



Global Entrepreneurship Monitor

Country Report Germany 2010

– Executive Summary –

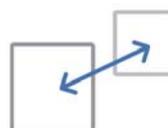
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Special topic:
Start-ups by migrants

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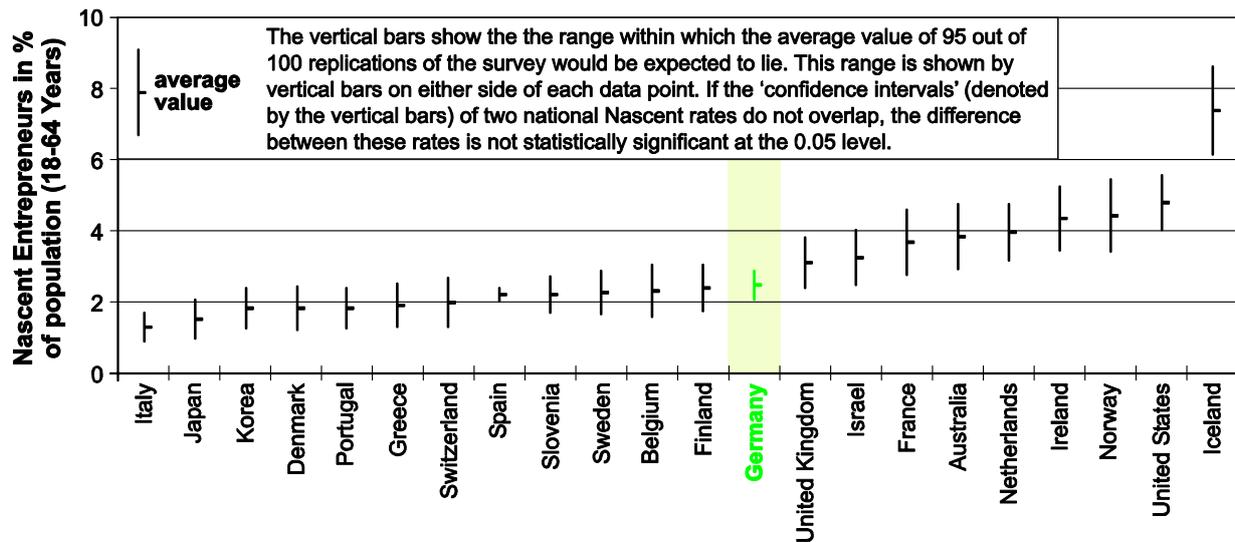
Executive Summary

This is the summary of the eleventh German Country Report for the Global Entrepreneurship Monitor (GEM). The GEM is an international research program which was initiated by London Business School and Babson College (USA) in the late 1990s. This national report on Germany describes and explains the entrepreneurial activities undertaken in Germany in 2010. It compares the findings with those of the other 58 countries participating in the GEM in 2010 and with the data on the previous years. The special topic this year focuses on the entrepreneurial activities and attitudes of people with migration backgrounds. The 2010 GEM Country Report on Germany provides answers to the following key questions:

- How do the entrepreneurial activities here in Germany differ from those in other countries?
- How has the volume of entrepreneurial activity changed, and why?
- What are Germany's strengths and weaknesses with regard to the entrepreneurial framework conditions (e.g. funding, support schemes, education/ training) compared with other innovation-driven nations?
- What parallels and differences exist between people with and without migration backgrounds as regards entrepreneurial activities, motives and attitudes?
- What effect has the economic and financial crisis in 2009/2010 had in the perception of actual and potential entrepreneurs?

The data basis in Germany comprises a representative sample of 5,552 personal telephone interviews conducted in the early summer of 2010. These were supplemented by 40 interviews with experts. In the GEM year of 2010 the international comparison is based on data from 59 countries with information about 175,000 interviewees, and 54 countries with 2006 experts. With regard to timeliness, scope and international and intertemporal comparability these data sets are currently unrivalled in research into entrepreneurial activity. For most of the indicators Germany is compared with 21 other so-called innovation-driven economies (according to the definition used by the World Economic Forum) that were recorded in the GEM 2010.

Fig. 1: Nascent Entrepreneurs in 22 innovation-driven GEM countries 2010



Nascent Entrepreneurs: Percentage of 18 - 64 age group who are currently a nascent entrepreneur, i.e., actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months.

