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Global Entrepreneurship Monitor the Netherlands 2017

National Report



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Summary

The Global Entrepreneurship Monitor (GEM) is a research program with the aim of obtaining internationally comparative data on entrepreneurial activity. By consistently using proven indicators, global and longitudinal comparisons of entrepreneurial activity can be made. 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 2017 results for the Netherlands are presented in the following paragraphs.

The entrepreneurial perceptions improved in the Netherlands in 2017. Perceived opportunities (good opportunities for starting a business in the next six months) increased from 54% of the adult population in 2016 to 64% in 2017, reaching the highest level during the past ten years. The perceived capabilities also increased, from 41% in 2016 to 45% in 2017. The fear of failure continued to decrease in 2017 and is now at the lowest level since 2011. Compared to the whole group of innovation-driven economies, the Netherlands scores much better on perceived opportunities and fear of failure, and similar on perceived capabilities.

Comparing the entrepreneurial attitudes with the whole group of innovation-driven economies we notice that 81% of the Dutch adult population sees entrepreneurship as a desirable choice compared with 57% for the average innovation-driven economy. For other indicators such as "entrepreneurship is given high status" and "media attention for entrepreneurship", the entrepreneurial attitudes for the Netherlands are similar to the whole group of innovation-driven economies.

Entrepreneurial perceptions and attitudes may stimulate individuals to take up entrepreneurial activities. An important indicator provided by GEM is the Total early-stage Entrepreneurial Activity (TEA) rate, which is 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). In 2017, the TEA rate was 9.9%, which is more or less the average value for the years since 2012 (except for 2015, when the TEA rate was lower).

In 2017 the TEA rate for the Netherlands ranks eighth out of 24 innovation-driven economies. The TEA rate in the Netherlands was higher than the average of innovation-driven economies and higher than the average of EU-countries.

Among others, the GEM asks about the motivation of individuals who are engaged in early-stage entrepreneurial activities. This allows for a distinction between individuals motivated by opportunities and individuals motivated by necessities. Opportunity-driven motivation is more prevalent than necessity-driven motivation. This applies to all countries, but in particular for the Netherlands where the relative share of necessity-driven TEA is the lowest: while opportunity-driven TEA activities are found for 8.3% of the adult population, necessity-driven TEA activities are found for only 0.7% of the adult population.

Employees may also exhibit entrepreneurial activities. This is monitored by the Entrepreneurial Employee Activity (EEA). EEA is a measure that accounts for the situation where an employee in the past three years was actively involved in and had a leading role in either the idea development for a new activity or the preparation and



implementation of a new activity. In short, it refers to intrapreneurship. The EEA rate for the Netherlands is 7.6%, which is above the average value for innovation-driven economies.

In 2017, entrepreneurial exit increased slightly compared to 2016, from 2.7% to 3.1% (the highest exit rate for the last 10 years). Over the past two years, the share of entrepreneurs stating a lack of business profitability as their main exit reason, decreased with 36 percentage points (from 51% in 2015 to 39% in 2016 and 15% in 2017), reflecting the positive business cycle. In 2017, the most important reasons to exit are problems with getting finance (16%), another job (or business) opportunity (18%), and, remarkably, problems with government, tax policy and /or bureaucracy (35%).

In sum, results of GEM 2017 show that entrepreneurship flourishes in the Netherlands. Entrepreneurial perceptions and attitudes as well as total early-stage entrepreneurial activity and entrepreneurial employee activity are well above the averages of innovation-driven economies. The TEA rate declined somewhat in 2017 but this reflects a relatively strong decrease in necessity entrepreneurship, indicating that more wage jobs have become available in the Dutch economy, which grew fast in 2017. The slight increase in entrepreneurial exit is also not worrying since this reflects an increase of exits of entrepreneurs where the business continues to exist. Moreover, entrepreneurial exit is still slightly below the average of peer economies. Finally, the results of the National Expert Survey (NES) show that the Netherlands scores higher across all entrepreneurial framework conditions than the averages of the innovation-driven economies. This suggests that circumstances to start a business in the Netherlands are relatively good.

Hence, almost all indicators point at a thriving entrepreneurial economy. The only exception is the slow but steady increase of the percentage of entrepreneurial exits since 2014, reaching the highest rate of entrepreneurial exit for the last 10 years.



1 Introduction

This research report is structured in a fashion similar to recent Dutch publications under the Global Entrepreneurship Monitor banner¹.

1.1 The Global Entrepreneurship Monitor (GEM)

History

The Global Entrepreneurship Monitor (GEM) is a research programme executed annually with the aim of obtaining 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 54 economies in 2017. Currently, GEM is the largest study of entrepreneurial activity in the world. The GEM research programme provides a harmonised assessment of the level of national entrepreneurial activity and conditions to which it is subject for each participating country. In 2017, the Netherlands participated in GEM for the seventeenth time since it joined the GEM project in 2001.

Objectives

Although it is widely acknowledged that entrepreneurship is an important force in shaping a country's economy, the understanding of the exact roles that entrepreneurs play in modern economies is still far from complete (Wennekers and Van Stel, 2017). The quest to unravel the complex relationship between entrepreneurship and economic development has been hampered particularly by a lack of cross-national harmonised data on entrepreneurship. Since 1999, the GEM research programme has sought to address this by collecting relevant cross-national harmonised 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;

¹ See Van der Zeijden, Van der Graaf & Snijders (2017), Van der Zeijden, Van Stel & Wong (2016), Span, Van Stel & Van den Berg (2015), Van Stel, Span & Hessels (2014) and Van der Zwan, Hessels, Hoogendoorn & De Vries (2013). Furthermore, throughout the report, general descriptions of GEM-related phenomena have been taken over from these reports.



- *Efficiency-driven economies.* In these economies, industrialisation and increasing scale-intensity are the major drivers of economic development;
- *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. In 2017, there are 4 factor-driven economies, 26 efficiency-driven economies, and 24 innovation-driven economies participating in GEM.

table 1 Income thresholds for establishing the stages of economic development

<i>stage of economic development</i>	<i>GDP per capita (in US \$)</i>
stage 1: factor-driven	< 2,000
<i>transition from stage 1 to stage 2</i>	2,000 – 3,000
stage 2: efficiency-driven	3,000 – 9,000
<i>transition from stage 2 to stage 3</i>	9,000 – 17,000
stage 3: innovation-driven	≥ 17,000

Source: *Global Competitiveness Report (GCR), 2017-2018 (World Economic Forum, 2017).*

1.3 The entrepreneurship process

GEM acknowledges that entrepreneurial activity is best seen as a process rather than a single time event (see also Van der Zwan, Thurik and Grilo, 2010). 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 their specific position in the entrepreneurship process. For example, it may happen that substantial awareness for entrepreneurship as a career choice exists in 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 operationalises the entrepreneurship process as depicted in figure 1 which is taken from the 2016/17 Global Report (Herrington and Kew, 2017).

