Panteia
Research to Progress

Research voor Beleid | EIM | NEA | IOO | Stratus | IPM

Global Entrepreneurship Monitor

The Netherlands 2013

National Report

Dr André van Stel
Tommy Span MSc
Dr Jolanda Hessels

Zoetermeer, October 2014

GEM

Ondernemerschap.nl

This report is part of the research program "SMEs and Entrepreneurship" (www.entrepreneurship-sme.eu) which is financed by the Dutch Ministry of Economic Affairs.

Panteia BV
Bredewater 26
2715 CA Zoetermeer
079 322 22 00
www.panteia.nl

Panteia BV
P.o. box 7001
2701 AA Zoetermeer
The Netherlands
+31 79 322 22 00

Reference number	H201407
Publication	October 2014
Number of pages	40
Email address corresponding author	a.van.stel@panteia.nl
Address	Panteia Bredewater 26 P.O. Box 7001 2701 AA Zoetermeer the Netherlands Phone: +31 79 322 20 00

All the research reports are available on the website www.entrepreneurship-sme.eu

Zoetermeer, October 2014

Table of contents

Summary

The Global Entrepreneurship Monitor (GEM) is a research program with the aim to obtain internationally comparative data on entrepreneurial activity. By consistently using proven indicators, global and longitudinal comparisons of entrepreneurial activity can be provided. Most indicators discussed in the present report are from GEM's Adult Population Survey (APS), while a few indicators are taken from GEM's National Expert Survey (NES). The most remarkable GEM 2013 results for the Netherlands are as follows.

The Total early-stage Entrepreneurial Activity (TEA) rate, defined as the percentage of adults between 18 and 64 years of age who are actively trying to start a new business (nascent entrepreneurs) or own and manage a business younger than 3.5 years (young business entrepreneurs), has decreased from 10.3% in 2012 to 9.3% in 2013. The decrease is entirely due to young business entrepreneurship. In 2012 the rate of young business entrepreneurship was far above historically observed levels and it is likely that many of these young businesses did not survive in 2013 as a result of the economic crisis. Nevertheless, the Dutch TEA rate still ranks sixth out of 26 innovation-driven economies, and eighth among the 23 members of the European Union that participate in GEM. Among the subset of EU countries that can be classified as innovation-driven economies, the Netherlands has the highest TEA rate.

The rate of established entrepreneurship (entrepreneurs of businesses older than 3.5 years) also decreased, from 9.5% in 2012 to 8.7% in 2013. But also for this indicator the Netherlands score considerably higher than the average of innovation-driven economies. In fact, the Netherlands is relatively unique in that it scores considerably higher than average on *both* young business and established entrepreneurship when compared to economies with similar development levels.

Compared to the overall Dutch TEA rate (9.3%), but also compared to other innovation-driven economies, the TEA rate in the Netherlands is especially high among individuals in the age category of 25-34 years (13.1%) and among individuals with a graduate degree (16.8%). It seems that after graduation from university (i.e., in the age of 25-34), more graduates consider to start their own business. These results suggest that the increased attention for entrepreneurship in Dutch higher education in the past decade is starting to pay off.

Another remarkable finding from the 2013 GEM survey is that in the Netherlands, a much higher percentage (80%) than in (other) innovation-driven economies (54%) considers entrepreneurship a desirable career choice. This relatively high percentage is quite persistent over time, suggesting that the cultural attitude towards entrepreneurship in the Netherlands is very positive.

Regarding ambitions of Dutch entrepreneurs, it is found that the TEA rate with high growth expectations (plans to create more than 19 jobs in the next five years) is relatively low in the Netherlands while the TEA rate with moderate growth expectations (create any jobs in the next five years) is somewhat higher than the average of innovation-driven economies. This pattern of growth ambitions of Dutch early-stage entrepreneurs suggests that in the long run, the Netherlands may be heading for an economy with an even stronger emphasis on small and medium-sized enterprises, relative to large enterprises.

Results from this year's report also show that while from an international perspective, relatively *many* Dutch entrepreneurs indicate that their product is new to all of their customers, at the same time relatively *few* entrepreneurs indicate to experience no competition in their market. These results suggest that the level of competition in the innovative market segment in the Netherlands is quite strong. Even when firms introduce innovative products, the competition can never be neglected.

Remarkably, although entrepreneurship rates in the Netherlands are higher than for most other innovation-driven economies, entrepreneurial exit (i.e., entrepreneurs selling, shutting down, discontinuing or quitting their business) rates are lower than average. This suggests that survival rates of Dutch businesses are relatively high.

Regarding entrepreneurial exit it is also found that the share of entrepreneurial exits where the business continued its activities, is relatively low. In other words, more often than in other innovation-driven economies, an entrepreneurial exit in the Netherlands also means a closure of the business. This might point at some degree of market failure in the market for business transfers.

Results from the National Expert Survey show that entrepreneurial framework conditions are very good. In the Netherlands the basic requirements for starting and running a business, as well as for appropriating the returns to innovations, seem to be in place. Nevertheless, there are also two framework conditions with room for improvement. These relate to the availability of finance for new and growing firms and to the valorisation of scientific knowledge.

1 Introduction [1]

1.1 The Global Entrepreneurship Monitor (GEM)

1.1.1 History

The Global Entrepreneurship Monitor (GEM) is a research program executed annually with the aim to obtain internationally comparative high quality research data on entrepreneurial activity at the national level. This academic research consortium started as a partnership between the London Business School and Babson College in 1999 with 10 participating countries. Over the years GEM has expanded to comprise 70 economies in 2013. These 70 economies cover 75% of the world's population and 89% of world GDP. Currently, GEM is the largest study of entrepreneurial activity in the world. The GEM research program provides a harmonized assessment of the level of national entrepreneurial activity and conditions to which it is subject for each participating country. In 2013, the Netherlands participated in GEM for the thirteenth time since it joined the GEM project in 2001.

1.1.2 Objectives

Although it is widely acknowledged that entrepreneurship is an important force shaping a country's economy, the understanding of the relationship between entrepreneurship and economic development is still far from complete (Acs, Desai and Hessels, 2008). The quest to unravel this complex relationship has been hampered particularly by a lack of cross-national harmonized data on entrepreneurship. Since 1999, the GEM research program has sought to address this by collecting relevant cross-national harmonized data on an annual basis. GEM focuses on three main objectives:

- To measure differences in the level of entrepreneurial activity between countries;
- To uncover factors that determine national levels of entrepreneurial activity;
- To identify policies that may enhance the national level of entrepreneurial activity.

In addition to these three main objectives GEM studies the contribution of entrepreneurship to national economic growth. Traditional analyses of economic growth and competitiveness have tended to neglect the role played by new and small firms in the economy. GEM takes a comprehensive approach and considers the extent of involvement in entrepreneurial activity within a country, identifying three stages of a country's level of economic development (Section 1.2) and different phases of entrepreneurship (Section 1.3).

1.2 Stages of economic development

The role of entrepreneurship in the economy and the specific nature of entrepreneurial activity depend on the level of economic development of an economy. Three stages of economic development can be identified which can be ordered from least developed to most developed as follows:

- *Factor-driven economies*. Economic activity in these economies is primarily based on the extraction of natural resources;
- *Efficiency-driven economies*. In these economies, industrialization and increasing scale-intensity are the major drivers of economic development;

[1] Chapters 1 to 3 use the same set-up as Van der Zwan, Hessels, Hoogendoorn and De Vries (2013). Moreover, in many cases, general descriptions of GEM-related phenomena have been taken over from their report.

- *Innovation-driven economies*. The service sector strongly expands and the industrial sector evolves in terms of variety, R&D, and knowledge intensity.

These stages of economic development correspond to the classification of the World Economic Forum (WEF) into factor-driven, efficiency-driven, and innovation-driven economies, as presented in their Global Competitiveness Reports. An economy can be marked as primarily factor-driven, efficiency-driven, or innovation-driven depending on the activities that are most significant for a nation's economic development. An important criterion that is used to classify countries into these three categories is the level of per capita income, see Table 1.1.

Throughout the years, the number of factor-driven economies participating in GEM has increased considerably. In 2013, there are 13 factor-driven economies, 31 efficiency-driven economies, and 26 innovation-driven economies.

table 1.1 Income thresholds for establishing the stages of economic development

Stage of economic development	*GDP per capita (in US$)*
Stage 1: Factor-driven	< 2,000
Transition from stage 1 to stage 2	2,000 – 3,000
Stage 2: Efficiency-driven	3,000 – 9,000
Transition from stage 2 to stage 3	9,000 – 17,000
Stage 3: Innovation-driven	≥ 17,000

Source: The Global Competitiveness Report (GCR) 2011-2012 (World Economic Forum, 2011).

1.3 The entrepreneurship process

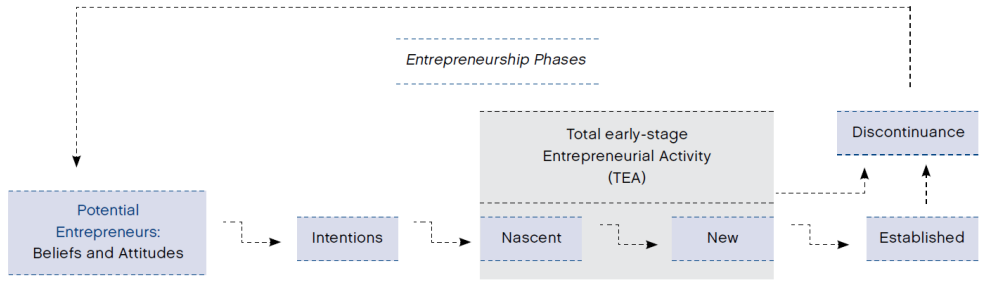
GEM acknowledges that entrepreneurial activity is best seen as a process rather than a single time event. Therefore, data are collected across several phases of entrepreneurship. Such a dynamic view provides valuable information to policy makers because individuals may respond differently to policy interventions depending on the specific position in the entrepreneurship process. For example, it may happen that substantial awareness for entrepreneurship as a career choice exists within a country and that many people expect to start a business within the next few years. In that same country, however, low rates of nascent entrepreneurship may exist as compared to countries with similar levels of economic development. Such a discrepancy in entrepreneurship involvement rates across several phases may call for targeted policy interventions to ameliorate the transformation between phases, in this example from intentions to actual steps to start a new business. GEM operationalizes the entrepreneurship process as depicted in Figure 0 which is taken from the GEM's 2012 Global Report (Xavier, Kelley, Kew, Herrington, and Vorderwülbecke, 2013).

Hence, the following phases of entrepreneurship can be distinguished:

- *Potential entrepreneurs*: Potential entrepreneurs are individuals who have not yet taken steps to start a business, but they have the beliefs and abilities to start a business. Specifically, individuals are considered to be potential entrepreneurs when they believe they have the knowledge and skills to start a business and when they see opportunities for setting up a business in the area where they live in. Furthermore, they should not be afraid of business failure. Section 2.1 of this report focuses on potential entrepreneurship.