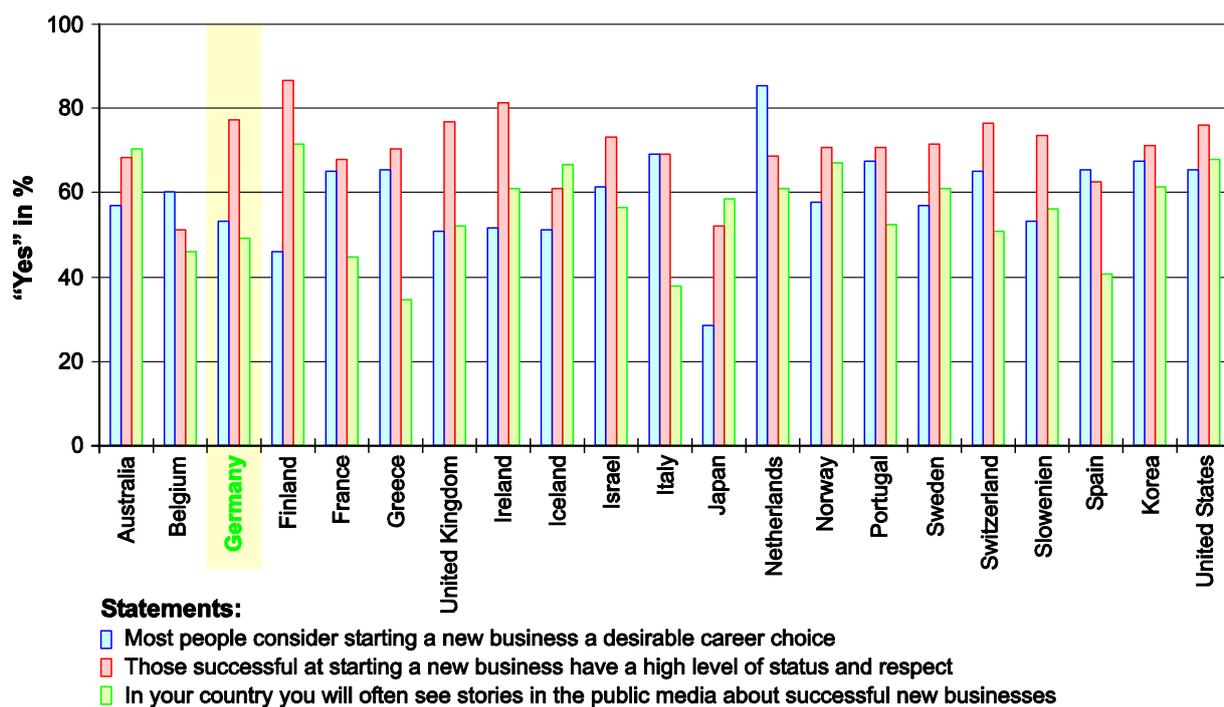
Data source: APS 2010

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Entrepreneurial activities and motives in Germany in 2010

- At the time of the survey, a total of just under 4.2% of Germany's adult population were actively trying to set up new businesses (nascent entrepreneurs) or were owner-managers of firms that were no more than 3 ½ years old (young businesses). Germany ranks low among the innovation-driven GEM countries with regard to this so-called Total Early-Stage Entrepreneurial Activity (TEA, the sum of all young and nascent entrepreneurs).
- 2.5% of all adults are nascent entrepreneurs. Germany thus occupies a ranking in the midfield of the comparable countries (see fig. 1). The proportion of young entrepreneurs is 1.8% of the adult population.
- In Germany, too, entrepreneurs who become self-employed in order to put a business idea into practice (2.8% of all 18-64-year-olds) are more numerous than those who become self-employed due to a lack of employment alternatives (1.0%). As in previous years, however, the latter motive for becoming self-employed was reported relatively frequently compared with other countries.

Fig. 2: Three important attributes of Germany's entrepreneurial climate compared to 21 innovation-driven GEM countries 2010



Data source: APS 2010

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Entrepreneurial attitudes and perceptions

- Germany's adult population is more pessimistic than the citizens of comparable GEM countries as regards future entrepreneurial opportunities, and fear of failure is relatively frequently claimed to prevent them from starting a business at all.
- Compared with the other innovation-driven countries, the image of entrepreneurs in German society is relatively positive (see fig. 2). According to 77% of the respondents in Germany, successful entrepreneurs enjoy respect and a good status, a far better result than that obtained for most of the reference countries. According to half of the respondents, the media often report about successful new businesses, which is also a sign of a good climate for entrepreneurship. However, only a good 50% of the 18-64-year-olds interviewed see a business start-up as possessing "attractive career prospects", only two reference countries have a statistically significant lower value than this.