Hence, the following phases of entrepreneurship can be distinguished:

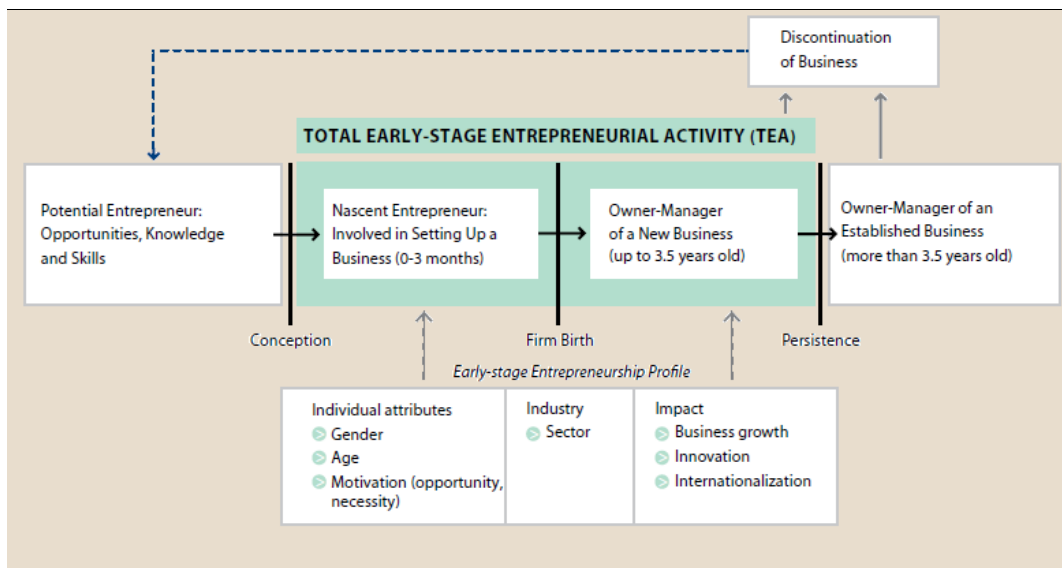
- *Potential entrepreneurs:* Potential entrepreneurs are individuals who have not yet taken steps to start a business, but they have the beliefs and abilities to start a business. Specifically, individuals are considered to be potential entrepreneurs when they believe they have the knowledge and skills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



perceptions society holds of entrepreneurs. Attitudes towards entrepreneurship are the subject of section 2.2.

- *Entrepreneurial intent*: Potential entrepreneurship is followed by entrepreneurial intent: individuals 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.
- *Total Early-stage Entrepreneurial Activity (TEA)*: GEM’s primary measure of entrepreneurship is total early-stage entrepreneurial activity. TEA consists of both 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 (3.5 years). 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 1 The entrepreneurship process



Source: *Global Entrepreneurship Monitor: 2016/17 Global Report (Herrington and Kew, 2017)*.

Whereas the phases of actually starting a business are characterised by conception, firm birth and persistence, there are two other phases also depicted in figure 1:

- *Discontinuation*: Any entrepreneur may decide to quit his/her business endeavour at some moment of time. This discontinuation 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 discontinuation is given more attention at the end of Chapter 3.
- *Re-engagement*: The dashed arrow connecting discontinuation 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 1 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 1.

The GEM framework also allows for insight into the characteristics of the population involved in the entrepreneurial process (gender, age and motivation), their businesses (sector) and impact (growth, innovation and internationalisation).

In addition to the TEA rate, another GEM indicator also provides good insight into the degree of entrepreneurship of an economy. The Entrepreneurial Employee Activity rate (EEA) measures involvement of employees in entrepreneurial activities, such as developing or launching new goods or services, or setting up a new business unit, a new establishment or subsidiary.

1.4 Adult Population Survey and National Expert Survey

1.4.1 Adult Population Survey (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 1. 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 standardised 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 2,259 respondents and is acquired by means of a mixture between fixed-line and mobile-line telephone interviews. The survey was held from May to July 2017. 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 National Expert Survey (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 the 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, government policies governmental programs, education and training, R&D transfer, commercial infrastructure, internal market openness, physical infrastructure and cultural and social norms.

The present report focuses mainly on the findings from the Adult Population Survey. The results of the Dutch NES are discussed in Section 3.6.



1.4.3 Participating countries in 2017

Table 2 contains an overview of the participating economies. Among these economies, there are 24 Member Countries of the Organisation for Economic Co-operation and Development (OECD) and 18 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).

table 2 Participating economies in GEM 2017, with those in the transition towards the next stage of economic development marked with an asterisk

<i>economies</i>	<i>member OECD</i>	<i>member EU</i>
<i>factor-driven economies (4)</i>		
India	no	no
Kazakhstan*	no	no
Madagascar	no	no
Vietnam*	no	no
<i>efficiency-driven economies (26)</i>		
Argentina*	no	no
Bosnia and Herzegovina	no	no
Brazil	no	no
Bulgaria	no	yes
Chile*	yes	no
China	no	no
Colombia	no	no
Croatia*	no	yes
Ecuador	no	no
Egypt	no	no
Guatemala	no	no
Indonesia	no	no
Iran	no	no
Latvia*	yes	yes
Lebanon*	no	no
Malaysia*	no	no
Mexico	yes	no
Morocco	no	no
Panama*	no	no
Peru	no	no
Poland*	yes	yes
Saudi Arabia *	no	no
Slovak Republic *	yes	yes
South Africa	no	no
Thailand	no	no
Uruguay*	no	no



<i>economies</i>	<i>member OECD</i>	<i>member EU</i>
<i>innovation-driven economies (24)</i>		
Australia	yes	no
Canada	yes	no
Cyprus	no	yes
Estonia	yes	yes
France	yes	yes
Germany	yes	yes
Greece	yes	yes
Ireland	yes	yes
Israel	yes	no
Italy	yes	yes
Japan	yes	no
Republic of Korea	yes	no
Luxembourg	yes	yes
Netherlands	yes	yes
Puerto Rico	no	no
Qatar	no	no
Slovenia	yes	yes
Spain	yes	yes
Sweden	yes	yes
Switzerland	yes	no
Taiwan	no	no
United Arab Emirates	no	no
United Kingdom	yes	yes
United States	yes	no

1.5 Outline of the Dutch GEM report 2017

This Dutch GEM report is structured as follows. Chapter 2 focuses on entrepreneurial attitudes and perceptions of the Dutch adult population, and compares the 2017 situation with earlier years. In addition, Chapter 2 reports on the evolution of entrepreneurial intentions over time. Chapter 3 describes the latest Dutch developments regarding entrepreneurial activity, and focuses on early-stage and established entrepreneurs. Chapter 3 also pays attention to entrepreneurial employee activity (EEA). 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 2017. A longitudinal view of these measures is provided by comparing the Dutch numbers from 2017 with those from previous years. Additionally, the Dutch results are compared with international results. For this purpose, the averages of the 24 innovation-driven economies serve as the benchmark.

First of all, 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. Secondly, 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 progression of an individual through the several phases of the entrepreneurship process (figure 1), 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 towards being a nascent or an established entrepreneur. While the relationship between the individual's perceptions about entrepreneurship and their behaviour is considered to be important, research on this topic has been limited, partly because of problems with acquiring good data on the subject (Carsrud and Brännback, 2011).

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 element of 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 concerning one's own capabilities of starting a business is also relevant. Indeed, studies report that so-called entrepreneurial self-efficacy is a predictor of entrepreneurial entry (e.g. Wennberg, Pathak and Autio, 2013). 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 element of 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.