- *Entrepreneurial intent*: Potential entrepreneurship is followed by entrepreneurial intent. In this phase, individuals are included who have actual intentions – alone or together with other individuals – to start a new business within the next three years. Information about the prevalence of entrepreneurial intent in the Netherlands is provided in Section 2.3 of this report.
- *Total early-stage entrepreneurial activity*: GEM's primary measure of entrepreneurship is total early-stage entrepreneurial activity (TEA). TEA consists of nascent entrepreneurs and new entrepreneurs. Specifically, the group of *nascent entrepreneurs* refers to individuals within the adult population (18-64 years of age) who are currently trying to start a new business. For this start-up effort, the individual expects to own at least a part of this new business, and salaries or wages have not yet been paid for the past three months. *New entrepreneurs* are currently involved in owning and managing a new existing business. Salaries or wages have been paid for between 3 and 42 months. Self-employed individuals may also be included in this group.
  A significant part of Chapter 3 of this report is devoted to early-stage entrepreneurship.
- *Established entrepreneurship*: The cycle continues with established business owners, who have been owner-managers of a business for at least 42 months (including self-employed individuals). Again, more information about the occurrence of established entrepreneurs follows in Chapter 3.

figure 0 The entrepreneurship process



Source: GEM (Xavier et al., 2013).

Whereas the phases of actually starting a business are characterized by potential entrepreneurs, entrepreneurial intent, nascent entrepreneurs, new entrepreneurs, and established entrepreneurs, there are two other phases depicted in Figure 0:

- *Discontinuance*: Any entrepreneur may decide to quit his/her business endeavour at some moment of time. This discontinuance of entrepreneurial activities may reflect a voluntary exit such as an opportunity to sell the business. On the other hand, it may also reflect an involuntary choice or less successful terminations, such as difficulties of getting external finance or a lack of profitability of the business. Entrepreneurial discontinuance is given more attention at the end of Chapter 3.
- *Re-engagement*: The dashed arrow connecting discontinuance and the pool of potential entrepreneurs refers to individuals who quit one of their business activities, and afterwards decide to re-engage in the entrepreneurship process. This category of entrepreneurs (referred to as serial entrepreneurs) together with established entrepreneurs is of importance because it embodies key resources for other entrepreneurs in terms of providing financing, advice, mentorship, or other types of support. Note that Figure 0 does not show any dashed arrows between the discontinuation phase and phases of the entrepreneurship process other than

potential entrepreneurship. In reality, however, an established entrepreneur may quit his/her entrepreneurial activities after which (s)he decides to set up another business, i.e. (s)he becomes a nascent entrepreneur. In addition, dashed arrows between the discontinuation phase and entrepreneurial intent and TEA may be added to Figure 0.

1.4 Adult Population Survey (APS) and National Expert Survey (NES)

1.4.1 APS

GEM consists of two survey components. Data collected as part of the Adult Population Survey (APS) are used to provide indicators of entrepreneurial activity, entrepreneurial attitudes, and entrepreneurial aspirations within an economy. These indicators can then be compared between economies. The APS data collection covers the complete life cycle of the entrepreneurship process as depicted in Figure 0. In addition, the APS distinguishes between several types of entrepreneurs based on start-up motives, growth aspirations, etc. These types will be discussed in Chapter 3.

The APS data are collected by standardized telephone surveys in each participating economy (or by means of face-to-face interviews in some economies). Each economy's sample must consist of at least 2,000 respondents of 18 years and older. The Dutch sample consists of 2,441 respondents and is acquired by means of a mixture between fixed-line and mobile-line telephone interviews. In the remainder of this report, all data are reweighted by the actual distribution of the Dutch population in terms of gender, age and education to make the sample representative along these dimensions for the Dutch adult population between 18 and 64 years of age.

1.4.2 NES

For the National Expert Survey (NES) at least 36 experts in each participating country are asked their opinions about nine topics which are believed to have an impact on a nation's entrepreneurial activity. In this way, the start-up environments in the participating countries can be compared on basis of these nine so-called "entrepreneurial framework conditions" (EFCs). Four experts – entrepreneurs or professionals – in each nation's NES sample should be active in each EFC category. The nine categories are financing, education and training, R&D transfer, commercial and physical infrastructure, internal market openness, cultural and social norms, intellectual property rights, women entrepreneurship and high growth businesses support.

The present report focuses mainly on the findings from the Adult Population Survey. The results of the Dutch NES are discussed in Section 3.5.

1.4.3 Participating countries in 2013

Table 1.2 contains an overview of the participating economies. Among these economies, there are 28 Member Countries of the Organisation for Economic Co-operation and Development (OECD) and 23 Member States of the European Union (EU). A classification across the three stages of economic development is provided: *factor-driven economies*, *efficiency-driven economies*, and *innovation-driven economies* (see Table 1.1). In addition, the APS sample size for each participating economy is presented. Whereas the total number of participating economies equals 70, Table 1.2 shows the sample sizes for 67 countries only. At the time of writing this national report the APS results of Barbados, Namibia and Turkey were not yet made available and are, therefore, not included in this report's calculations.

table 1.2 participating economies in GEM 2013

Economies	*Member OECD*	*Member EU*	*Sample size APS*
Factor-driven economies (13)			
Algeria*	no	no	2,497
Angola*	no	no	2,049
Botswana*	no	no	2,204
Ghana	no	no	2,100
India	no	no	3,000
Iran*	no	no	3,633
Libya*	no	no	2,246
Malawi	no	no	2,094
Nigeria	no	no	2,604
Philippines*	no	no	2,499
Uganda	no	no	2,513
Vietnam	no	no	2,000
Zambia	no	no	2,099
Efficiency-driven economies (28)			
Argentina*	no	no	1,867
Bosnia and Herzegovina	no	no	2,004
Brazil*	no	no	10,000
Chile*	yes	no	5,760
China	no	no	3,634
Colombia	no	no	3,400
Croatia*	no	yes	2,000
Ecuador	no	no	1,818
Estonia*	yes	yes	1,741
Guatemala	no	no	2,138
Hungary*	yes	yes	2,000
Indonesia	no	no	4,500
Jamaica	no	no	2,246
Latvia*	no	yes	2,000
Lithuania*	no	yes	2,000
Macedonia	no	no	2,000
Malaysia*	no	no	2,000
Mexico	yes	no	2,798
Panama*	no	no	2,004
Peru	no	no	2,075
Poland*	yes	yes	2,000
Romania	no	yes	2,021
Russian Federation*	no	no	2,029
Slovak Republic*	yes	yes	2,007
South Africa	no	no	3,133
Suriname	no	no	2,074
Thailand	no	no	2,362
Uruguay*	no	no	1,620

Economies	*Member OECD*	*Member EU*	*Sample size APS*
Innovation-driven economies (26)			
Belgium	yes	yes	2,001
Canada	yes	no	2,648
Czech Republic	yes	yes	5,009
Finland	yes	yes	2,005
France	yes	yes	1,567
Germany	yes	yes	5,995
Greece	yes	yes	2,000
Ireland	yes	yes	2,002
Israel	yes	no	2,039
Italy	yes	yes	2,052
Japan	yes	no	2,000
Republic of Korea	yes	no	2,000
Luxembourg	yes	yes	2,005
Netherlands	yes	yes	2,441
Norway	yes	no	2,000
Puerto Rico	no	no	2,003
Portugal	yes	yes	1,610
Singapore	no	no	1,998
Slovenia	yes	yes	2,002
Spain	yes	yes	24,600
Sweden	yes	yes	1,820
Switzerland	yes	no	1,588
Taiwan	no	no	2,007
Trinidad and Tobago	no	no	1,787
United Kingdom	yes	yes	9,012
United States	yes	no	4,266

[*] *Economy in transition to the next stage of economic development.*

1.5 Outline of the Dutch GEM report 2013

This Dutch GEM report is structured as follows. Chapter 2 focuses on entrepreneurial attitudes and perceptions of the Dutch adult population, and compares the 2013 situation with earlier years. In addition, Chapter 2 reports on the evolvement of entrepreneurial intentions over time. Chapter 3 describes the latest Dutch developments regarding entrepreneurial activity, and focuses on early-stage and established entrepreneurs. Furthermore, attention is devoted to the discontinuation of entrepreneurial activities. Finally, the results from the Dutch NES survey are also discussed in this chapter.

2 Entrepreneurial perceptions, attitudes, and intentions

The present chapter focuses on entrepreneurial *perceptions, attitudes*, and *intentions* among the Dutch adult population in 2013. A longitudinal view of these measures is provided by comparing the Dutch numbers of 2013 with those of previous years. In addition, the Dutch results are compared from an international point of view. For this purpose, the averages of the 26 innovation-driven economies serve as the benchmark.

First, entrepreneurial *perceptions* indicate whether individuals perceive entrepreneurial opportunities in their environment, how they perceive their own entrepreneurial ability, and what their perception is towards business failure. Second, entrepreneurial *attitudes* refer to the general image of entrepreneurship in the Netherlands, and reveal the extent to which entrepreneurship is considered a favourable occupational choice. Third, entrepreneurial *intentions* provide a concrete dynamic measure of entrepreneurial activity in a country. Specifically, GEM asks individuals about their intentions to start a business within the next three years.

2.1 Entrepreneurial perceptions and potential entrepreneurship

The decision to become an entrepreneur, or the progress of an individual through the several phases of the entrepreneurship process (Figure 0), depends on a wide range of characteristics of the potential entrepreneur. One category of relevant determining factors refers to an individual's perception about entrepreneurship. Indeed, perception variables appear to be relevant in explaining the propensity of being a nascent or an established entrepreneur (e.g. Zhao and Seibert, 2006).

The objective state of the environment in terms of its favourability towards pursuing entrepreneurial endeavours is important. An individual's subjective perception about this environment, however, may be even more relevant. The first entrepreneurial perception under study refers to the extent to which individuals see good opportunities for starting a new business in the area they live in. In addition to this perception about entrepreneurial opportunities in the environment, an individual's belief about one's own capabilities of starting a business is also available. Indeed, studies report that so-called entrepreneurial self-efficacy is a predictor of entrepreneurial entry (e.g., Drnovsek, Wincent and Cardon, 2010). However, fear of failure may prevent individuals who perceive opportunities or believe they have the skills necessary for entrepreneurship to actually start a business. Hence, the third entrepreneurial perception deals with an individual's fear of business failure.

Individuals are considered to be *potential entrepreneurs* when they see enough opportunities in their living area for setting up a business, when they have the belief they have the capabilities to start a business, and when they are not afraid of business failure.

2.1.1 Entrepreneurial perceptions in 2013

Table 2.1 shows the three dimensions of potential entrepreneurship and their developments over time from 2001 onwards. We see that the level of perceived opportunities seems to stabilise at the level of 2012 when perceived opportunities had dramatically decreased with almost 30% relative to 2011. In 2013 the level of perceived opportunities reached its lowest point since 2003. In a similar vein, the fear

of failure indicator, which dramatically increased in 2011, even increased a bit further in 2013 reaching its highest point since the Netherlands participate in GEM (i.e., since 2001). These are indications that in 2013 the economic crisis in the Netherlands was far from over, and the economic environment for starting a business was relatively poor. Indeed, data from Statistics Netherlands show that the number of bankruptcies in 2013 was at its highest level since 20 years. Particularly the number of bankruptcies among incorporated businesses dramatically increased in 2012 and 2013. The increased number of bankruptcies, in turn, points at low demand in the product market, an indication of poor market conditions for starting a business.

The level of self-perceived capabilities in 2013 remains stable at 42%, the same level as previous years. As entrepreneurial capabilities are largely independent of the business cycle (unlike the other two indicators described above), the stable level is not surprising.

table 2.1 entrepreneurial perceptions in the Netherlands, 2001-2013, percentage of adult population (18-64 years of age) that agrees with the statement

Item	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Perceived opportunities: "In the next six months, will there be good opportunities for starting a business in the area where you live?"	42	49	29	38	39	46	42	39	36	45	48	34	33
Perceived capabilities: "Do you have the knowledge, skill and experience required to start a new business?"	37	37	32	37	42	38	39	38	47	46	42	42	42
Fear of failure: "Would fear of failure prevent you from starting a business?"	25	24	28	32	29	29	21	26	27	26	37	39	43

Source: GEM APS 2013.

table 2.2 entrepreneurial perceptions internationally compared (unweighted average), 2013, percentage of adult population (18-64 years of age) that agrees with the statement

	Factor-driven economies	*Efficiency-driven economies*	*Innovation-driven economies*	*OECD*	*EU*	*Netherlands*
Perceived opportunities	61	42	33	34	29	33
Perceived capabilities	69	52	41	42	42	42
Fear of failure	31	38	43	45	47	43

Source: Panteia/GEM APS 2013.