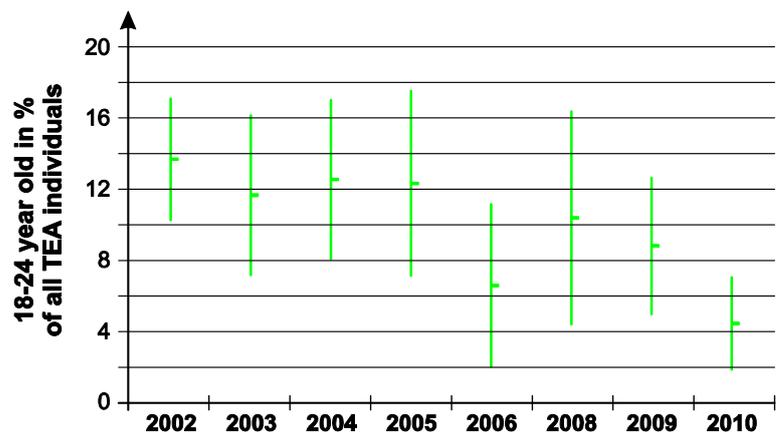
Entrepreneurial framework conditions

- As in previous years, Germany's strengths as a location for entrepreneurship, according to the experts interviewed, include its 'physical infrastructure', the

'government support schemes', 'intellectual property rights' and the availability of advisors and suppliers for new businesses.

- In contrast, the German experts interviewed assess as rather negative the school-based preparation for self-employment, the social values and norms and the supply of labour for new and growing firms.

Fig. 3: 18-24 year old as a percentage of all TEA individuals in Germany 2002-2010



Data source: APS Germany 2002-2006, 2008-2010

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- Irrespective of how the experts judge the total of 19 framework conditions (good vs. poor), these framework conditions are important in very different ways. In Germany the especially important framework conditions that can be defined as key factors on the way to an 'entrepreneurial society' include in particular entrepreneurship education in schools and in the training system, social values and norms, as well as the entrepreneurial abilities and motivation of the population.
- As the majority of the framework conditions that are regarded as particularly important are those for which Germany is given comparably poor marks, there is a need for action (also political action) in the latter areas if an increase in the number of self-employed people is desired from a political viewpoint.
- The evaluation of the quality of the entrepreneurship framework conditions can also use other GEM countries as a benchmark. In this international relative perspective Germany is placed in an above-average position. The assessments concerning the support infrastructure (e.g. number, transparency and effectiveness of government entrepreneurship schemes) and the prioritisation of the subject of business start-ups on the part of Germany's policy-makers, which are positive compared with the other innovation-driven economies, are to be emphasised.

Differences compared with previous years

- The TEA rate remains virtually unchanged compared with the previous year; the decline in the nascent rate which had been observed since 2005, on the other hand, has stopped.
- For Germany the GEM data have shown a clear decline in the proportion of 18-24-year-old entrepreneurs among all entrepreneurs in Germany since 2002 (2002: 14.0%, 2010: 3.5%) which exceeds the decrease in this age group as a percentage of the overall population (see fig. 3). The extent of this phenomenon is

greater here in Germany than in the reference countries and cannot be explained solely by the demography-related decrease in the population of this age group as a whole.

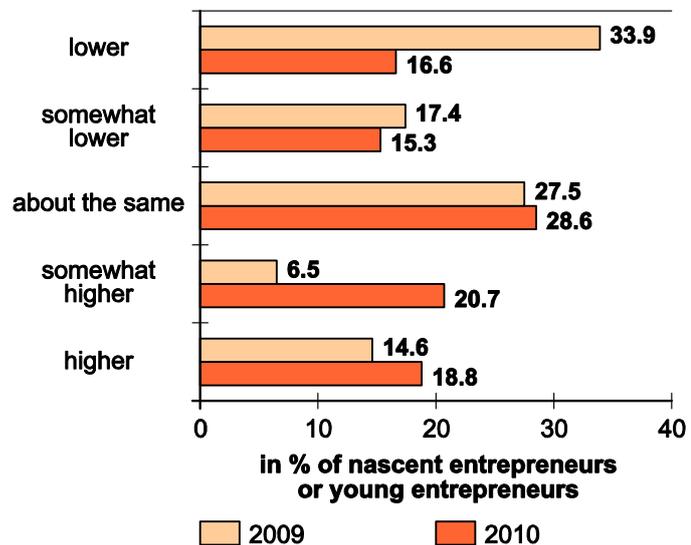
- In 2010 Germany's entrepreneurs considered themselves far less affected by the crisis than they were in 2009. For almost two fifths of them the growth prospects for their businesses were even better than in the previous year (see fig. 4). The economic crisis, however tangible it may (still) have been in 2010, can no longer be used as a convincing explanation for low business start-up figures or limited growth prospects for new businesses. The future will show whether the mood is better than the actual situation.