Entrepreneurial perceptions in 2017

The values in table 3 show the three dimensions of potential entrepreneurship and their developments over time from 2008 onwards. Throughout the years we observe a variation in the level of perceived opportunities that clearly correlates with macro-economic developments². Levels first dropped in 2008 and 2009, during the years of the first recession that initiated the recent economic and financial crises. Two years of slight economic recovery followed with modest growth levels in GDP and perceived opportunities improving. GDP growth again was negative during the second recession that followed in 2012 and 2013 and the level of perceived opportunities followed suit. Since then, the level of perceived opportunities increased each year. In 2017 it reached the highest level in the last 10 years. The correlation between GDP and perceived opportunities is plotted in figure 2.

table 3 Entrepreneurial perceptions in the Netherlands, 2008-2017, percentage of adult population (18-64 years of age) that agrees with the statement

<i>item</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
<u>perceived opportunities:</u>										
"In the next six months, will there be good opportunities for starting a business in the area where you live?"	39	36	45	48	34	33	46	48	54	64
<u>perceived capabilities:</u>										
"Do you have the knowledge, skill and experience required to start a new business?"	38	47	46	42	42	42	44	41	41	45
<u>fear of failure:</u>										
"Would fear of failure prevent you from starting a business?"	26	27	26	37	39	43	39	38	35	33

Source: GEM APS 2017.

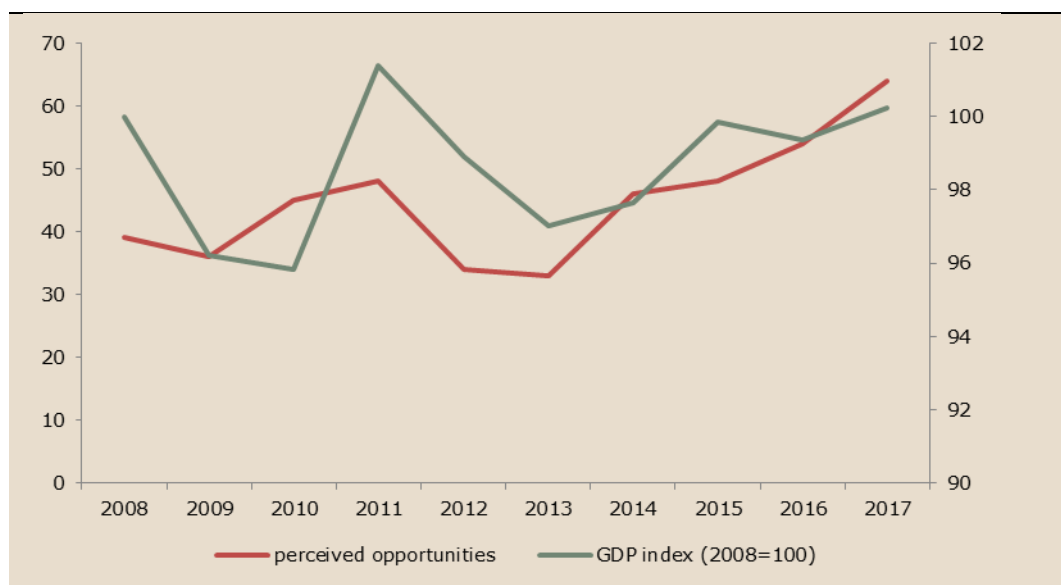
In a somewhat similar vein, the fear of failure indicator increased dramatically in 2011, and increased further until 2013 when it reached its highest point since the Netherlands' participation in the GEM in 2001. Also, in 2013 the level of perceived opportunities reached its lowest point since 2003. These numbers provide an indication of the fact that in 2013 the economic crisis was far from over in the Netherlands, and that the economic environment for starting a business was relatively poor. The increase in perceived opportunities and decrease of the fear of failure index suggest that the perception of economic circumstances improved in 2014. This increase in perceived opportunities and decrease of the fear of failure index continued in 2015, 2016 and 2017.

The level of self-perceived capabilities in 2017 was 45%, at a similar level to previous years. As entrepreneurial capabilities are largely independent of the business cycle (unlike the other two indicators described above), the stable trend is not surprising.

² See recent *Macro Economische Verkenning* and *Centraal Economisch Plan* publications (Netherlands Bureau for Economic Policy Analysis) for numbers on GDP developments.



figure 2 Plotted relationship between changes in GDP (indexed at 2008=100) and perceived opportunities in the Netherlands, 2008-2017



Source: GEM APS 2017 and Netherlands Bureau for Economic Policy Analysis.

From an international perspective, the Dutch population scores better on perceived opportunities and fear of failure when compared to the average scores for the OECD and the average innovation-driven economy (see table 4).

table 4 Entrepreneurial perceptions internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age)

	<i>factor-driven economies</i>	<i>efficiency-driven economies</i>	<i>innovation-driven economies</i>	<i>OECD</i>	<i>EU</i>	<i>Netherlands</i>
perceived opportunities	42	44	43	45	43	64
perceived capabilities	54	53	43	45	44	45
fear of failure	37	39	43	42	44	33

Source: Panteia/GEM APS 2017.

Table 5 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. The data shows that the gap between non-entrepreneurs and entrepreneurs appears particularly pronounced for perceived capabilities. Of the non-entrepreneurs, only 35% think they have the capabilities to start a new business, whereas 79% of the entrepreneurs think they have the capabilities to start a new business³.

³ In 2016 this gap was even more pronounced: in 2016, the percentages were 28% for non-entrepreneurs versus 86% for entrepreneurs.



table 5 Entrepreneurial perceptions of (non-)entrepreneurs in the Netherlands, 2017, percentage of adult population (18-64 years of age)

	<i>adult population</i>	<i>non-entrepreneurs</i>	<i>entrepreneurs</i>
perceived opportunities	64	60	78
perceived capabilities	45	35	79
fear of failure	33	37	22

Source: Panteia/GEM APS 2017.

2.2 Entrepreneurial attitudes

Measuring attitudes towards entrepreneurship is important, because entrepreneurial attitudes contain information about the image of entrepreneurs (hip) in a country. A more favourable image of entrepreneurs and entrepreneurship may indicate a higher acceptance of entrepreneurship within a culture which may influence the decision to engage in entrepreneurship (Thornton, Ribeiro-Soriano & Urbano, 2011). 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 6 shows that 81% 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 in the EU, OECD, and countries with innovation economies (see table 7). Hence, even though most labour force participants are occupied in a wage job, there seems to be a consistently more positive attitude towards entrepreneurship in the Netherlands compared to countries with similar levels of development. This may point to a cultural characteristic in 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 (Van Stel, Span and Hessels, 2014).