In an international perspective, the levels of perceived opportunities, perceived capabilities and fear of failure are at the average level of OECD and innovation-driven economies (see Table 2.2).

Table 2.3 makes a distinction between non-entrepreneurs and entrepreneurs, where the latter group of individuals consists of individuals with intentions to start a

business, nascent entrepreneurs, and new and established entrepreneurs. For predicting future developments in entrepreneurship, particularly the entrepreneurial perceptions of the non-entrepreneurs may be of interest. Not surprisingly, entrepreneurial perception indicators are higher for entrepreneurs compared to non-entrepreneurs. However, the gap is particularly pronounced for perceived capabilities. Of the non-entrepreneurs, only 32% thinks they have the capabilities to start a new business. This result seems to underline the need for entrepreneurship education in the Netherlands, an area in education in which many initiatives have already been employed in the last decade in the Netherlands (European Commission, 2012).

table 2.3 entrepreneurial perceptions of (non-)entrepreneurs in the Netherlands, 2013, percentage of adult population (18-64 years of age) that agrees with the statement

	Adult population	*Non-entrepreneurs*	*Entrepreneurs*
Perceived opportunities	33	28	48
Perceived capabilities	42	32	77
Fear of failure	43	45	33

Source: Panteia/GEM APS 2013.

2.2 Entrepreneurial attitudes

How do citizens perceive the occupational status of being an entrepreneur? Measuring such attitudes towards entrepreneurship is important, because entrepreneurial attitudes contain information about the image of entrepreneurs(hip). A more favourable image of entrepreneurs and entrepreneurship may indicate 'legitimation' or 'moral approval' of entrepreneurship within a culture which may influence the decision to engage in entrepreneurship (Etzioni, 1987).

GEM distinguishes between three entrepreneurial attitudes in a society: individuals' opinions about entrepreneurship being a desirable career option, individuals' opinions about the level of respect and status that entrepreneurs have, and respondents' assessments of the media attention of successful entrepreneurs.

Table 2.4 shows that 80% of the Dutch adult population think that entrepreneurship is considered a desirable career choice in the Netherlands. This percentage is rather stable over time but much higher than in comparable countries (see Table 2.5). Hence, even though most labour force participants are occupied in a wage job, there seems to be a structurally more positive attitude towards entrepreneurship in the Netherlands compared to other countries with similar development levels. This may point at a cultural characteristic of the Netherlands finding its roots in the 'Golden Age' (17th Century), in which Dutch entrepreneurs were very successful around the globe (cf. the Verenigde Oost-Indische Compagnie (VOC), the first multinational of the world). Hence, it may be in the 'genes' of the Dutch to consider entrepreneurship a natural career option.

The level of respect (high status) given to successful entrepreneurs is also rather stable over time at two third of the adult population, in line with peer economies. However, media attention for successful entrepreneurs seems to decline somewhat over the last two years.

table 2.4 entrepreneurial attitudes in the Netherlands, 2003-2013, percentage of adult population (18-64 years of age) that agrees with the statement

Item	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Entrepreneurship as desirable career choice: "In the Netherlands, most people consider starting a new business a desirable career choice"	77	81	79	80	85	85	84	85	83	79	80
Entrepreneurship is given high status: "In the Netherlands, those successful at starting a new business have a high level of status and respect"	66	67	66	65	69	69	67	69	67	65	66
Media attention for entrepreneurship: "In the Netherlands, you will often see stories in the public media about successful businesses"	63	59	58	59	61	61	64	61	62	58	55

Source: GEM APS 2013.

table 2.5 entrepreneurial attitudes internationally compared (unweighted average), 2013, percentage of adult population (18-64 years of age) that agrees with the statement

	Factor-driven economies	*Efficiency-driven economies*	*Innovation-driven economies*	*OECD*	*EU*	*Netherlands*
Entrepreneurship as desirable career choice	75	68	54	54	57	80
Entrepreneurship is given high status	80	67	67	67	66	66
Media attention for entrepreneurship	70	61	56	51	49	55

Source: GEM APS 2013.

2.3 Entrepreneurial intentions

In this section we report on the entrepreneurial intentions of the Dutch adult population. This is an important indicator of entrepreneurship dynamics which may predict the future level of actual entrepreneurial activity in a country (Davidsson, 2006). For the third year in a row, the level of entrepreneurial intentions is much higher than in 2010 and the first decade of the current century (see Table 2.6). This seems to point at a trend break with the recent past. Possibly, the increased attention in education curricula given to entrepreneurship in the Netherlands over the last years (European Commission, 2012), has contributed to positive intentions towards entrepreneurship. It is also remarkable that the higher level of entrepreneurial intentions coincides with a high number of bankruptcies due to the economic crisis (source: Statistics Netherlands). Although we cannot measure this, it is not impossible that a substantial number of entrepreneurs facing firm exit intend to start up a new business again (Hessels, Grilo, Thurik and Van der Zwan, 2011). This, in turn, might point at a lower 'stigma of failure' related to firm exit.

Remarkably, in an international perspective the Dutch entrepreneurial intentions are relatively low (see Table 2.7). Part of the explanation may be that in the Netherlands, compared to other countries, relatively many individuals are already actively involved in entrepreneurship (see chapter 3). Hence, for them there may be no need to start another business.

table 2.6 entrepreneurial intentions in the Netherlands, 2002-2013, percentage of adult population (18-64 years of age)

Item	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Entrepreneurial intent: "Are you, alone or with others, expecting to start a new business, including any type of self-employment, within the next three years?"	5.1	5.7	6.5	6.2	5.6	5.5	5.3	7.4	7.1	9.8	10.1	10.3

Source: GEM APS 2013.

table 2.7 entrepreneurial intentions internationally compared (unweighted average), 2013, percentage of adult population (18-64 years of age)

	Factor-driven economies	*Efficiency-driven economies*	*Innovation-driven economies*	*OECD*	*EU*	*Netherlands*
Entrepreneurial intent	46.5	28.3	14.4	15.4	15.9	10.3

Source: Panteia/GEM APS 2013.

2.3.1 Perceptions of different subgroups

Of special interest is how the prevalence rate of intentional entrepreneurship differs across various subgroups. For the present purpose the 'non-entrepreneurs' are divided into two groups based on their entrepreneurial perceptions. That is, Table 2.8 shows a decomposition of entrepreneurial intent among the entire adult population, among the non-entrepreneurs who are *not* considered potential entrepreneurs ('non-potential entrepreneurs'), and among the non-entrepreneurs who are considered potential entrepreneurs ('potential entrepreneur'). A non-entrepreneur is considered a potential entrepreneur if this individual is not involved in any entrepreneurial activity yet, but responds with 'yes' to the question "In the next six months, will there be good opportunities for starting a business in the area where you live?", with 'yes' to the question "Do you have the knowledge, skill and experience required to start a new business?", and responds with 'no' to the question "Would fear of failure prevent you from starting a business?". The 'non-potential entrepreneurs' are not involved in any entrepreneurial activity, and at the same time answer 'no' to the first question, or 'no' to the second question, or 'yes' to the third question (or a combination of these answers). For completeness, Table 2.8 also reports on entrepreneurial intent among the nascent, new, and established entrepreneurs (i.e., actual entrepreneurs).

Not surprisingly, the potential entrepreneurs considerably more often have entrepreneurial intentions than the 'non-potential entrepreneurs'. Interestingly, although the level of entrepreneurial intent among the potential entrepreneurs is similar to 2012, it is much higher than 2011 when it was only 22.2%. Note that about one in six active entrepreneurs intends to start a business within the next three years. This may hint at so-called portfolio entrepreneurs, who run several businesses

simultaneously, or serial entrepreneurs, who have a clear exit strategy in mind for their current business and intend to set up a subsequent business.

table 2.8 entrepreneurial intentions of non-entrepreneurs and potential entrepreneurs in the Netherlands, 2013, percentage of adult population (18-64 years of age)

	Adult population	*'Non-potential' entrepreneur*	*Potential entrepreneurs*	*Actual entrepreneurs*
Entrepreneurial intent	10.3	7.8	31.4	16.0

Source: Panteia/GEM APS 2013. The group of potential entrepreneurs excludes individuals who are also involved in TEA or established entrepreneurship.

2.4 Comparing potential and intentional entrepreneurs

In this section we take a further look at individuals with entrepreneurial potential and entrepreneurial intentions. For example, how do the gender and age distributions differ between these two groups of individuals? Such and other analyses provide information as to which individuals are more likely to have entrepreneurial potential or intentions.

Table 2.9 presents a gender, age and education decomposition for the 'non-potential entrepreneurs', the potential entrepreneurs, and individuals with entrepreneurial intentions. To enable a proper comparison across the three categories, individuals are taken into account who have "pure" entrepreneurial intentions only. That is, nascent, new, and established entrepreneurs ('actual entrepreneurs' in Table 2.8) with entrepreneurial intentions are excluded from the calculations.

A second way to investigate the prevalence of entrepreneurial intentions across the demographic subgroups is illustrated in Figure 1. For each subgroup the percentage of individuals intending to start a business in the next three years is shown. Specific attention is devoted to "pure intentions" (also used in Table 2.9). Figure 1 and Table 2.9 confirm the well-known wisdom that males are more often involved in entrepreneurialism than females. Figure 1 also shows that the prevalence of entrepreneurial intentions tends to decrease with age class.

