

Analysis of Entrepreneurial Developments in Five Countries

Report for International Entrepreneurship Assignment1 2017-18

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Executive Summary

This report will:

- **Introduce the main contexts of GEM Framework**
- **Compile a portfolio of information about entrepreneurial policies and strategies in the USA, South Africa, the UK, India and Poland**
- **Critically evaluate these five countries from political, economic and psychological contexts**
- **Draw conclusions and offer suggestions based on the analysis.**

The USA, South Africa, the UK, India and Poland are in several different continents, and these five countries include both developing countries and developed countries. Thus, their individual entrepreneurial characteristics could reflect differences and representation of their own areas.

This report will focus on three main dimensions of entrepreneurial framework conditions: impact of political policies on promoting entrepreneurship, role of entrepreneur in economic development, influence of the social environment.

My recommendations for the development of entrepreneurship are:

- **promotion of entrepreneurship policy**
- **encourage entrepreneurial skills training**
- **establish an incubator that specializes in cultivating start-up companies**

1.0 Introduction

1.1 Objectives

This report compiles a portfolio of information about entrepreneurial policies and strategies in the USA, South Africa, the UK, India and Poland. In order to comprehensively analyze the entrepreneurial information of these five countries, this report focuses on three main dimensions of entrepreneurial framework conditions: impact of political policies on promoting entrepreneurship, role of entrepreneur in economic development, influence of the social environment. In addition, this report will compare these five countries' differences on entrepreneurship development.

1.2 GEM Framework

1.2.1 Political Context

Since the government is leading in the sponsorship of most support programs, the government's policies relating to entrepreneurship will greatly help ensure positive entrepreneurial practices. Therefore, it will promote the development of SMEs and help increase job opportunities. There have been some studies on the role of government policies in the development of entrepreneurship (Friedman, 2011 & Minniti, 2008) and their impact on economic development. Most governments, especially in developing countries, always propose supportive policies in different forms, such as tax policies, infrastructure, and loans. (Obaji & Olugu, 2014)

1.2.2 Economic Context

Entrepreneurship can influence a country's economy in different ways. Entrepreneurship plays a crucial role in the country's economic development because it is a key factor in innovation, product improvement, and reduction of unemployment and poverty. In order to make profits from newly found opportunities, entrepreneurship can take a long step toward stabilizing the country's economy and generating huge returns for the government.

1.2.3 Psychological Context

The attitude of society towards entrepreneurial attitudes has affected the expectations of people becoming entrepreneurs. Evidence also shows that positive entrepreneurial attitudes are often associated with high levels of entrepreneurship. The social value system and culture form the country's entrepreneurial ecosystem. Therefore, the good attitude of the society to entrepreneurship stimulates individual entrepreneurship. Kwon and Arenius (2010) also support this hypothesis. In the GEM survey, social values are measured in the following three dimensions: whether most people think

that starting a new business is an ideal career choice, whether those who successfully create new businesses enjoy a high status and respect in society, and whether the medium pay attention to entrepreneurship.

2.0 Main findings

2.1 the United States

The United States is recognized globally for its entrepreneurial culture. (Anon, 2018)

Political Landscape

The U.S. government promotes entrepreneurship through a variety of mechanisms, including working with corporations, non-governmental organizations; advocating free and open markets and strong intellectual property protection; and creating new opportunities. (Anon, 2018)

Economic Landscape

One of the unique features of the U.S. economy is that it is relatively easy and rapid to start a business. (Sadeghi, 2008) Entrepreneurship provides individuals with means to improve their lives and promote innovation, thereby bringing economic security to communities, countries and regions. (Anon, 2018)

The United States scores the strongest and ranks first in the overall ranking for producing innovative products and services that other companies do not currently provide. This proves that entrepreneurial potential can discover new sources of U.S. economic growth. The United States ranks first in the quality of entrepreneurial talent resources. However, the United States ranks 14th in the network. Researchers believe that the relatively high cost of U.S. broadband has prevented some aspiring entrepreneurs from making full use of opportunities and resources through the Internet. (Donna, Abdul,et.al, 2016)

Psychological Landscape

According to the 2014 Global Entrepreneurship and Development Index (GEDI), the United States is the most entrepreneurial economy in the world. Nearly one in two people in the United States is aware of entrepreneurial opportunities. Among entrepreneurs in the United States, 14% choose to start their own business because they do not have a better job choice. In 2015, 69% of entrepreneurs in the United States chose to start their own business because of the pursuit of opportunities and their desire to increase income. (Donna, Abdul,et.al, 2016)

Women's Entrepreneurship

The United States is the world leader in women's entrepreneurship. Raising women's economic status is a key element of the U.S. government's commitment to gender equality. The United States provides women with access to commercial networks and

global markets, promotes women's integration into the economy, including global value chains, and provides training for women entrepreneurs.