The level of respect or high status, accorded to successful entrepreneurs is rather stable over time (with a small dip in 2016), at two third of the adult population, in line with peer economies. Media attention for entrepreneurship is also rather stable over time. In 2017, it is slightly higher than EU peer economies, but similar to OECD peer economies.



table 6 Entrepreneurial attitudes in the Netherlands, 2008-2017, percentage of adult population (18-64 years of age) that agrees with the statement

<i>item</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
<u>entrepreneurship as desirable career choice:</u> "In the Netherlands, most people consider starting a new business a desirable career choice"	85	84	85	83	79	80	79	79	78	81
<u>entrepreneurship is given high status:</u> "In the Netherlands, those successful at starting a new business have a high level of status and respect"	69	67	69	67	65	66	68	65	60	67
<u>media attention for entrepreneurship:</u> "In the Netherlands, you will often see stories in the public media about successful businesses"	61	64	61	62	58	55	56	58	57	63

Source: GEM APS 2017.



table 7 Entrepreneurial attitudes internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age) that agrees with the statement

<i>item</i>	<i>factor- driven economies</i>	<i>efficiency- driven economies</i>	<i>innovation- driven economies</i>	<i>OECD</i>	<i>EU</i>	<i>Netherlands</i>
<u>entrepreneurship as desirable career choice:</u> "In the Netherlands, most people consider starting a new business a desirable career choice"	65	66	57	57	59	81
<u>entrepreneurship is given high status:</u> "In the Netherlands, those successful at starting a new business have a high level of status and respect"	72	66	70	68	67	67
<u>media attention for entrepreneurship:</u> "In the Netherlands, you will often see stories in the public media about successful businesses"	57	60	62	60	56	63

Source: GEM APS 2017.

2.3 Entrepreneurial intentions

This section reports 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). Between 2008 and 2015, the level of entrepreneurial intentions has more than doubled (from 5.3% to 11.1%). 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. In 2015 this increase has come to an end, with 2016 and 2017 showing slight decreases in the level of entrepreneurial intentions.

From an international perspective the Dutch entrepreneurial intentions are still relatively low (see table 9). 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 8 Entrepreneurial intentions in the Netherlands, 2008-2017, percentage of adult population (18-64 years of age) that agrees with the statement

Item	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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?"	5.3	7.4	7.1	9.8	10.1	10.3	10.8	11.1	10.9	10.4

Source: GEM APS 2017.

table 9 Entrepreneurial intentions internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age)

	factor-driven economies	efficiency-driven economies	innovation-driven economies	OECD	EU	Netherlands
entrepreneurial intent	35.7	30.1	18.1	16.7	13.8	10.4

Source: Panteia/GEM APS 2017.

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 10 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 10 also reports on entrepreneurial intent among the nascent, new, and established entrepreneurs (i.e., actual entrepreneurs).



table 10 Entrepreneurial intentions of non-entrepreneurs and potential entrepreneurs in the Netherlands, 2017, percentage of adult population (18-64 years of age)

	<i>adult population</i>	<i>"non-potential" entrepreneur</i>	<i>potential entrepreneurs</i>	<i>actual entrepreneurs</i>
entrepreneurial intent	10.4	6.4	19.5	21.0

Source: Panteia/GEM APS 2017. The group of potential entrepreneurs excludes individuals who are also involved in TEA or established entrepreneurship.

Not surprisingly, the potential entrepreneurs have entrepreneurial intentions considerably more often than the "non-potential entrepreneurs". The levels of entrepreneurial intent are very similar to the levels observed in 2016, for all categories included in table 10⁴. A further observation is that about one in five 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.

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, age and education distributions differ between these two groups of individuals? Such analyses provide information as to which individuals are more likely to have entrepreneurial potential or intentions.

Table 11 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 10) with entrepreneurial intentions are excluded from the calculations.

A different approach to investigating the prevalence of entrepreneurial intentions across the demographic subgroups is illustrated in figure 3. The figure shows the percentage of individuals intending to start a business within the next three years for each subgroup. Specific attention is devoted to "pure intentions".

Compared to last year, the share of female potential entrepreneurs and female "pure" intentional entrepreneurs has increased (for potential entrepreneurs from 27% in 2016 to 34% in 2017; for "pure" intentional entrepreneurs from 25% in 2016 to 53% in 2017). As can be seen in table 11, the potential entrepreneurship indicator still indicates that males are more likely to consider themselves as potential entrepreneurs (66% versus 34%). However, the "pure" intentional entrepreneurs indicator now suggests that this gender difference disappears when actual intentions to start a business are considered.

⁴ In 2015 the level of entrepreneurial intent suddenly increased to 32.0%. This appears to have been an outlier: in 2014, 2016 and now in 2017 it was around 20%.

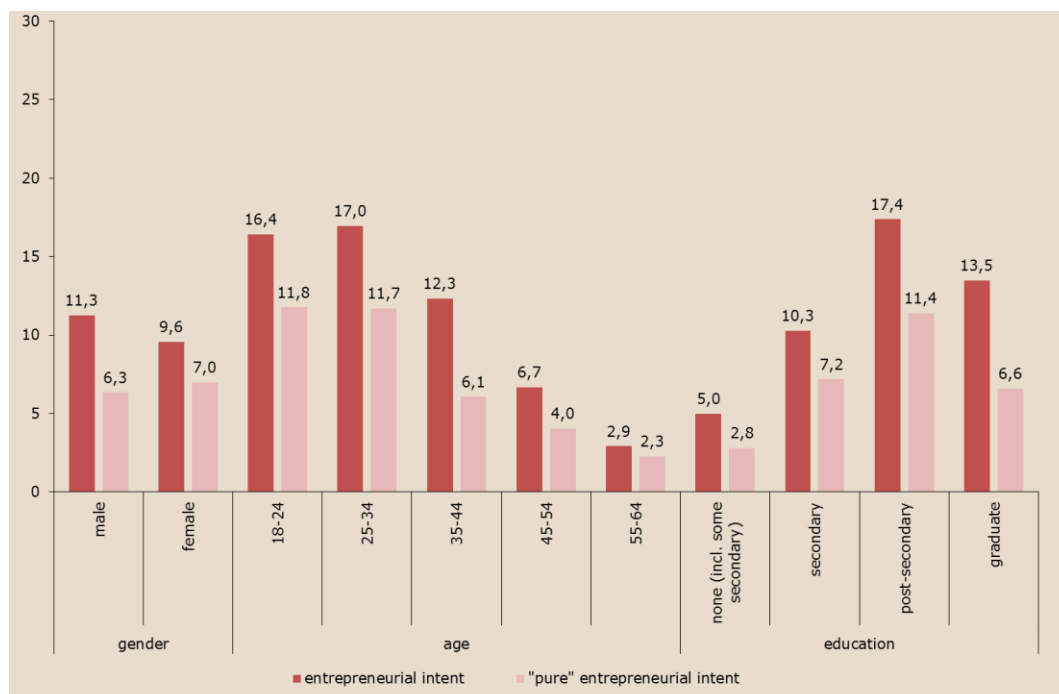


table 11 Demographic structure of (non-)potential and intentional entrepreneurs in the Netherlands, 2017

		"non-potential" entrepreneurs	potential entrepreneurs	"pure" intentional entrepreneurs
gender	male	45%	66%	47%
	female	55%	34%	53%
age	18-24 years	14%	21%	25%
	25-34 years	19%	22%	35%
	35-44 years	20%	18%	19%
	45-54 years	24%	25%	15%
	55-64 years	24%	14%	7%
education	no degree (incl. some secondary)	27%	18%	11%
	secondary degree (<i>middelbare school</i>)	47%	48%	51%
	post-secondary degree (<i>HBO</i>)	15%	21%	27%
	graduate degree (<i>universiteit</i>)	10%	13%	11%

Source: Panteia/GEM APS 2017. 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 Entrepreneurial intentions in the Netherlands, 2017, percentage of a given subgroup



Source: Panteia/GEM APS 2017. The group of individuals with "pure" entrepreneurial intentions excludes individuals who are also involved in TEA or established entrepreneurship.