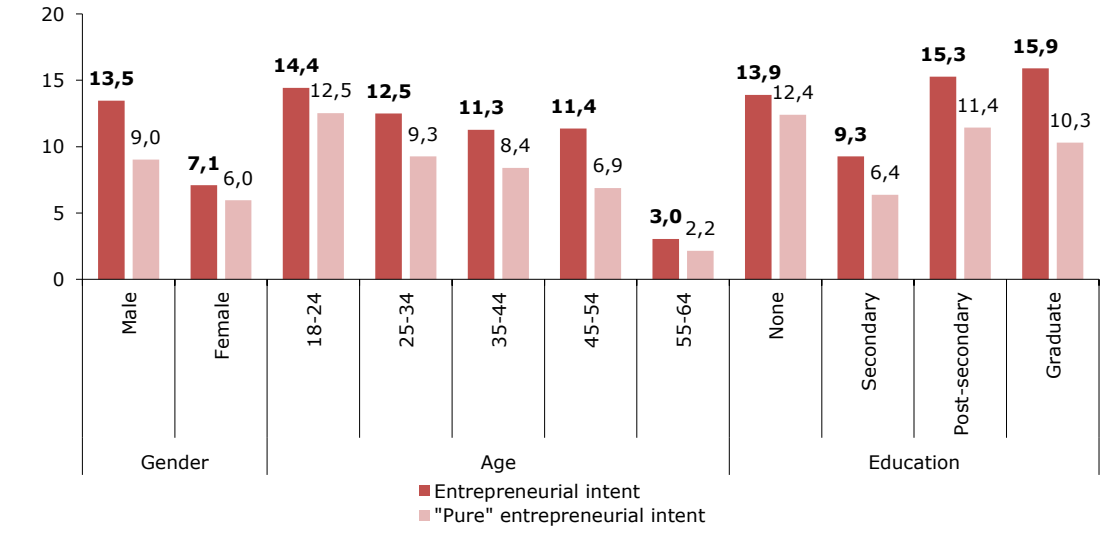
Furthermore, when comparing the 'potential entrepreneurs' with the 'pure intentional entrepreneurs' columns in Table 2.9, we see that the two youngest age classes make up a substantially bigger percentage of the 'pure intentional entrepreneurs' compared to the 'potential entrepreneurs' (47% versus 31%). This may point at some degree of overconfidence among young individuals as a part of them indicates to expect to start a business within three years whereas they do not have the characteristics that would qualify them as a potential entrepreneur.

table 2.9 demographic structure of (non-)potential and intentional entrepreneurs in the Netherlands, 2013

		'Non-potential entrepreneurs'	*Potential entrepreneurs*	*"Pure" intentional entrepreneurs*
Gender	Male	46%	67%	60%
	Female	54%	33%	40%
Age	18-24 years	15%	16%	23%
	25-34 years	19%	15%	24%
	35-44 years	22%	30%	26%
	45-54 years	22%	22%	22%
	55-64 years	21%	16%	6%
Education	No degree (incl. some secondary)	32%	24%	23%
	Secondary degree (*Middelbare school*)	44%	26%	36%
	Post-secondary degree (*HBO*)	19%	37%	31%
	Graduate degree (*Universiteit*)	6%	13%	11%

Source: Panteia/GEM APS 2013. Potential entrepreneurs are defined as those individuals who are not involved in any entrepreneurial activity yet but report to observe business opportunities, to possess entrepreneurial skills and not to be afraid of business failure. The group of "pure" intentional entrepreneurs are defined as those individuals who are not involved in any entrepreneurial activity yet but report to expect to start a business in the next three years.

figure 1 entrepreneurial intentions in the Netherlands, 2012, percentage of a given subgroup



Source: Panteia/GEM APS 2013. The group of individuals with "pure" entrepreneurial intentions excludes individuals who are also involved in TEA or established entrepreneurship.

Figure 1 also shows that the prevalence of entrepreneurial intentions is highest among individuals with the lowest and the highest degrees of education. Assuming a positive correlation between formal education and entrepreneurial quality, this finding suggests a great variety in the types of businesses (in terms of quality of entrepreneurship) that individuals in the Netherlands are intending to create.

3 Entrepreneurial activity

The present chapter focuses mainly on total early-stage entrepreneurial activity (TEA). TEA consists of individuals who are taking steps to start a business (nascent entrepreneurs) and owner-managers of businesses less than 3.5 years in existence (new entrepreneurs). This chapter zooms in on the prevalence rate of TEA, and on the demographic composition of these early-stage entrepreneurs. In addition, the characteristics of early-stage entrepreneurs are further unravelled by focusing on their aspirations along a number of dimensions.

In addition to the elaboration on this dynamic measure of entrepreneurial activity, this chapter devotes some attention to established entrepreneurs, i.e. individuals who have been owner-managers of a business for more than 3.5 years. Again, the demographic composition of this group of entrepreneurs is inspected. The present chapter also deals with entrepreneurial exit.

Finally, this chapter discusses the results of the Dutch National Expert Survey that contains experts' assessments regarding the conditions that support or hamper entrepreneurial activity in the Netherlands.

3.1 Total early-stage entrepreneurial activity (TEA)

Total early-stage entrepreneurial activity captures nascent entrepreneurs and new entrepreneurs. Nascent entrepreneurs are those adults between 18 and 64 years of age who are trying to start a new business which they will partially own. The adults should be actively involved in this start-up activity. For example, they could have developed a specific business plan, they could have searched for a location from where the future business will be active, and/or they could have been involved in the organization of a start-up team.

New entrepreneurs (also called young business entrepreneurs) are adults between 18 and 64 years of age who currently own and manage a business for less than 3.5 years. Note that an individual could be an owner-manager of a new business and simultaneously be involved in start-up activities for the launch of a new business. Such an individual will be counted as one active person in the calculation of the TEA rates.

Table 3.1 shows that the extreme increase of TEA in 2012, where TEA was 25% higher than in 2011, was an incident. In 2013 TEA was a full percentage point lower than in 2012. Nevertheless, the Dutch TEA rate is still at a historically high level, and also relatively high compared to peer economies (see Table 3.2). Indeed, the Netherlands rank sixth out of 26 innovation-driven economies (see Figure 2), and eighth among the 23 members of the European Union that participate in GEM. Among the subset of EU countries that can be classified as innovation-driven economies, the Netherlands has the highest TEA rate.

Table 3.1 also shows that the decrease in TEA is mainly due to new (young business) entrepreneurship, which decreased with 1.5 percentage points. It is likely that the high number of business start-ups and young businesses in 2012 was not sustainable and that many of these new and young businesses were forced to exit. It is a stylised fact that more than half of business start-ups exit within the first five years of their

existence (Bartelsman, Scarpetta and Schivardi, 2005). Still, as shown in Table 3.2, with 4.8% the level of young business entrepreneurship in the Netherlands is far above the average of similar countries (i.e., innovation-driven economies, OECD or EU countries).

table 3.1 total early-stage entrepreneurial activity (TEA) in the Netherlands, 2001-2013, percentage of adult population (18-64 years of age)

item	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
TEA: Aggregate of nascent and new entrepreneurship	4.9	4.6	3.6	5.1	4.4	5.4	5.2	5.2	7.2	7.2	8.2	10.3	9.3
Nascent entrepreneurship: "Are you, alone or with others, currently trying to start a new business?"	2.3	2.6	1.7	3.0	2.5	3.6	2.7	2.1	3.1	4.0	4.3	4.1	4.7
New entrepreneurship: "Are you, alone or with others, currently the owner of a business you help manage?"*	2.8	2.1	1.9	2.2	1.9	1.9	2.6	3.2	4.1	3.4	4.1	6.3	4.8

** Note that wages, profits, or payments in kind from this business should have been received after January 1, 2010. Furthermore, respondents partially or fully own this new business. Source: GEM APS 2013.*

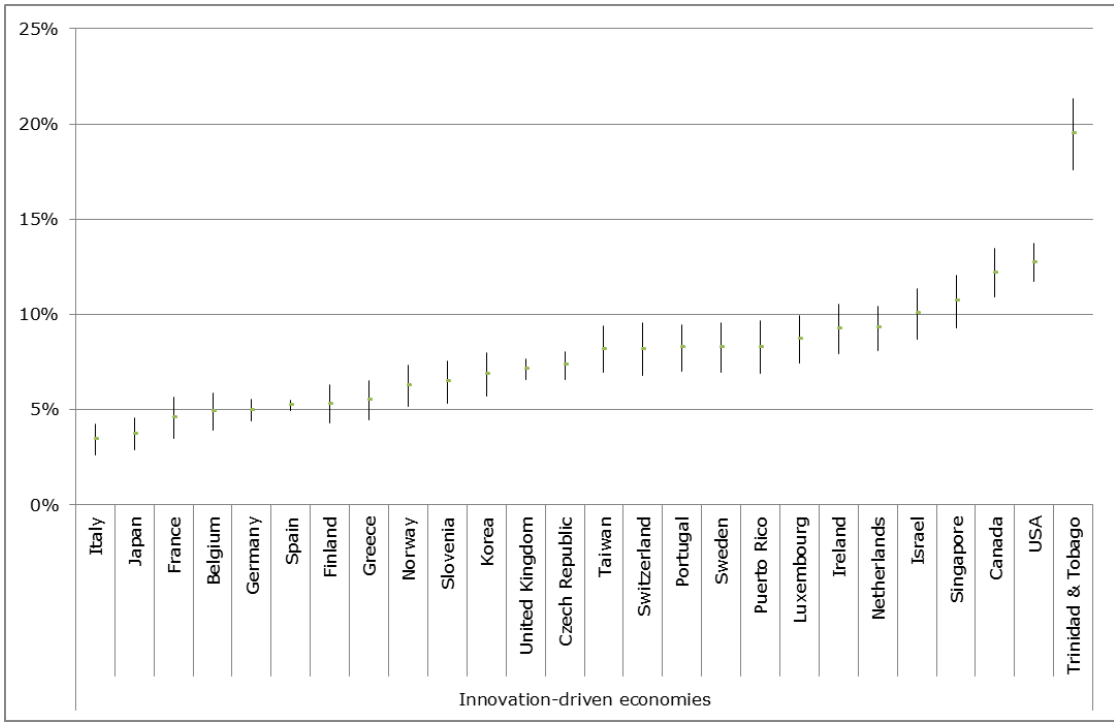
table 3.2 TEA rates internationally compared (unweighted average), 2013, percentage of adult population (18-64 years of age)

	Factor-driven economies	*Efficiency-driven economies*	*Innovation-driven economies*	*OECD*	*EU*	*Netherlands*
TEA	21.1	14.4	7.9	8.5	8.0	9.3
Nascent entrepr.	9.4	8.4	4.7	5.2	4.8	4.7
New entrepreneurship	12.0	6.4	3.3	3.4	3.3	4.8

Source: Panteia/GEM APS 2013.

Whereas the level of young business entrepreneurship went down in 2013, the level of nascent entrepreneurship increased from 4.1% to 4.7%. Possibly, due to the high number of young businesses already out there in the economy, it is more difficult to actually start a new business so that more individuals aiming to start a business wait for the right moment to enter the market and perhaps spend some more time and effort to be better prepared when they will actually start up their business.

figure 2 total early-stage entrepreneurial activity (TEA) in the innovation-driven economies, 2013, percentage of adult population (18-64 years of age)



Source: GEM APS 2013.

3.1.1 Demographics

Table 2.9 showed a decomposition across gender, age, and educational background for three subgroups of individuals (`non-potential entrepreneurs', potential entrepreneurs, and intentional entrepreneurs). Table 3.3 replicates Table 2.9, and adds the decomposition across gender, age, and education for the early-stage entrepreneurs.

Another way to investigate the prevalence rates of early-stage entrepreneurship across the demographic subgroups is presented in Figure 3. For each demographic subgroup Figure 3 shows the TEA rate, both for the Netherlands and for the innovation-driven economies (unweighted averages are used). Note that the differences between the Dutch figures and those of the innovation-driven economies in Figure 3 should be inspected in light of a "benchmark difference" in TEA rates between the Netherlands and the innovation-driven economies as displayed in Table 3.2, i.e. 9.3% versus 7.9%.

