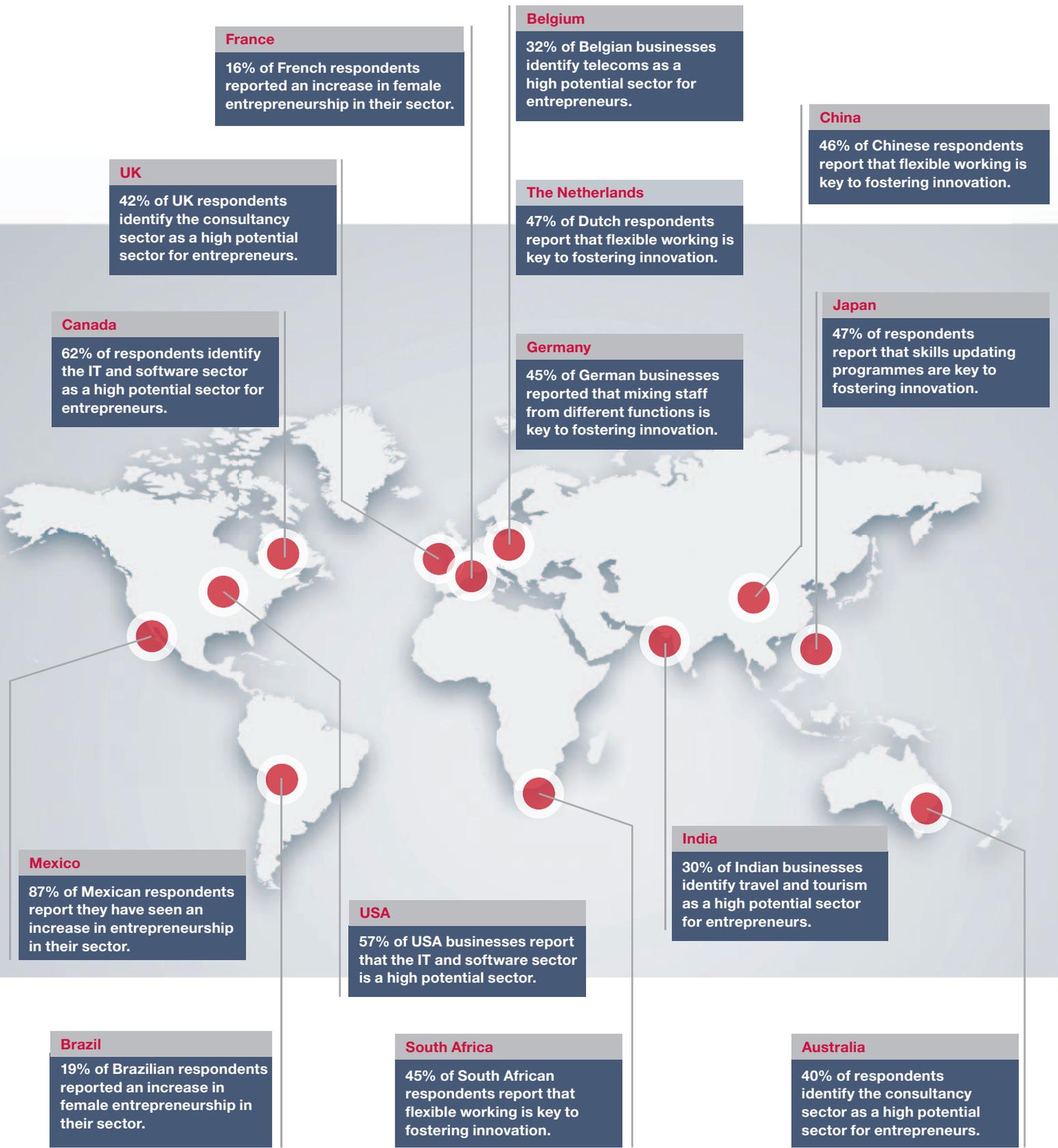
of respondents report that IT and software holds the greatest promise for profitability

In spite of some interesting country differences, overall, more than half of respondents report that IT and software (54%) holds the greatest promise for profitability, while over a third (34%) selected consultancy and business services.

In addition to an increase in entrepreneurship globally, the figure of the intrapreneur is rapidly emerging among businesses trying to encourage workers to take a more innovative and independent approach to growing the company.

But for innovation to flourish within any size of enterprise, be it a start-up or a large firm, a number of factors are reported to be essential. These are: flexibility, skills updating and mixing staff from different functions. In particular, flexible working can help improve work:life balance as well as helping staff from different functions mingle in professional locations other than the main office. This kind of independent management of their time and location can help improve productivity as well as boost innovation and worker happiness.

Country highlights



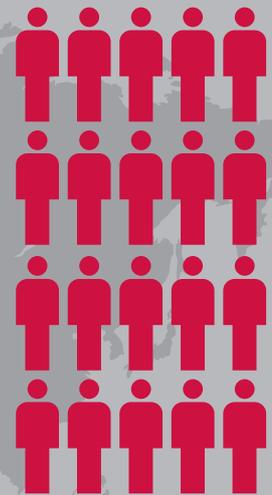
Methodology

Over 19,000 business respondents from 96 countries were interviewed during January 2014. These were sourced from Regus' global contacts database of over 1 million business people worldwide, which is highly representative of senior managers and owners in business across the globe. Respondents were asked about their views on entrepreneurship growth and the ideal sectors to start a business. They were also asked to evaluate the measures that would help businesses develop innovation within a business. The survey was managed and administered by the independent organisation, MindMetre Research, mindmetreresearch.com.

Respondents were asked about their views on flexible working, productivity and its effects on decision making, creativity and business connections

20,000

business respondents interviewed



96

countries

About Regus

Its network of more than 1,800 business centres in 101 countries provides convenient, high-quality, fully serviced spaces for people to work, whether for a few minutes or a few years. Companies like Google, Toshiba and GlaxoSmithKline choose Regus so that they can work flexibly and make their businesses more successful.

The key to flexible working is convenience and so Regus is opening wherever its 1.5million members want support – city centres, suburban districts, shopping centres and retail outlets, railway stations, motorway service stations and even community centres.

Founded in Brussels, Belgium, in 1989, Regus is based in Luxembourg and listed on the London Stock Exchange. For more information, please visit regus.com