The age composition of the potential entrepreneurs and “pure” intentional entrepreneurs shows a rejuvenation, although for both groups in a different way (for potential entrepreneurs, the share of 18 – 24 years has increased with 8 percentage points; for “pure” intentional entrepreneurs, the share of 25 – 34 years has increased with 11 percentage points). These changes in age decomposition may explain part of the changes in the gender decomposition (i.e. more young women may consider entrepreneurship a viable career option).

The prevalence of entrepreneurial intentions tends to decrease with age group, as can be seen in figure 3. This decline with age group is consistent over the years. Considering the level of “pure” entrepreneurial intentions within age groups, the data show an increase in the level of “pure” entrepreneurial intentions among the 25-34 years old from 7.4% in 2016 to 11.7% in 2017. For all other age groups, the differences between 2016 and 2017 are less than 1 percentage point.

Furthermore, when comparing the “potential entrepreneurs” with the “pure intentional entrepreneurs”, table 11 demonstrates that the two youngest age groups make up a larger proportion of the “pure” intentional entrepreneurs compared to the potential entrepreneurs (25% versus 21% and 35% versus 22%, respectively). This may point to 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. For the two oldest age groups, the data shows a reversed pattern, suggesting that entrepreneurial potential in these age groups might remain unexploited.

Regarding educational levels, figure 3 demonstrates that entrepreneurial intentions are highest for the post-secondary level. This applies to entrepreneurial intent as well as to “pure” entrepreneurial intent.



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 hones 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.

Beyond the discussion of this 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 examined. The present chapter also deals with entrepreneurial employee activity (EEA) and 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 or fully own. The individuals should be actively involved in this start-up activity. For example, they could have developed a specific business plan, they could be searching for a location from where the future business will be active, and/or they could be involved in the organisation of a start-up team.

New entrepreneurs are individuals between 18 and 64 years of age who currently own and manage a business and have been doing so for less than 3.5 years. It is important to note here 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 12 shows that in 2017 the TEA rate has slightly dropped to 9.9%. This is more or less the average TEA rate for the years 2012 – 2016 (excluding 2015), indicating that the strong decrease of TEA in 2015 (a 25% drop from 2014) was incidental. Table 12 also shows that the decrease in TEA is due to a decrease in the nascent entrepreneurship rate, which decreased from 5.7% in 2016 to 4.7% in 2017.

For four of the last five years, the new entrepreneurship rate in the Netherlands has been above the average of similar countries (*i.e.*, innovation-driven economies, OECD and EU countries). This was the case in 2013, 2014, 2016 and (as is shown in table 13) in 2017.



table 12 Total early-stage entrepreneurial activity (TEA) in the Netherlands, 2008-2017, percentage of adult population (18-64 years of age)

<i>item</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
TEA:										
aggregate of nascent and new entrepreneurship	5.2	7.2	7.2	8.2	10.3	9.3	9.5	7.2	11.0	9.9
nascent entrepreneurship:										
"Are you, alone or with others, currently trying to start a new business?"	2.1	3.1	4.0	4.3	4.1	4.7	5.2	4.3	5.7	4.7
new entrepreneurship:										
"Are you, alone or with others, currently the owner of a business you help manage?"*	3.2	4.1	3.4	4.1	6.3	4.8	4.5	3.0	5.4	5.4

* Note that wages, profits, or payments in kind from this business should have been received after January 1, 2013. Furthermore, respondents partially or fully own this new business. Source: GEM APS 2017.

table 13 TEA rates internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age)

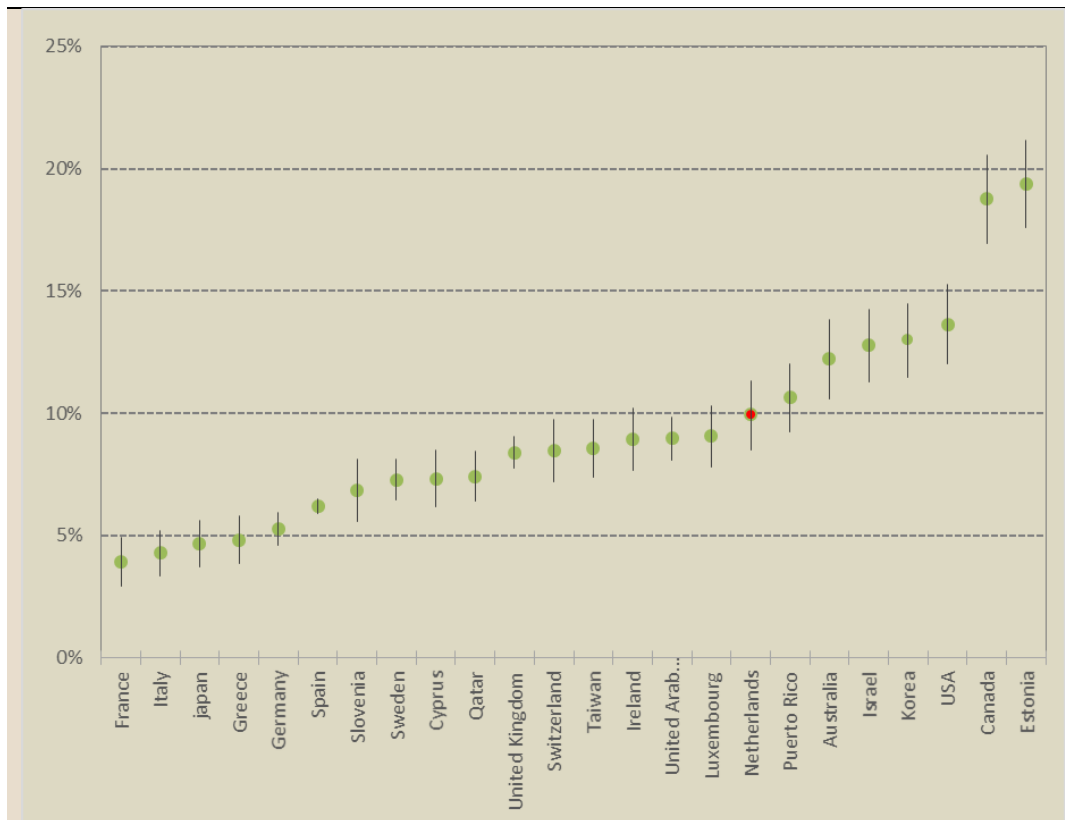
	<i>factor-driven economies</i>	<i>efficiency-driven economies</i>	<i>innovation-driven economies</i>	<i>OECD</i>	<i>EU</i>	<i>Netherlands</i>
TEA	16.4	14.9	9.2	10.4	8.3	9.9
nascent entrepreneurship	6.6	8.7	5.5	6.6	5.2	4.7
new entrepreneurship	10.1	6.5	3.8	4.1	3.2	5.4

Source: Panteia/GEM APS 2017.

The Dutch TEA ranked eighth out of 24 innovation-driven economies in 2017 (see figure 4). It was ranked seventh out of 27 innovation-driven economies in 2016, ranked fifteenth out of 24 innovation-driven economies in 2015, ranked eleventh out of 30 innovation-driven economies in 2014, and in 2013 it was ranked sixth out of 26 innovation-driven economies.



figure 4 Total early-stage entrepreneurial activity (TEA) in the innovation-driven economies, 2017, percentage of adult population (18-64 years of age)



Source: GEM APS 2017.