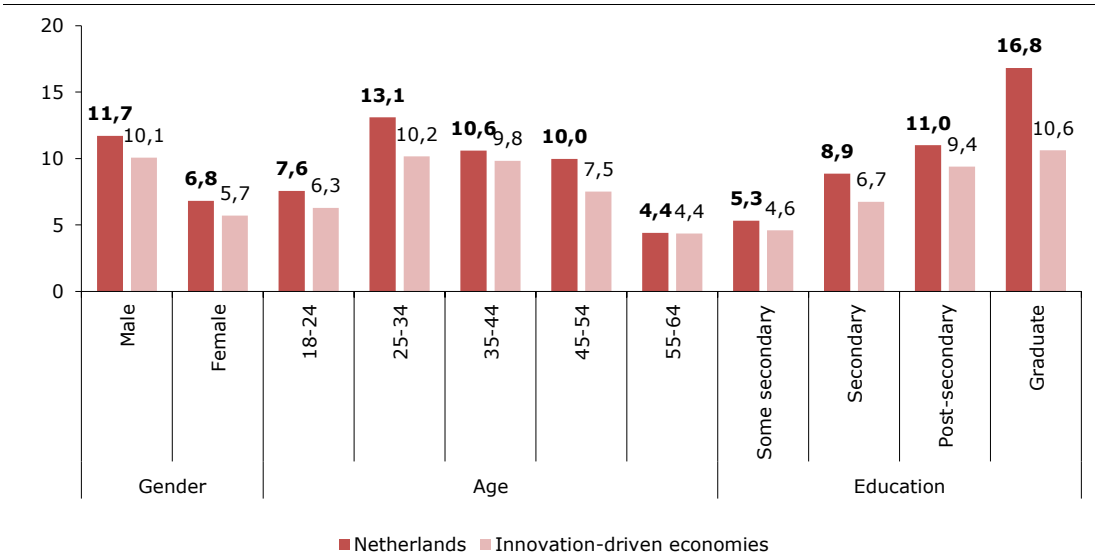
Table 3.3 shows that the gender distribution for actual entrepreneurial activity (TEA) is similar to the gender distribution for potential and intentional entrepreneurship. In line with stylised facts, two third of entrepreneurs is found to be male, while one third is female.

table 3.3 demographic structure of (non-)potential, intentional, and early-stage entrepreneurs in the Netherlands, 2013

		'Non-potential entrepreneurs'	*Potential entrepreneurs*	*"Pure" intentional entrepreneurs*	*Early-stage entrepreneurs*
Gender	Male	46%	67%	60%	63%
	Female	54%	33%	40%	37%
Age	18-24 years	15%	16%	23%	11%
	25-34 years	19%	15%	24%	27%
	35-44 years	22%	30%	26%	27%
	45-54 years	22%	22%	22%	26%
	55-64 years	21%	16%	6%	10%
Education	None (incl. some secondary)	32%	24%	23%	17%
	Secondary degree (*Middelbare school*)	44%	26%	36%	41%
	Post-secondary (*HBO*)	19%	37%	31%	25%
	Graduate degree (*Universiteit*)	6%	13%	11%	16%

Source: Panteia/GEM APS 2013. Potential entrepreneurs are defined as those individuals who are not involved in any entrepreneurial activity yet but report to observe business opportunities, to possess entrepreneurial skills and not to be afraid of business failure. The group of "pure" intentional entrepreneurs are defined as those individuals who are not involved in any entrepreneurial activity yet but report to expect to start a business in the next three years.

figure 3 total early-stage entrepreneurial activity (TEA) in the Netherlands and innovation-driven economies, 2013, percentage of a given subgroup



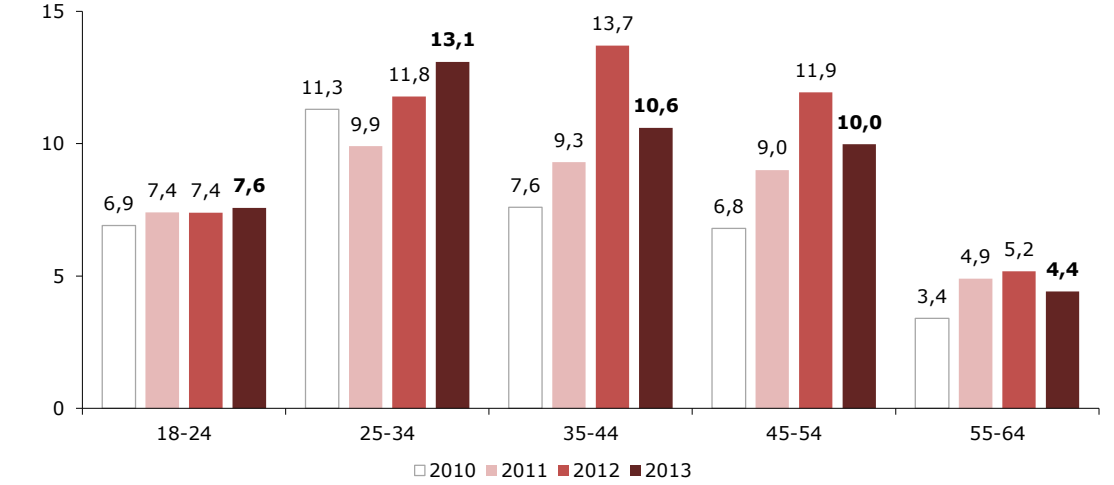
Source: Panteia/GEM APS 2013.

Figure 3 shows that actual entrepreneurial activity is highest among individuals aged 25-34 years. Compared to Figure 1, we note that among the youngest group (18-24)

entrepreneurial activity (7.6%) is considerably lower than entrepreneurial intentions (14.4%). This suggests that young people may find it harder to realise their entrepreneurial ambitions. Alternatively, it may be the case that young people prefer to gain some work experience in existing organizations before they set up their own business. Figure 4 shows that the middle and older age categories were responsible for the decrease in TEA in 2013.

Regarding education, Figure 3 shows that the prevalence of entrepreneurial activity is especially high among individuals with a graduate (university) degree. The prevalence rate (16.8%) among this category is also high relative to other innovation-driven economies. The high prevalence rate may be related to the increased attention for entrepreneurship in higher education programs in the Netherlands in recent years (e.g. Niras Consultants et al., 2008, pp. 207-214; EIM Business and Policy Research, 2012).

figure 4 total early-stage entrepreneurial activity (TEA) in the Netherlands, 2010-2013, percentage of a given age category



Source: Panteia/GEM APS 2013.

3.1.2 Opportunity and necessity TEA

Individuals who are involved in early-stage entrepreneurial activity are asked about their underlying motives of starting a business. Within the context of the Global Entrepreneurship Monitor, a distinction between opportunity motives and necessity motives has traditionally been made. Opportunity entrepreneurship reflects start-up efforts "to take advantage of a business opportunity", whereas necessity entrepreneurship exists when there are "no better choices for work". A respondent may also indicate that (s)he is driven by a combination of opportunity and necessity reasons. Respondents with these "mixed motives" are included in the category of opportunity entrepreneurs in the tables that follow. A separate category consists of respondents who are driven by "other motives" than opportunity-based or necessity-based motives only.

Table 3.4 shows that since 2007, the necessity rate of entrepreneurship is relatively stable between 0.5 to 1%. Most variation in the TEA rate therefore relates to opportunity entrepreneurship. Indeed, with 8%, the share of necessity-driven entrepreneurs in the Netherlands is among the lowest of innovation-driven economies (see Figure 5).

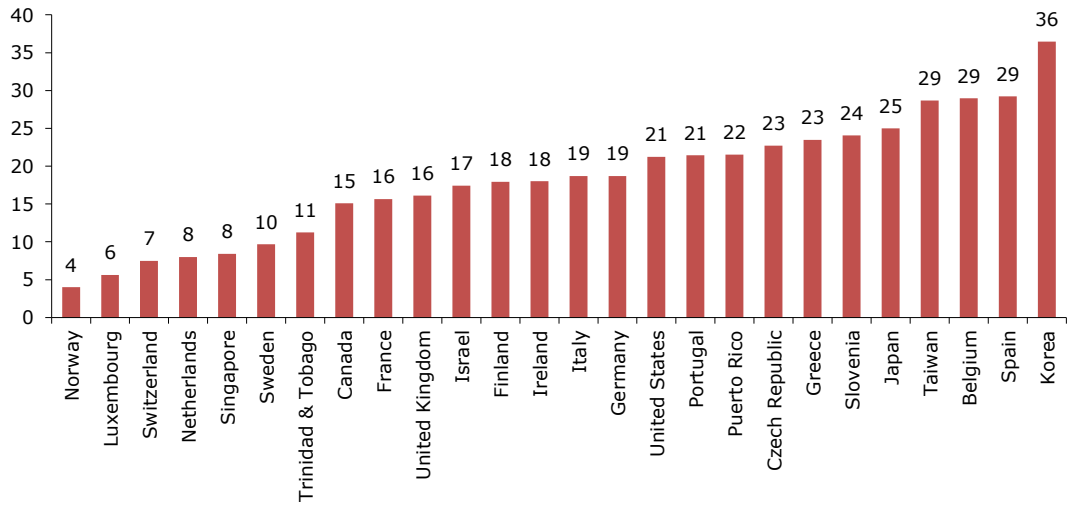
Table 3.5 compares the Netherlands with other economies regarding the sector distribution of early-stage entrepreneurship. A distinction can be made between four sectors: extractive sectors (e.g., agriculture, forestry, fishing, mining); transformative sectors (e.g., construction, manufacturing, transportation); business services (e.g., finance, insurance, real estate); and consumer services (e.g., health, retail, restaurants). The sector distribution of early-stage entrepreneurship is comparable with the rates in countries with similar levels of economic development.

table 3.4 Motivation for the decision to be entrepreneurially active (TEA), the Netherlands, 2002-2013, percentage of adult population (18-64 years of age)

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Opportunity-driven motivation	4.0	3.0	4.3	3.9	4.9	3.9	4.3	5.0	6.1	7.0	8.6	8.1
Necessity-driven motivation	0.5	0.4	0.7	0.3	0.3	0.6	0.5	0.7	0.6	0.7	0.9	0.7
Other motivation	0.1	0.2	0.1	0.1	0.2	0.7	0.4	1.4	0.5	0.5	0.8	0.5
Total (TEA)	4.6	3.6	5.1	4.4	5.4	5.2	5.2	7.2	7.2	8.2	10.3	9.3

Source: GEM APS.

figure 5 necessity-driven TEA divided by total TEA for the innovation-driven economies, 2013



Source: Panteia/GEM APS 2013.

table 3.5 Sector distribution of early-stage entrepreneurs, internationally compared (unweighted average), 2013, percentage of adult population (18-64 years of age) involved in TEA

	Factor-driven economies	*Efficiency-driven economies*	*Innovation-driven economies*	*OECD*	*EU*	*Netherlands*
Extractive sectors	8%	8%	4%	5%	7%	5%
Transformative sectors	17%	27%	21%	22%	24%	20%
Business services	6%	13%	28%	28%	27%	32%
Consumer services	69%	52%	47%	45%	42%	43%

Source: Panteia/GEM APS 2013.

3.2 Aspirations of early-stage entrepreneurs

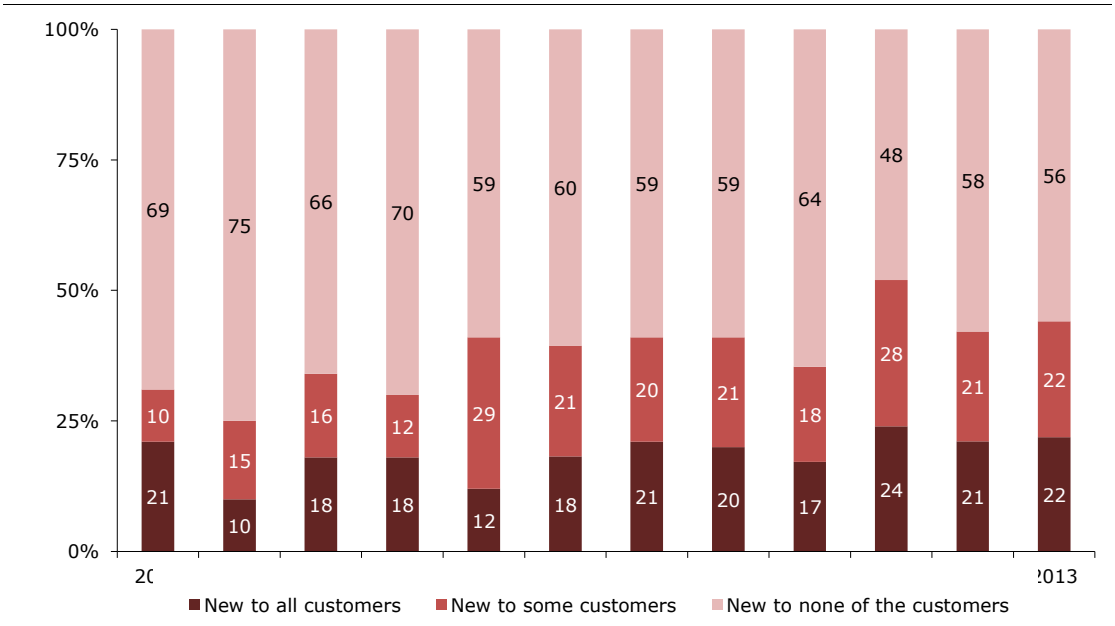
The previous sections focused on the rate of early-stage entrepreneurship without taking into account the entrepreneur's aspirations. These aspirations are, however, important because they contain information about the quality of a business. We zoom in on three dimensions of aspirations: the level of innovativeness of the product or service that the entrepreneur introduces, the expected growth of the business in the next five years, and the perceived level of competitiveness in the market.