They believe that targeted government policies can make women more entrepreneurial. For example, the U.S. government launched the "American Entrepreneurship Policy" in 2012 to encourage more women to start businesses. This helps women overcome barriers to entrepreneurship in training, networking, and finance. (Myers, 2018)

2.2 South Africa

Political Landscape

In South Africa, it is estimated that there are about 2 million small businesses, accounting for 98% of the total number of companies in the country. (SA, 2018)

However, 80% of startups in South Africa failed in the first three years, mainly due to lack of support. The incubation process will increase the survival rate of start-up companies, which will help small businesses achieve financial viability. (Entrepreneurmag.co.za, 2018)

The South African government has long recognized that entrepreneurs can play an important role in economic development and the people's social progress. Those who catch business opportunities and pursue it will receive support and be rewarded by the government. They can be fully integrated into different sectors of the South African economy and into local, national, African and other international markets. This process will greatly assist South Africa in meeting and maintaining the material needs of all people. (SA, 2018)

On the other hand, Busetti noted that although the government spends about \$1.2 billion a year to finance small businesses, it has not been effectively implemented. (Coetzee, 2018)

Economic Landscape

For many developing countries, private sector development has been a powerful engine of economic growth. It is crucial to improve the quality, quantity and variety of employment opportunities for the poor. Entrepreneurial incentive market. The formation of new business leads to the creation of job opportunities and has a multiplier effect on the economy. (SA, 2018)

Psychological Landscape

The problem of unemployment in South Africa is very serious, especially for young people. Fatoki reported that most South African graduates have low entrepreneurial intentions and they are more willing to work for private companies or governments. Graduates would rather work for employers than start a business. According to the 2009 Global Entrepreneurship Monitoring (GEM) survey, South Africa ranked 35th among the 54 participating countries (with a median of less than 8). In the 2014 report, South Africa's ratings fell to 53 out of 70 countries (below the median of 18). According to reports, the early entrepreneurial activity (TEA) rate is also far below the average. (Meyer, 2015)

2.3 the United Kingdom

Political Landscape

The government is providing funds and plans to provide loans to more small businesses, including providing funds and plans to encourage the private sector to invest in small businesses. (GOV.UK, 2018)

They established a commercial financial partnership and invested 1.2 billion pounds to increase loans for SMEs from other sources outside the bank. This amount is at least equal to the amount of private sector investors and will invest on full commercial terms. (GOV.UK, 2018)

Since April 2014, many British business and charity has been entitled to a £2,000 employment allowance to reduce its annual employer's national insurance contribution (NIC) bill. Employment subsidies will reduce the barriers faced by small businesses that want to grow by supporting employment costs to support businesses. (GOV.UK, 2018)

Economic Landscape

Today, the United Kingdom is the world's second largest service exporter (after the United States) and the sixth largest trading nation in the world. For European headquarters, it is still the most attractive place in Europe: more and more overseas companies have their European headquarters in the United Kingdom. (Ccbjournal.com, 2018)

The United Kingdom has more entrepreneurial activities than any other European country, ranking fourth in the world. (Burn-Callander, 2018)

The UK is also the easiest place to establish and operate business in Europe. According to World Bank statistics, it takes only 13 days to establish a business in the United Kingdom. (Ccbjournal.com, 2018)

Psychological Landscape

In 2015 in the United Kingdom, one-fifth of the working-age individuals were engaged in corporate activities or planned to start businesses in the next three years, with a similar share of 2014. The emerging entrepreneurship rate was 3.8%, although lower than 2014 and higher than the long-term average level before 2011. The ratio of ownership of new business and existing businesses also decreased slightly in the previous year, but the most obvious change was the increase in entrepreneurial intentions, from 5.8% in 2014 to more than 7% in 2015. (Hart, Levie, 2015)

Women's Entrepreneurship

In the United Kingdom, the female TEA rate in 2015 was 4.7%, which was not significantly different from the 5.7% in 2014. In comparison, the 9.5% male rate in 2015 decreased significantly in 2014 with a ratio of 11.5%. In 2015, British women's early entrepreneurial activities accounted for 49% of men's activities, while women's established business ownership was 59% for men. (Hart, Levie, 2015)