Demographics

Table 14 shows a decomposition across gender, age and education for three subgroups of individuals (“non-potential entrepreneurs”, potential entrepreneurs, and “pure” intentional entrepreneurs). The table replicates table 11, and adds the decomposition across gender, age and education for the early-stage entrepreneurs.



table 14 Demographic structure of (non-)potential, intentional, and early-stage entrepreneurs in the Netherlands, 2017

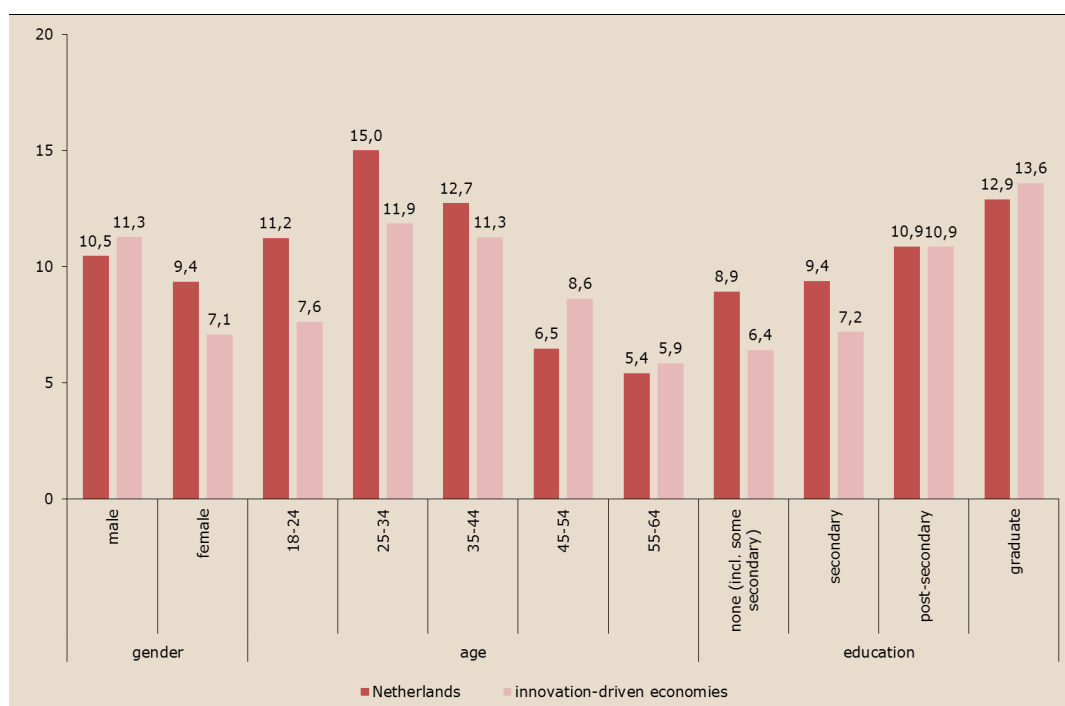
		'non-potential entrepreneurs'	potential entrepreneurs	"pure" intentional entrepreneurs	early-stage entrepreneurs
gender	male	45%	66%	47%	53%
	female	55%	34%	53%	47%
age	18-24 years	14%	21%	25%	16%
	25-34 years	19%	22%	35%	30%
	35-44 years	20%	18%	19%	27%
	45-54 years	24%	25%	15%	16%
	55-64 years	24%	14%	7%	12%
education	none (incl. some secondary)	27%	18%	11%	23%
	secondary degree (<i>middelbare school</i>)	47%	48%	51%	44%
	post-secondary (<i>HBO</i>)	15%	21%	27%	18%
	graduate degree (<i>universiteit</i>)	10%	13%	11%	15%

Source: Panteia/GEM APS 2017. 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.

Another way to investigate the prevalence rates of early-stage entrepreneurship across the demographic subgroups is presented in figure 5. Overall TEA rates differ slightly between the Netherlands and the innovation-driven economies as displayed in table 13, i.e. 9.9% versus 9.2%. For each demographic subgroup figure 5 shows the TEA rate, both for the Netherlands and for the innovation-driven economies (unweighted averages of country scores are used). While the male TEA rate is still higher than the female TEA rate for the Netherlands, the difference has become much smaller. In 2016 the male TEA rate was 4.7 percentage points higher than the female TEA rate. In 2017, the male TEA rate has reduced to 10.5% while the female TEA rate increased to 9.4%, resulting in a difference between the male and female TEA rate of only 1.1 percentage point. For the innovation-driven economies as a whole, the difference between the male and female TEA rate has also become smaller, but not as fast as in the Netherlands (from a difference of 4.6 percentage points in 2016 to a difference of 4.2 percentage points in 2017).



figure 5 Total early-stage entrepreneurial activity (TEA) in the Netherlands and innovation-driven economies, 2017, percentage of a given subgroup



Source: Panteia/GEM APS 2017.

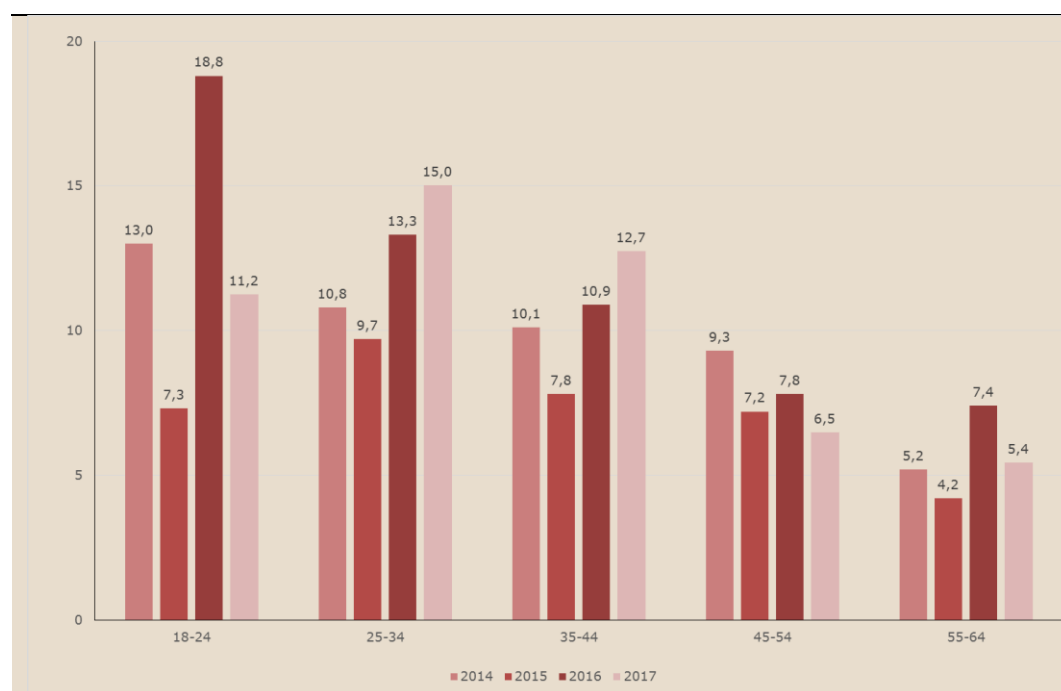
figure 5 also shows that for both the Netherlands and the whole group of innovation-driven countries, the actual entrepreneurial activity rate is highest among individuals aged 25-34 years.