3.2.1 Product innovation

Regarding the level of innovativeness of the product or service, the early-stage entrepreneurs indicate how many customers consider the product or service new or unfamiliar. Three levels of product innovation are distinguished: products/services that are unfamiliar to all (potential) customers, products/services that are unfamiliar to some (potential) customers and products/services that are unfamiliar to no (potential) customers at all.

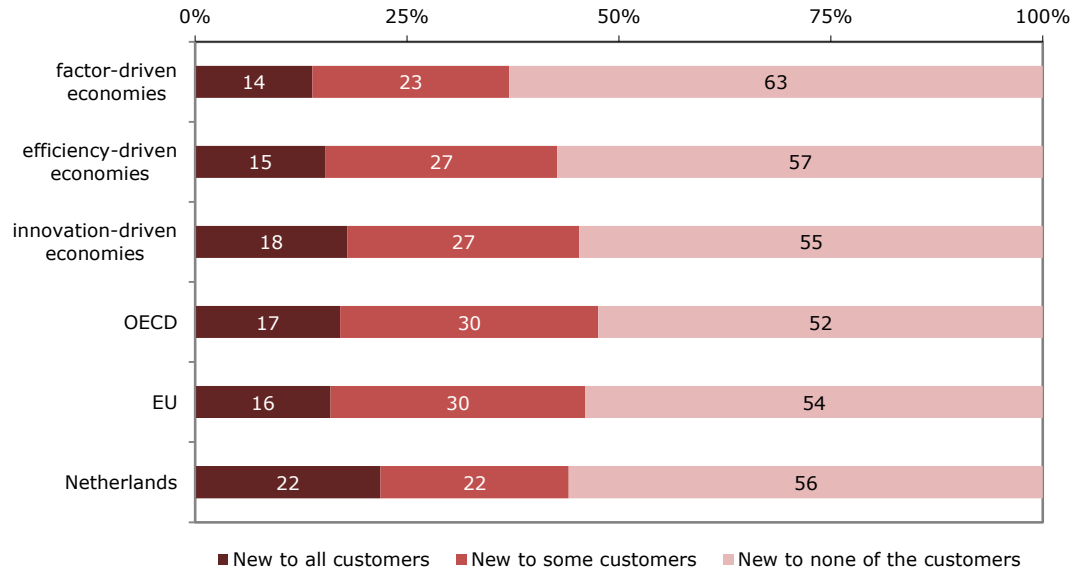
Figure 6 shows that product innovativeness remained stable in 2013: 44% of early-stage entrepreneurs indicate that their product is new to some or all customers (42% in 2012). It is interesting that the Netherlands score somewhat higher than peer economies on the indicator 'new to all customers', but somewhat lower on the indicator 'new to some customers' (Figure 7). This suggests that the Netherlands is relatively good at radical innovation but not so good in imitation. More research is needed though to corroborate this suggestion.

figure 6 product innovativeness of early-stage entrepreneurs in the Netherlands, 2013, percentage of adult population (18-64 years of age) involved in TEA



Source: Panteia/GEM APS 2013.

figure 7 product innovativeness of early-stage entrepreneurs internationally compared (unweighted average), 2013, percentage of adult population (18-64 years of age) involved in TEA



Source: Panteia/GEM APS 2013.

3.2.2 *Job growth expectations*

GEM asks early-stage entrepreneurs about the expected growth in the number of employees in the next five years. Table 3.6 shows that in the Netherlands 6.1 percent of the adult population, or two third of early-stage entrepreneurs (as TEA rate is 9.3, see Table 3.1), expects to create at least one job in the next five years. This is higher than the average of innovation-driven economies. However, the percentage of adult population expecting to create more than 19 jobs is only 0.6, which is one third lower than the average for innovation-driven economies.

Hence, the Netherlands does not score well when considering the most ambitious segment of early-stage entrepreneurs, but it does score better than average when considering the indicator of any growth expectations at all. This suggests that the Netherlands may be heading for a size-class structure characterised by relatively many small and medium-sized businesses and relatively few large businesses. Which industrial landscape is to be preferred from an economic point of view remains to be seen (Van Stel, Wennekers and Scholman, 2014).

table 3.6 job growth expectations now and in five years of early-stage entrepreneurs internationally compared (unweighted average), 2013, percentage of adult population (18-64 years of age)

	Factor-driven economies	*Efficiency-driven economies*	*Innovation-driven economies*	*OECD*	*EU*	*Netherlands*
any jobs	14.5	10.4	5.7	6.1	5.9	6.1
more than 19 jobs	1.0	1.2	0.9	0.8	0.9	0.6

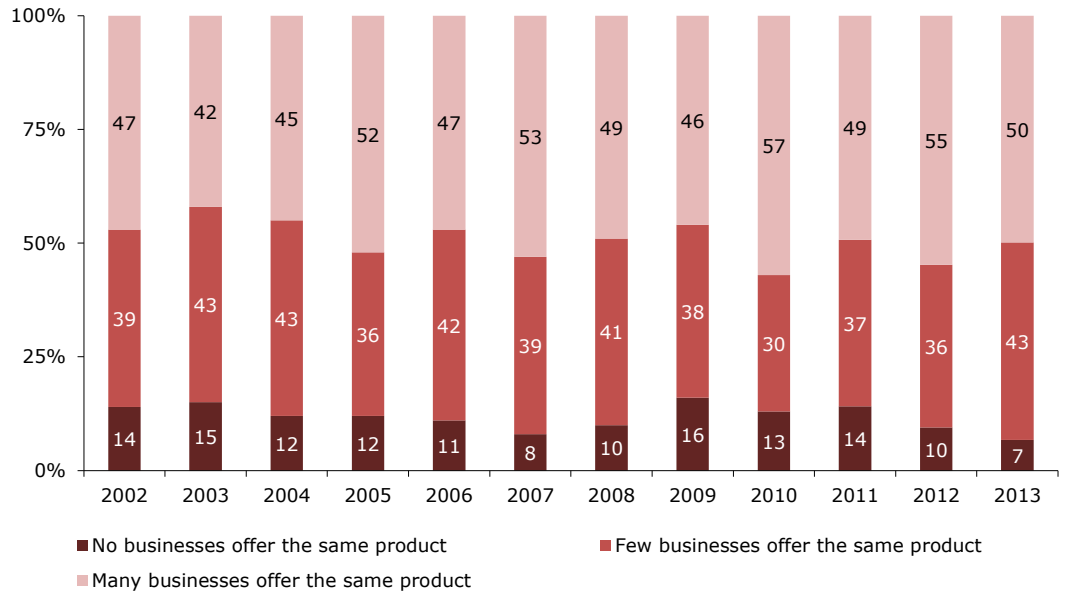
Source: Panteia/GEM APS 2013.

3.2.3 *Perceived competition level*

The third dimension of growth aspirations refers to the perceived competition level in the market. The GEM data allow us to provide a picture of the extent of competition that entrepreneurs face when they enter the market. In the GEM APS entrepreneurs are asked whether the market in which they (will) operate is characterized by many competitors or whether there are only few or even no competitors. Note that the answers to this question give indications of how entrepreneurs perceive competition in the market and that the answers do not necessarily reflect objective assessments about the level of market competition. An overview of perceived competition among Dutch early-stage entrepreneurs is provided in Figure 8.

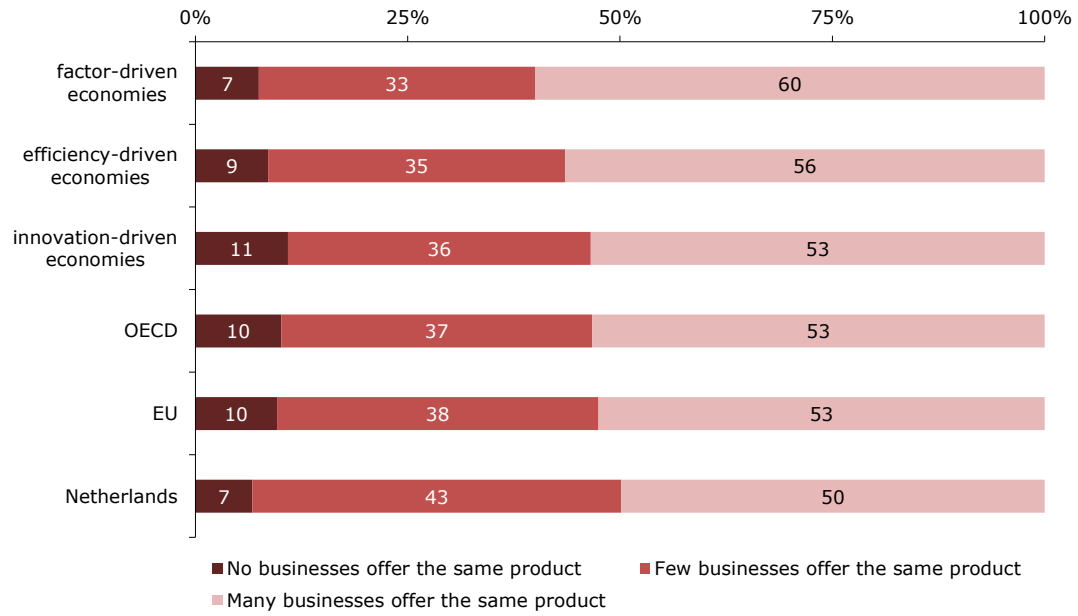
Since the economic crisis the percentage of early-stage entrepreneurs perceiving no or little competition seems to go up and down a little every year. After a decline in 2012 from 51% to 46%, the level in 2013 is back at 50%. From an international perspective, the Netherlands scores relatively low when considering the percentage of entrepreneurs perceiving no competition at all in their market (7% versus 11% for innovation-driven economies; see Figure 9). This finding is remarkable when combining it with the finding from Figure 7 which showed that the Netherlands scores relatively high on the number of entrepreneurs indicating to offer products which are new to all of their customers. Hence, even when a company offers a new product to the market, chances are small that this is the only company offering this new product. This suggests that competition in the innovative market segment in the Netherlands is strong and that there seems to be little room for 'blue oceans' (Kim and Mauborgne, 2005) in the sense of finding uncontested market space with hardly any competition.

figure 8 perceived competition level by early-stage entrepreneurs in the Netherlands, 2002-2013



Source: Panteia/GEM APS 2013.

figure 9 perceived competition level by early-stage entrepreneurs internationally compared (unweighted average), 2013, percentage of adult population (18-64 years of age) involved in TEA



Source: Panteia/GEM APS 2013.