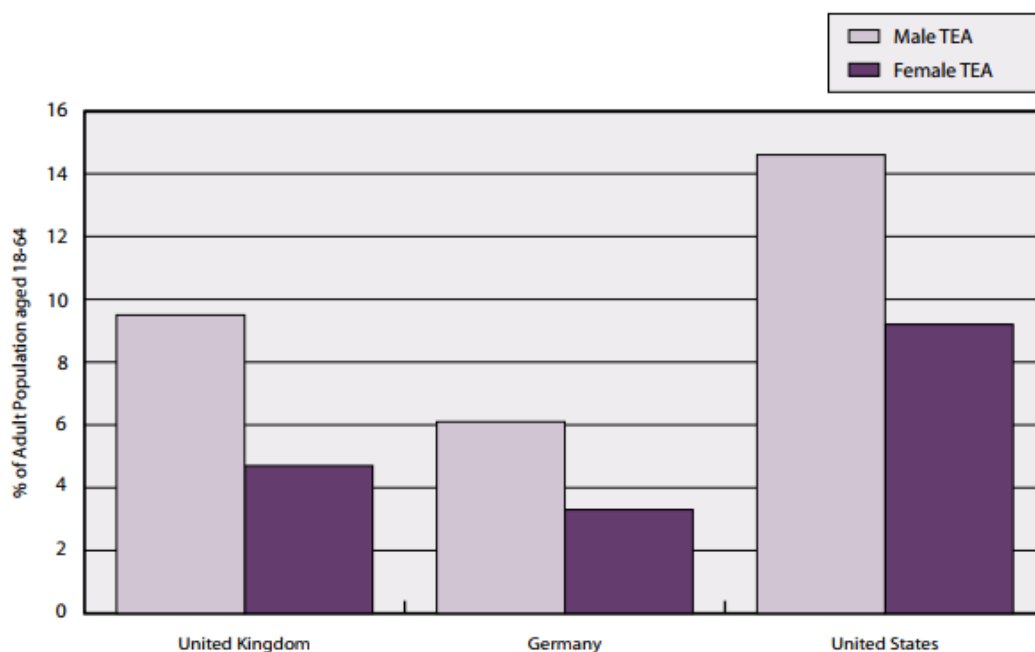


Figure 1: TEA activity by gender in the UK, Germany and the US in 2015

Figure 1 shows a summary of gender-based TEA rates in the United Kingdom, Germany, and the United States in 2015. In most high-income countries, male start-up entrepreneurs are almost twice as many as female ones, such as in the UK. In the United States, the female TEA rate is about three-fifths of that of men.

2.4 India

Political Landscape

The Indian government has taken some measures and formulated policy measures to cultivate the country's innovation and entrepreneurship. Job creation is the primary challenge for India. However, India has a distinct and unique demographic advantage, has enormous potential for innovation, and raises entrepreneurs and job creation for the benefit of the country and the world. (Anon, 2018)

Recognizing the importance of women's entrepreneurship and economic participation in promoting national growth and prosperity, the Indian government ensures that all policy initiatives are focused on achieving equal opportunities for women. The government tried to put women to the forefront of India's entrepreneurial ecosystem by providing loans, networks, markets, and training. (Anon, 2018)

Economic Landscape

In India, entrepreneurship is accelerating innovation in areas such as education, IT, healthcare, and providing solutions to many of these problem areas.

The economic slowdown is one of the reasons for the decline in employment in the country. The youth unemployment rate is on the rise. In this regard, entrepreneurship plays a key role in creating job opportunities. An entrepreneur must not only create his own job opportunities, but also establish an employment structure from small to large. As these companies grow, employment opportunities increase. In India, many home-based startups are now employers for hundreds of individuals. Companies/entrepreneurs with innovative ideas have the right to create jobs and stimulate the economy. (Chowdhry, 2018)

In the Indian market, entrepreneurship has led to more inclusive economic growth, so the government has been taking initiatives to promote entrepreneurial ecosystems because they recognize the benefits of entrepreneurship to the country's economic growth. (Sunil, Krishna, 2015)

In India, 4.1% of adults are new-entrepreneurs, and 2.5% are new-entrepreneurs who are just trying to start a business. This means that 6.6% of adults participate in certain aspects of TEA, that is, about 1 in 14 adults in India is expected to become an early stage entrepreneur. (Sunil, Krishna, 2015)

Psychological Landscape

Countries	Entrepreneurship as a Good Career Choice	High Status to Successful Entrepreneurs	Media Attention to Entrepreneurship
China	65.68	72.91	69.28
India	57.93	66.16	56.62
South Africa	69.58	72.92	72.57
Brazil	NA	NA	NA
Russia	67.12	65.93	50.43

Table 1: Social Values of Entrepreneurship in BRIC Countries in 2014 (Percentage of Population Aged 18-64)

As is shown in Table1, In India, 58% of Indian adults believe that entrepreneurship is an ideal career choice; about 66% of adults believe that entrepreneurs have gained a high status and respect, and about 57% of adults report that the media is concerned about entrepreneurship. However, the ideal career choice for Indian entrepreneurs is the lowest among BRICS countries. South African economies have the highest social value of entrepreneurship. Moreover, in the de facto economy (Table1), India has the lowest position in terms of successful entrepreneurs. (Sunil, Krishna,2015)

2.5 Poland

Political Landscape

Since the 1990s, the political transformation in Poland has generated great interest from the government to stimulate entrepreneurial spirit and create favorable conditions for private enterprises, especially small and medium-sized enterprises (Kantorowicz, Żuk 2008). For Poland's self-employed, entrepreneurs and general SMEs, the government provides various forms of financial support, such as loans for starting and developing a business, subsidies for new technologies, financial support for international expansion.