Regarding TEA rates by age group, the general pattern for innovation-driven economies is that the TEA rate is highest among individuals aged 25-34 years, followed by individuals aged 35-44 years and 45-54 years. The TEA rates are lowest for the youngest and oldest age groups. This pattern can be seen in figure 5 and has occurred since at least 2012. For the Netherlands, the pattern is usually different and varies over time, as can be seen in figure 6. During the past four years, the TEA rate in the Netherlands was the highest for either individuals aged 18 – 24 years or 25 – 34 years. The lowest TEA rates tend to occur among individuals aged 45-54 years and 55-64 years.

Furthermore, figure 5 shows that TEA rates increase with educational level. This relationship between educational level and TEA rate is considerably stronger for innovation-driven economies as a whole than for the Netherlands: for innovation-driven economies as a whole, the TEA rate for people with graduate level is 7.2 percentage points higher than for people with less than secondary level; for the Netherlands, this difference is 4 percentage points.



figure 6 Total early-stage entrepreneurial activity (TEA) in the Netherlands, 2014-2017, percentage of a given age category



Source: Panteia/GEM APS 2017.

Opportunity and necessity TEA

Individuals who are involved in early-stage entrepreneurial activity were asked about their underlying motives of starting a business. Within the context of the Global Entrepreneurship Monitor, a distinction is traditionally made between opportunity motives and necessity motives. 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” (Reynolds et al., 2002). 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.

For the Netherlands, the largest group of people involved in total entrepreneurial activities (TEA) are motivated by opportunities, as can be seen in table 15. Since 2008 this has been the case. Annual variations in the share of people with opportunity-driven motivations (the opportunity rate) therefore have a strong impact on the TEA rate. From 2008 to 2012 the opportunity rate increased annually to 8.6% in 2012. After 2012 the rate started to decrease, but in 2016 it returned to a relatively high level of 8.5%. This has hardly changed in 2017 (8.3%).

As shown in table 15, the necessity rate of entrepreneurship in the Netherlands had been relatively stable between 0.5 and 1% in the period of 2008-2013. In the period of 2014-2016 the necessity rate was substantially higher with a spike of 2.3% in 2016. In 2017 the necessity rate of entrepreneurship in the Netherlands decreased to 0.7%, returning to the range common for the years 2008-2013.



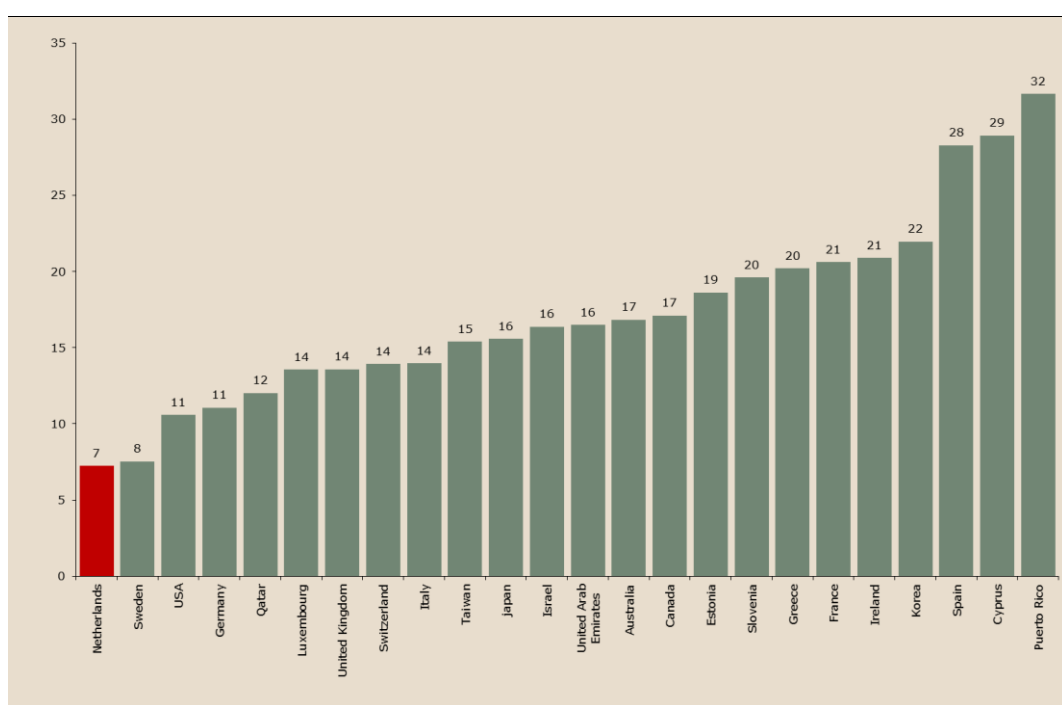
table 15 Motivation for the decision to be entrepreneurially active (TEA), the Netherlands, 2008-2017, percentage of adult population (18-64 years of age)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
opportunity-driven motivation	4.3	5.0	6.1	7.0	8.6	8.1	7.6	5.9	8.5	8.3
necessity-driven motivation	0.5	0.7	0.6	0.7	0.9	0.7	1.5	1.1	2.3	0.7
other motivation	0.4	1.4	0.5	0.5	0.8	0.5	0.4	0.2	0.2	0.9
total (TEA)	5.2	7.2	7.2	8.2	10.3	9.3	9.5	7.2	11.0	9.9

Source: GEM APS 2017.

In 2017, the relative share of necessity-driven entrepreneurship in total TEA in the Netherlands is the lowest of all the innovation-driven economies (see figure 7). The relative share of necessity-driven entrepreneurship in total TEA has decreased substantially for the Netherlands compared to 2016 (from 21% in 2016 to 7% in 2017). The underlying rates for necessity-driven entrepreneurship and total TEA (table 15) suggest that the high relative share in 2016 should be considered as an outlier (rather than the low relative share in 2017).

figure 7 Necessity-driven TEA divided by total TEA for the innovation-driven economies, 2017 (%)



Source: Panteia/GEM APS 2017.

Table 16 compares the Netherlands with other economies regarding the sector distribution of early-stage entrepreneurship. A distinction is 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). We find that the share of extractive sectors in early-stage entrepreneurship is comparable with the shares found in other countries with similar



levels of economic development. The share of early-stage entrepreneurs in the transformative and consumer sector is lower than the shares found in peer economies, while the share of early-stage entrepreneurs in the business services sector is considerably higher than that of peer economies.

When we compare the sector distribution for 2017 for the Netherlands with the sector distribution for 2016, there seems to be a shift from consumer services (from 49% to 42%) to business services (from 28% to 36%).

table 16 Sector distribution of early-stage entrepreneurs, internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age) involved in TEA

	<i>factor-driven economies</i>	<i>efficiency-driven economies</i>	<i>innovation-driven economies</i>	<i>OECD</i>	<i>EU</i>	<i>Netherlands</i>
extractive sectors	14%	5%	4%	5%	7%	5%
transformative sectors	20%	23%	20%	21%	23%	17%
business services	5%	11%	29%	29%	28%	36%
consumer services	61%	60%	48%	46%	43%	42%

Source: Panteia/GEM APS 2017.