3.3 Established entrepreneurship

This section reports on established entrepreneurship: owner-managers of businesses that have been in existence for at least 3.5 years. Table 3.7 shows that the rate of established entrepreneurship is fluctuating somewhat in the last few years. In 2013 the rate decreased to 8.7%, the same level as 2011. The decline may be due to the economic crisis which was still going on in 2013 and which many businesses did not survive. The Netherlands, however, still score far above average when compared to peer economies (Table 3.8). In fact, the Netherlands is quite unique in the sense that it scores far above average on both the indicators TEA (Total early-stage Entrepreneurial Activity; see Table 3.2) and established entrepreneurship.

Figure 10 shows that, relative to innovation-driven economies, the Netherlands has a particularly high rate of established entrepreneurs among middle-aged and higher educated individuals.

table 3.7 Established entrepreneurship in the Netherlands, 2002-2013, percentage of adult population (18-64 years of age)

Item	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Established entrepreneurship: "Are you, alone or with others, currently the owner of a business you help manage?"*	4.6	3.8	6.1	5.7	6.6	6.4	7.2	8.1	9.0	8.7	9.5	8.7

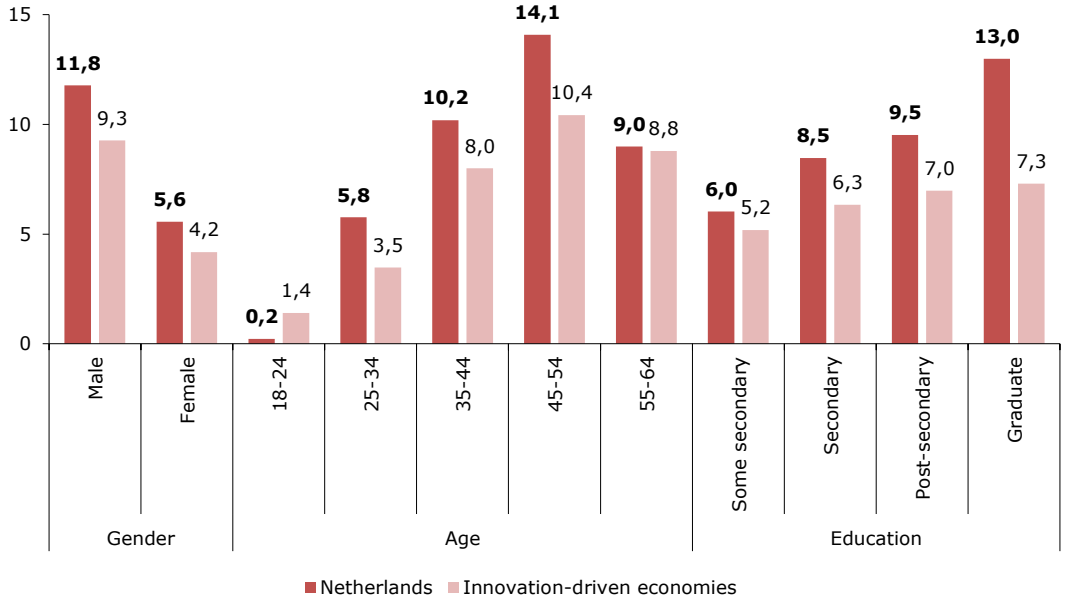
** Note that wages, profits, or payments in kind from this business should have been received before January 1, 2010. Furthermore, respondents partially or fully own this new business. Source: Panteia/GEM APS.*

table 3.8 Established entrepreneurship internationally compared (unweighted average), 2013, percentage of adult population (18-64 years of age)

	Factor-driven economies	*Efficiency-driven economies*	*Innovation-driven economies*	*OECD*	*EU*	*Netherlands*
Established entrepreneurship	13.3	8.0	6.7	6.6	6.4	8.7

Source: Panteia/GEM APS 2013.

figure 10 established entrepreneurship in the Netherlands and innovation-driven economies, 2013, percentage of a given subgroup



Source: Panteia/GEM APS 2013.

3.4 Entrepreneurial exit

The present section elaborates on the fraction of the adult population that has exited entrepreneurship in the past twelve months. These individuals also indicate whether the relevant business continued or discontinued its activities after the individual exited the business. This distinction refers to the idea that an entrepreneurial exit does not necessarily equal an entrepreneurial failure. In addition to continued or discontinued activities, respondents reveal the most important reason behind exiting the entrepreneurship process.

Table 3.9 shows the development of entrepreneurial exit in the Netherlands over time. A distinction is made between businesses that continued their activities after the individuals exited the entrepreneurship process, and businesses that did not continue their activities. In total, 2.1% of the Dutch adult population experienced an entrepreneurial exit in 2013, which is a stabilisation compared to 2012. In about three out of four entrepreneurial exits, the exit coincides with firm exit, i.e. 1.6% of the Dutch adults experienced a firm exit with business closure in 2013.

Table 3.10 compares entrepreneurial exit rates from an international point of view. Clearly, the probability of exit decreases with the stage of economic development. The

Dutch exit rate is somewhat lower than the average of the innovation-driven economies. This is all the more remarkable since rates of entrepreneurial activity (both early-stage and established) in the Netherlands are higher than the average of innovation-driven economies, implying more potential exits. The low exit rates suggest that from an international perspective, businesses of Dutch entrepreneurs have relatively high survival chances.

However, Table 3.10 also shows that the share of entrepreneurial exits with business continuation is considerably lower in the Netherlands compared to innovation-driven economies. Whereas in innovation-driven economies roughly one out of three entrepreneurial exits involves continuation of the business, this share is only one out of four in the Netherlands. This may indicate a problem with business transfers in the Netherlands.[2]

table 3.9 Entrepreneurial exit in the Netherlands, 2002-2013, percentage of adult population (18-64 years of age)

Item	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Exit with business closure: Sold, shut down, discontinued, or quit a business in the past 12 months; business did **not** continue its activities after exit	1.7	1.6	1.2	1.5	0.8	0.5	1.0	1.8	0.9	1.4	1.5	1.6
Exit without business closure: Sold, shut down, discontinued, or quit a business in the past 12 months; business continued its activities after exit	.	.	.	.	.	0.3	0.6	0.7	0.5	0.5	0.7	0.5

Source: Panteia/GEM APS 2013.

table 3.10 Entrepreneurial exit internationally compared (unweighted average), 2013, percentage of adult population (18-64 years of age)

	Factor-driven economies	*Efficiency-driven economies*	*Innovation-driven economies*	*OECD*	*EU*	*Netherlands*
Exit with business closure	9.2	2.9	1.8	2.1	2.0	1.6
Exit without business closure	3.2	1.2	0.9	0.9	0.9	0.5

Source: Panteia/GEM APS 2013.

3.4.1 Main exit reason

There are several reasons, or combinations of reasons, why individuals decide to quit their entrepreneurial initiatives. For example, a business may lack profitability, the owner-managers may have difficulties in acquiring the relevant financial resources, or an individual may simply retire. In total, GEM distinguishes between eight exit reasons and respondents are asked to select the most important reason for quitting their business. An overview of these eight reasons and corresponding percentages is given in Table 3.11.

[2] In case of entrepreneurial exit, business continuation is also possible without business transfer, for instance if there were multiple firm owners, and the other owner(s) continue.

In the Netherlands, lack of profitability has traditionally been a dominant reason for entrepreneurial exit. This is also the case for 2013, where 27% of exits were due to a lack of profitability. Another interesting feature from Table 3.11 is that only 5% of entrepreneurial exits was planned in advance while 4% was due to an opportunity to sell. Hence, in maximum 9% of cases, entrepreneurial exit is associated with business transfer. Although this percentage is at par with peer economies, it may be considered low when realising that transferred businesses often outperform new-firm start-ups (e.g., Meijaard, 2007). Yet, policy support for business transfer is often lower than for start-ups (Van Teeffelen, 2012). As we saw in Table 3.10, business transfer seems to occur relatively little in the Netherlands.

table 3.11 Main exit reason internationally compared, 2013, percentage of exits

	Factor-driven economies	*Efficiency-driven economies*	*Innovation-driven economies*	*OECD*	*EU*	*Netherlands*
An opportunity to sell	5%	3%	4%	3%	2%	4%
Business was not profitable	31%	35%	32%	32%	34%	27%
Problems getting finance	20%	16%	10%	13%	14%	11%
Other job/business opport.	7%	8%	13%	13%	11%	13%
Exit was planned in advance	4%	3%	4%	4%	4%	5%
Retirement	2%	2%	7%	7%	7%	8%
Personal reasons	23%	25%	26%	23%	23%	29%
An incident	6%	5%	4%	4%	4%	3%
Other reason/don't know	2%	3%	0%	1%	1%	0%

Source: Panteia/GEM APS 2013.

3.5 Triggers and barriers of entrepreneurship: Results of the Dutch NES

Whereas the majority of this report is devoted to the 2013 results of the Dutch Adult Population Survey due to the richness of the data, one interesting aspect of GEM has remained unaddressed so far, i.e. the results of the National Expert Survey (NES). Different sets of framework conditions are of concern to the public and to policy-makers. The conditions that are expected to stimulate and support entrepreneurial activity are captured by the framework conditions as included in the NES (Xavier et al., 2013).

The NES distinguishes between nine areas (Entrepreneurial Framework Conditions, EFCs) that are thought to stimulate or constrain the level and nature of entrepreneurial activity. At least 36 experts are asked to give their assessments about a wide range of statements that can be classified according to these EFCs. The experts were supposed to give a score on a Likert scale with values of 1 (completely false), 2 (somewhat false), 3 (neither true nor false), 4 (somewhat true), and 5 (completely true) for each EFC. A high score for an EFC (value 4 or 5) indicates that the particular factor encourages entrepreneurial activity within a country whereas a low score (value 1 or 2) means that entrepreneurship is hampered on this area.

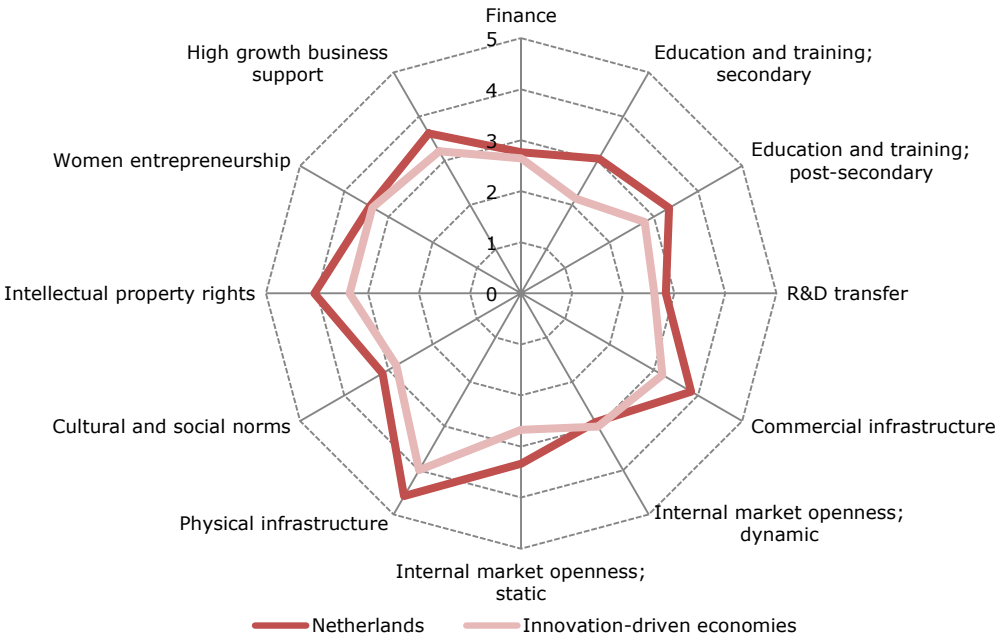
3.5.1 Entrepreneurial Framework Conditions

The EFCs are explained below (mainly drawn from Xavier et al., 2013, Figure 3.1). For two EFCs a further disentangling is made between two sub-conditions. That is, *education and training* consists of a primary school and secondary school component on the one hand and a post-secondary school component on the other hand. Finally, *internal market openness* has a general, static, component that indicates how free the markets are for firms to enter, and a dynamic component that captures yearly changes of the internal markets.