Economic Landscape

In 2013, the number of business registrations in Poland increased by about 2% compared to 2012. Private individuals dominate in start-ups (more than 80%). The number of new company registrations also increased by 124%. However, 96% of startups are represented by microenterprises. (Team, 2018)

Psychological Landscape

The GEM survey analyzed social perception of entrepreneurship from three dimensions: Entrepreneurship assessment is a good career choice, assessing the status of successful entrepreneurs and assessing media entrepreneurship. As is shown in

Fig2, more than 60% of Poles believe that entrepreneurship is a good career choice - slightly above the European average. Over the years, the value of this indicator has steadily dropped dramatically (from 12.5 percentage points since 2011). A similar situation is related to the status of entrepreneurs. Only less than 56% of Poles believe that successful entrepreneurs can expect a high degree of social status, below the European average. The best results in this category were achieved in 2011, with the worst results recorded in 2014 and unchanged in the final survey (56%). With regard to the media's concern for entrepreneurship, we can now see the largest annual decline (3.5% compared to 2014). (Anna, Dorota, 2017)

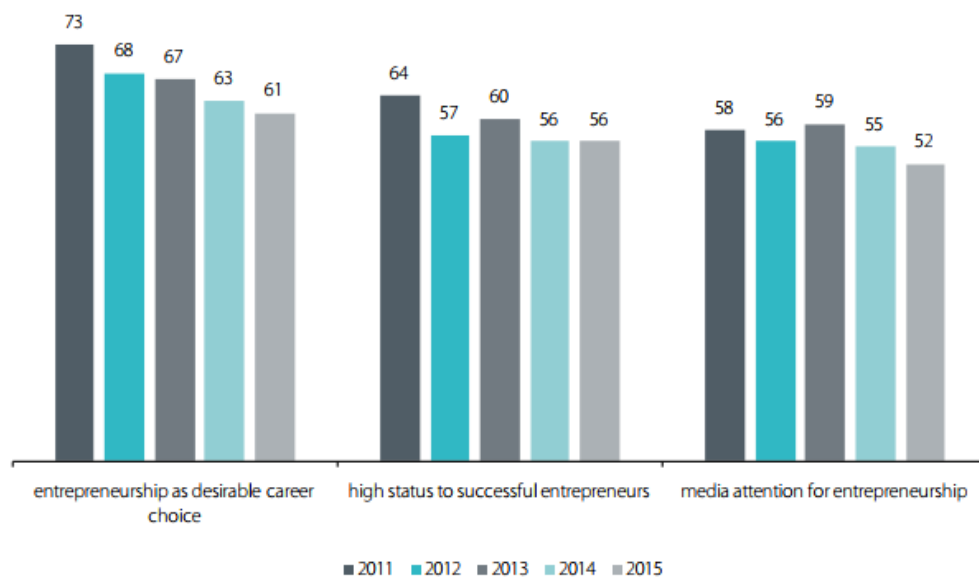


Figure2: Entrepreneur recognition in Poland 2011 - 2015 (%)

3.0 Conclusions

GEM's research results show that there are many factors affecting entrepreneurship in different countries, including individuals, such as personal attitudes, age, gender, entrepreneurial motivation, work status, education background, etc., as well as the impact of the overall environment, such as per capita GDP and economic growth rates; national policies, etc. are also important influencing factors. Sometimes several factors affect each other.

The governments of developed countries such as the United States and the United Kingdom have invested more in supporting innovation and entrepreneurship. They have promoted entrepreneurship at all levels and encouraged innovation. Industrial development has also become more mature. The proportion of female entrepreneurs is relatively high and the awareness of the public is relatively high. (Obaji, Olugu, 2014)

However, India, South Africa and other developing countries are committed to fostering a group of small and medium-sized enterprises with innovative enthusiasm to improve their entrepreneurial and innovative environment so that they can enjoy good development. However, due to the fear of start-up failure and restrictions on start-up funds, there are relatively few active entrepreneurs and female entrepreneurs also have a lower proportion.

4.0 Recommendations

The focus of the promotion of entrepreneurship policy should be first placed on the provision of financing facilities. Different financing facilities should be provided for entrepreneurs at different ages.

The government should encourage higher education institutions to conduct entrepreneurial skills training and promote cooperation with experienced entrepreneurial instructors.

The government, banks, and large corporations jointly fund the establishment of an incubator that specializes in cultivating start-up companies. It recruits aspiring entrepreneurial talents from the society, conducts screening screenings on their business plans, technological inventions and creative ideas, and then assists projects with high potential to enter the market.

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