Special topic "Start-ups by people with migration backgrounds"

- In this GEM report everyone who was born abroad, i.e. immigrated to Germany, irrespective of their nationality, is regarded as a migrant. Besides this group of first-generation immigrants there are also some migrants who were born in Germany but

Fig. 4: The impact of the economic crises on the growth of a new firm from the perspective of nascent and young entrepreneurs in Germany 2009 and 2010

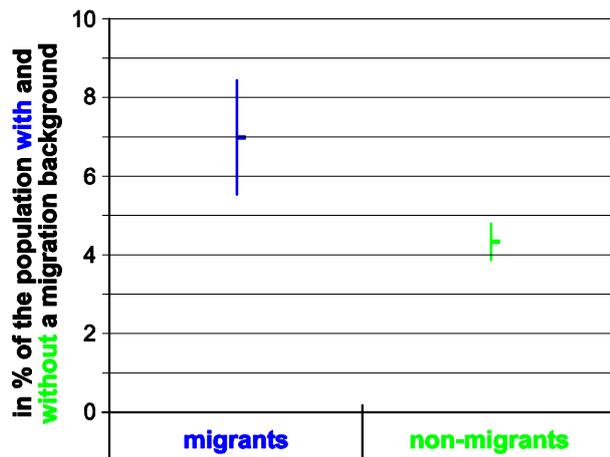
Question: "Compared to one year ago, your expectations for growth are now ..."



Data source: APS Germany 2009, 2010

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Fig. 5: TEA of migrants and non-migrants in Germany 2009/2010



The vertical bars show the the range within which the average value of 95 out of 100 replications of the survey would be expected to lie. This range is shown by vertical bars on either side of each data point. If the 'confidence intervals' (denoted by the vertical bars) of two national Nascent rates do not overlap, the difference between these rates is not statistically significant at the 0.05 level.

Migrants: Everyone who was born abroad, i.e. immigrated to Germany, irrespective of their nationality, is regarded as a migrant. Besides this group of first-generation immigrants there are also some migrants who were born in Germany but still feel that they belong more to their parents' culture group. They are also counted as migrants here.

Total Early-stage Entrepreneurial Activity (TEA): Percentage of 18–64 age group who are either a nascent entrepreneur or owner-manager of a new business.

Data source: APS Germany 2009, 2010

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still feel that they belong more to their parents' culture group. They are also counted as migrants here.

- As expected, migrants prove on the whole to be more willing to become entrepreneurs than the native population (see fig. 5). However, this appears frequently to be a response to migrants' poorer employment opportunities compared to those of the native population.
- Migrants are by no means more willing to take risks than the rest of the population. However, the businesses that they set up are no less innovative on average than those of other entrepreneurs and are even considerably larger on average. It therefore seems that migrants "make a virtue out of necessity" and make an important contribution to the German economy not least by creating jobs especially often.

Policy recommendations

- Government entrepreneurship promotion policies provide sufficient measures in quantitative terms but it would make sense to organise the available offers more effectively and make them more transparent. This would include optimising transparency, for example by coordinating support schemes more closely at national, regional and local level, as well as a more offensive targeted communication and promotion of the support opportunities.
- Demographic change, longer working lives and increasing skill shortages mean that older individuals will participate in the labour force longer than was the case in

previous decades. To this end policy makers have in recent years taken decisions that point the way forward. Entrepreneurship policy, too, should take this up and create specific support schemes.

- The low and still falling entrepreneurial propensity of 18-24-year-olds must be regarded as a bad sign for the future development of entrepreneurial activity on the whole. More should therefore be done to raise young people's awareness of self-employment. A possible point of departure in this respect could be a reevaluation of entrepreneurship education.
- The economic policy debate surrounding people with migration backgrounds in Germany and the corresponding measures have so far concentrated on the labour market and have neglected the integration potential of self-employment. As migrants have a greater entrepreneurial propensity than non-migrants, it would be advisable to tap this potential in a more target-orientated way than has so far been the case by providing more and better training schemes and advisory services aimed specifically at migrants who wish to become entrepreneurs.

For the complete version of the GEM Country Report Germany 2010 (in German) see:
<http://www.wigeo.uni-hannover.de/gem2010.html>