- *Financing*: The availability of financial resources, equity, and debt (including grants and subsidies) for new and growing firms.
- *Education and training*: The extent to which training in creating or managing new, small or growing businesses is incorporated within the education and training system at the primary or secondary school level (first sub-condition), or at the post-secondary school level (second sub-condition).
- *R&D transfer*: The extent to which national Research and Development (R&D) will lead to new commercial opportunities, and whether or not these are available for new, small and growing firms.
- *Commercial infrastructure*: The presence of commercial, accounting and other legal services and institutions that allow or promote the emergence of small, new and growing business entities.
- *Internal market openness*: As mentioned above there are two sub-conditions: *market dynamics*, i.e. the extent to which markets change from year to year, and *market openness*, i.e. the extent to which new firms are free to enter existing markets.
- *Physical infrastructure*: Ease of access to available physical resources – communication, utilities, transportation, land or space – at a price that does not discriminate against new, small or growing firms.
- *Cultural and social norms*: The extent to which existing social and cultural norms encourage entrepreneurial activities.
- *Intellectual property rights*: The extent to which Intellectual Property Rights (IPR) are comprehensive, enforced and complied to.
- *Women entrepreneurship*: The presence of a social infrastructure that allows women to pursue careers as entrepreneurs and the existence of rights and opportunities equal to those of men.
- *High growth businesses support*: The degree to which the importance of high growth businesses is recognised and actively supported.

Figure 11 shows the scores for the 12 dimensions for the Netherlands and for the innovation-driven economies (unweighted average). Note that high scores (4 and 5) indicate that the EFC under investigation fosters the entrepreneurial climate whereas low scores (1 and 2) indicate that the particular EFC constrains the entrepreneurial environment. We first describe the results for the Netherlands and will continue to compare these results internationally.

figure 11 average expert scores for the Entrepreneurial Framework Conditions (EFCs) for the Netherlands and innovation-driven economies, 2013



Source: Panteia/GEM NES 2013.

3.5.2 Results Dutch NES

A first observation is that none of the entrepreneurial framework conditions stand out as a clear barrier for the Netherlands in terms of scores below 2. This suggests very positive conditions for entrepreneurial activity in the Dutch context. Although there are these positive conditions in the Netherlands, there are two framework conditions with scores between 2 and 3. These are the framework conditions relating to financial support and R&D transfer. Hence, according to Dutch experts, there is room for improvement in the area of finance for new and growing firms and in the area of valorisation of scientific knowledge. In particular, experts perceive worse access to research and technology for new and growing firms, compared to large established firms (Van der Zwan et al., 2013).

Figure 11 also shows that the Netherlands score higher than the average of innovation-driven economies on almost every EFC. The Netherlands score particularly high on infrastructure (both commercial and physical) and on intellectual property rights. This implies that the basic requirements for starting and running a business as well as for appropriating the returns to innovations, are in place. The relatively positive results regarding education again underline the increased attention for entrepreneurship in the Dutch education system (e.g., European Commission, 2012).

References

Acs, Z.J., S. Desai and J. Hessels (2008), Entrepreneurship, economic development and institutions, *Small Business Economics*, 31(3), 219-234.

Bartelsman, E., S. Scarpetta, and F. Schivardi (2005), Comparative analysis of firm demographics and survival: Evidence from micro-level sources in OECD countries, *Industrial and Corporate Change*, 14, 365–391.

Davidsson, P. (2006). Nascent entrepreneurship: Empirical studies and developments, *Foundations and Trends in Entrepreneurship*, 2(1), 1–76.

Drnovsek, M., J. Wincent and M.S. Cardon (2010), Entrepreneurial self-efficacy and business start-up: Developing a multi-dimensional definition, *International Journal of Entrepreneurial Behaviour and Research* 16(4), 329-348.

EIM Business and Policy Research (2012), Effects and impact of entrepreneurship programmes in higher education, Report commissioned by the European Commission.

Etzioni, A. (1987). Entrepreneurship, adaptation and legitimation: A macro behavioral perspective, *Journal of Economic Behavior and Organization*, 8(2), 175-189.

European Commission (2012), Entrepreneurship education at school in Europe; National strategies, curricula and learning outcomes, March 2012, Brussels: Eurydice.

Hessels, J., I. Grilo, R. Thurik and P. van der Zwan (2011), Entrepreneurial exit and entrepreneurial engagement, *Journal of Evolutionary Economics* 21(3), 447-471.

Kim, W.Ch., and R. Mauborgne (2005), *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, Boston MA: Harvard Business School Press.

Meijaard, J. (2007), Overnemen vaak beter dan 'vers' starten, EIM Report M200718, Zoetermeer: EIM.

Niras Consultants, FORA and ECON Pöyry (2008), Survey of entrepreneurship education in higher education in Europe; Appendix B: Good-practice examples, Report commissioned by the European Commission.

Van Stel, A., S. Wennekers and G. Scholman (2014), Solo self-employed versus employer entrepreneurs: Determinants and macro-economic effects in OECD countries, *Eurasian Business Review* 4(1), 107-136.

Van Teeffelen, L. (2012), *Avenues to Improve Success in SME Business Transfers: Reflections on Theories, Research and Policies*, Utrecht: HU Utrecht Business School.

Van der Zwan, P., J. Hessels, B. Hoogendoorn and N. de Vries (2013), *Global Entrepreneurship Monitor The Netherlands 2012; National Report*, Zoetermeer: Panteia/EIM.

World Economic Forum (2011), *The Global Competitiveness Report 2011-2012*, Geneva: World Economic Forum.

Xavier, S.R., D. Kelley, J. Kew, M. Herrington and A. Vorderwuelbecke (2013), *Global Entrepreneurship Monitor 2012, Global Report*, Wellesley, MA: Babson College.

Zhao, H. and S.E. Seibert (2006). The Big Five personality dimensions and entrepreneurial status: A meta-analytical review, *Journal of Applied Psychology*, 91, 259–271.

The results of Panteia/EIM's Research Programme on SMEs and Entrepreneurship are published in the following series: Research Reports and Publieksrapportages.
The most recent publications of both series may be downloaded at:
www.entrepreneurship-sme.eu.

Recent Research Reports and Scales Papers

H201406	20-05-2014	Twee mythes over ondernemerschap ontrafeld
H201405	11-06-2014	What drives environmental practices of SMEs?
H201404	25-04-2014	Bank loan application success by SMEs: the role of ownership structure and innovation
H201403	20-05-2014	The Emperical Scope of User Innovation
H201402	03-04-2014	Scale effects in workplace innovations
H201401	20-03-2014	Verklaringen van de overlevingskans van bedrijven, gestart door allochtone ondernemers
H201314	27-11-2013	Global Entrepreneurship Monitor The Netherlands 2012
H201313	25-10-1013	Emerging industries! Challenges in alternative dance, tracking devices and fast casual dining
H201312	25-10-1013	FAMOS 2013 a Size-Class based Financial Analysis Model
H201311	7-08-2013	A Cumulative Production Structure Matrix for Dutch SMEs
H201310	4-07-2013	Belemmeringen, informele samenwerking en MKB-bedrijfsgroei
H201309	4-06-2013	Start-up motivation and (in) voluntary exit
H201308	30-05-2013	Explaining entrepreneurial performance of solo self-employed from a motivational perspective
H201307	23-04-2013	Entrepreneurial activity, industry orientation, and economic growth
H201306	18-04-2013	Self-employment and Job Generation in Metropolitan Areas, 1969-2009
H201305	7-03-2013	The impact of the economic crisis on European SMEs
H201304	4-03-2013	Learning from Entrepreneurial Projects: A Typology
H201303	3-04-2013	Wat drijft ondernemers om maatschappelijke vraagstukken op te pakken? (Nederlandse samenvatting)
H201302	17-04-2013	Unraveling the relationship between the business cycle and the own-account worker's decision to hire employees
H201301	01-02-2013	Entrepreneurship education and self-employment: the role of perceived barriers
H201219	14-01-2013	Firm resources, dynamic capabilities, and the early growth of firms
H201218	12-02-2014	The relationship between entrepreneurial activity the business cycle and economic openness
H201217	17-12-2012	The Environmental Regulation Paradox for Clean Tech Ventures
H201216	17-12-2012	How does employment protection legislation influence hiring and firing decisions by the smallest firms?

H201215	22-11-2012	The Production Structure of Small, Medium-sized and Large enterprises in Dutch Private Enterprise - Analysis by economic sector
H201214	22-11-2012	The Production Structure of Small, Medium-sized and Large enterprises in Dutch Private Enterprise - Analysis at the aggregate level
H201213	11-02-2013	Institutions and the allocation of entrepreneurship across new and established organizations
H201212	11-10-2012	Solo self-employed versus employer entrepreneurs: prevalence, determinants and macro-economic impact
H201211	11-10-2012	Disentangling the effects of organizational capabilities, innovation and firm size on SME sales growth
H201210	1-10-2012	Do firm size and firm age affect employee remuneration in Dutch SMEs?
H201209	1-10-2012	The risk of growing fast: Does fast growth have a negative impact on the survival rates of firms?
H201208	13-09-2012	Investigating the impact of the technological environment on survival chances of employer entrepreneurs
H201207	10-06-2013	Start-Up Size Strategy and Risk Management: Impact on New Venture Performance
H201206	21-06-2012	Ageing and entrepreneurship
H201205	21-06-2012	Innoveren in het consumentgerichte bedrijfsleven
H201204	16-02-2012	Time series for main variables on the performance of Dutch SMEs
H201203	09-04-2013	Do small business create more jobs? New evidence for Europe
H201202	19-01-2012	Trends in entrepreneurial Activity in Central and East European Transition Economies
H201201	9-01-2012	Globalization, entrepreneurship and the region
H201119	2-01-2012	The risk of growing fast
H201118	22-12-2011	Beyond Size: Predicting engagement in environmental management practices of Dutch SMEs
H201117	22-12-2011	A Policy Theory Evaluation of the Dutch SME and Entrepreneurship Policy Program between 1982 and 2003
H201116	20-12-2011	Entrepreneurial exits, ability and engagement across countries in different stages of development
H201115	20-12-2011	Innovation barriers for small biotech, ICT and clean tech firms: Coping with knowledge leakage and legitimacy deficits
H201114	20-12-2011	A conceptual overview of what we know about social entrepreneurship
H201113	20-12-2011	Unraveling the Shift to the Entrepreneurial Economy
H201112	24-11-2011	Bedrijfscriminaliteit
H201111	25-08-2011	The networks of the solo self-employed and their success
H201110	23-06-2011	Social and commercial entrepreneurship: Exploring individual and organizational characteristics