

Global Entrepreneur Indicator

from the Entrepreneurs' Organization

Global Entrepreneur Indicator: Entrepreneurial Performance

Interim Findings – Second Survey (October 2010)

Adapted from detailed Interim Report: 5 November 2010 by Dr. Sally Ernst
 (The Detailed Interim Research Report may be found at <http://www.entrepreneurindicator.com/>)

Summary of Findings

In the critical areas of entrepreneurial performance, employment, net profits and long-term debt, this global survey shows significant improvements, continuing and strengthening the positive trend established in the last global survey. About 70% of entrepreneurs are predicting further increases in full-time headcount and net profits in the coming 12 months. It could be hypothesized that entrepreneurs are using increased profits to hire more employees while at the same time reducing their long-term debt.

Global entrepreneurs continue to add to their full-time employment headcount.

Over the past 12 months, a slight majority of entrepreneurs globally (52%) have increased their full-time headcount, in line with the results of the previous survey in May 2010. Just less than half of entrepreneurs globally (46%) have increased their part-time or contract headcount.

Continuing the trend detected in the previous survey, a significant majority of entrepreneurs globally (70%) expect to increase their number of full-time employees in the next 12 months. Just more than half of entrepreneurs globally (54%) expect to see an increase in part-time or contract employment.

A growing number of entrepreneurs are increasing profits and reducing long-term debt.

More than half of entrepreneurs globally (59%) saw an increase in profits over the last quarter, compared with just more than one-third (37%) in the previous survey. Nearly three-quarters of entrepreneurs (73%) are predicting an increase in profits in the coming quarter, a significant increase from the 48% who predicted an increase in profits in the last survey in May 2010.

A significant majority of entrepreneurs globally (68%) have seen their use of long-term debt instruments decrease, compared to the last survey, in which 19% saw a significant decrease in debt. As in the previous survey, very few (3%) had increased their use of long-term debt instruments significantly. It could be hypothesized that this trend will continue, as a majority of entrepreneurs globally (63%) predict the coming 12 months will see their use of long-term debt instruments decrease.

It is possible to hypothesize that entrepreneurs are using increased profits to hire more employees, while simultaneously reducing their long-term debt. This is a theme which will be further explored in the next global survey.

About the Research

This report is part of the Global Economic Indicator research program conducted by the Entrepreneurs' Organization in partnership with The Standard Chartered Private Bank. This research program began in May of 2010 and consists of a five-year series of quarterly surveys of Entrepreneurs' Organization members. The full report and findings are available at: <http://www.entrepreneurindicator.com/>.

The significance and uniqueness of this global research program lies in the very tight definition of a successful entrepreneur represented by the Entrepreneurs' Organization's membership base. All those surveyed have successfully founded a business grossing more than US\$1 million in revenue annually. Overall, EO members average US\$18.4 million in revenue per year. Between them, these entrepreneurs employ more than 1.3 million workers, with an average of 191 employees per entrepreneur. The average age of the entrepreneurs surveyed is 40. This group is generally very difficult to gain access to and poll. However, the Entrepreneurs' Organization holds a member base fitting these criteria that are captive to the organization, providing the ability to gain an entree to this highly important sample of the successful entrepreneur population.

This initial research surveyed more than 7,300 entrepreneurs in 42 countries from the Entrepreneurs Organization, achieving a response rate of 20% based on a minimum reach of 7,300.

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Limitations

- Not all respondents may have received the email
- Over 50% surveyed were based in the US and represented 58% of respondents.
- Some regional Indicators have a small response rate relative to their size. These reports can perhaps be used in the context of the longitudinal data as a benchmark made richer over time
- There may be anomalies in the membership data, such as an owner or major shareholder rather than founder may be included in respondents or other anomalies.
- There may be anomalies caused by technology in the process from data extraction, to survey delivery, to responses, to first stage analysis. While noted as a limitation, this is for probity as these are estimated to be minimal.
- Per the below statistics, most of the membership base is categorized as founder or cofounder, however, more founders and cofounders could be included in the owner and major shareholder categories. Members in these additional categories could potentially be categorized as entrepreneurs, dependent on the nature of intent to innovate or innovation.

Founder or Co-Founder	53%
Owner	34%
Controlling Shareholder	9%
Other	4%

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Response Rates Summary

Asia/Pacific	237
Canada	118
Europe/Africa/Middle East	85
Latin America/Caribbean	55
United States	712
Global Total	1207

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