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 (Hermans et al., 2015). We focus 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.

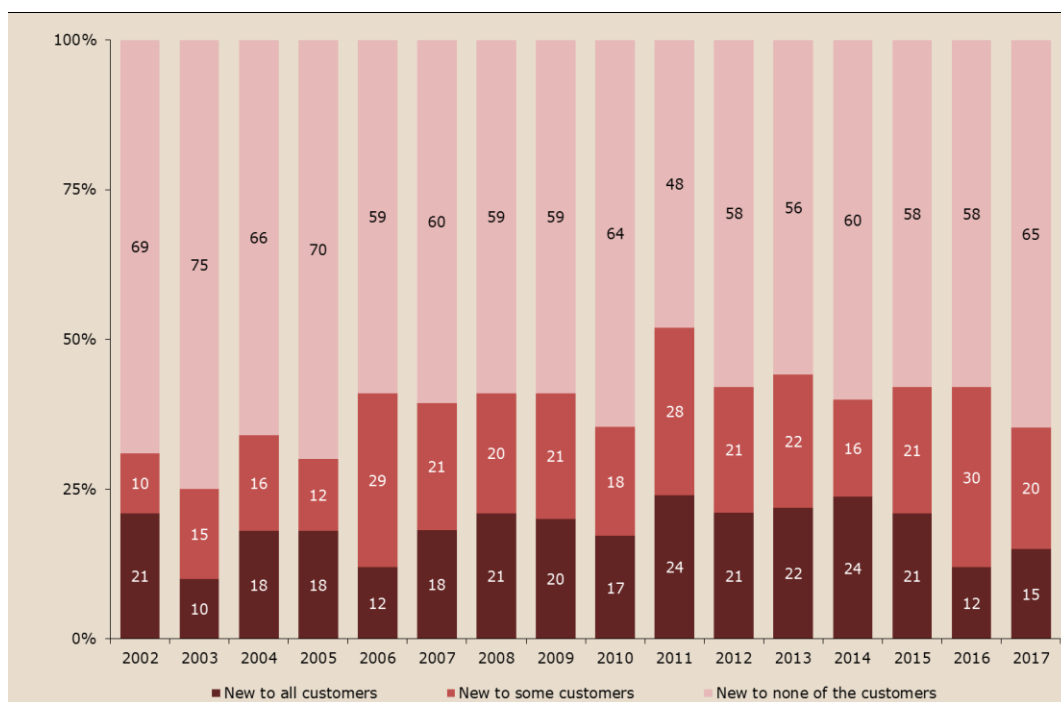
Product innovation

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.

The results presented in figure 8 show that product innovativeness decreased in 2017: 35% of early-stage entrepreneurs indicate that their product is new to some or all customers (compared to 42% in 2016).

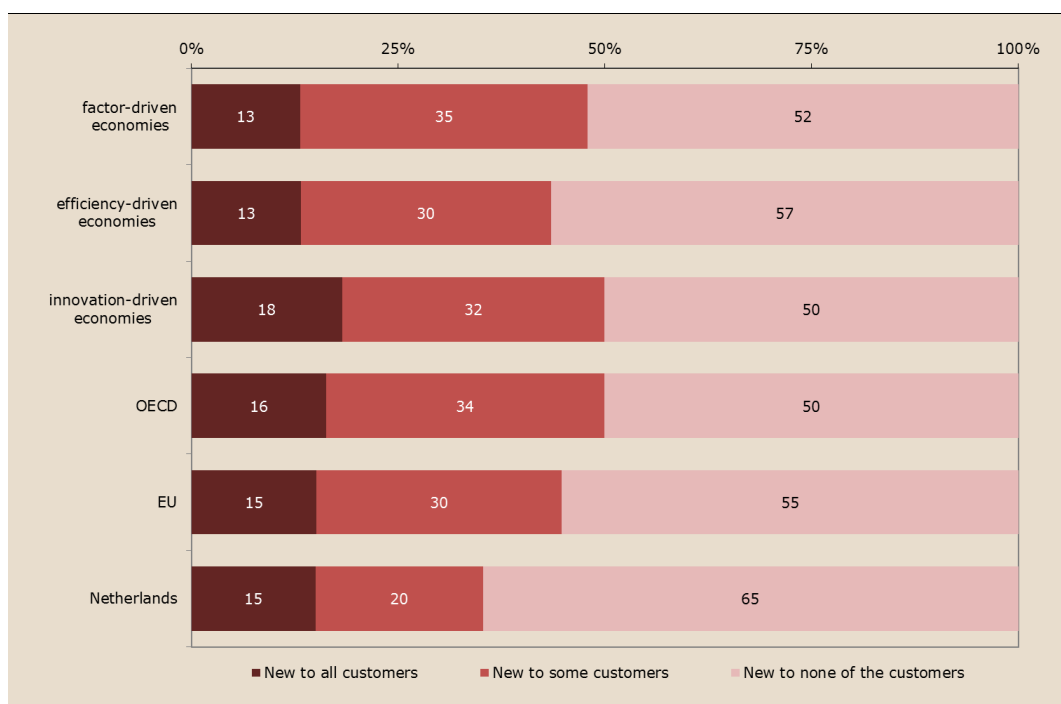


figure 8 Product innovativeness of early-stage entrepreneurs in the Netherlands, 2002-2017, percentage of adult population (18-64 years of age) involved in TEA



Source: Panteia/GEM APS 2017.

figure 9 Product innovativeness of early-stage entrepreneurs internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age) involved in TEA



Source: Panteia/GEM APS 2017.

In 2016, the percentages “new to all customers” (12%) and “new to some customers” (30%) were comparable to the level of the EU (14%) and somewhat lower than the levels for peer economies (OECD and innovation-driven economies) outside the EU. In 2017, the percentage of enterprises with products or services which are “new to all



customers” has increased slightly and is now comparable to not only the level of the EU (15%) but also to the OECD economies (16%), as can be seen in figure 9. However, this percentage is still lower than peer innovation-driven economies (18%). The percentage of enterprises with products or services which are “new to some customers” decreased to 20% in 2017 and is now at lower levels than peer economies. This suggests that the Netherlands might not be as good at imitating innovative ideas as comparable countries (Van Stel, Span and Hessels, 2014).

Job growth expectations

GEM asks early-stage entrepreneurs about the expected growth in the number of employees in the next five years. As shown in table 17, in the Netherlands 6.4% of the adult population, or about 65% of early-stage entrepreneurs⁵, expects to create at least one job in the next five years. This is slightly below the average of innovation-driven economies. After the considerable decrease in the percentage of the adult population expecting to create more than 19 jobs, from 0.9% in 2015 to 0.4% in 2016, it increased to 0.7% in 2017. This is encouraging as high-growth-expectation entrepreneurs are considered important for realising high rates of economic growth (Hermans et al., 2015).

table 17 Job growth expectations now or in five years of early-stage entrepreneurs internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age)

	<i>factor- driven economies</i>	<i>efficiency- driven economies</i>	<i>innovation- driven economies</i>	<i>OECD</i>	<i>EU</i>	<i>Netherlands</i>
any jobs	10.8	11.4	6.7	7.7	5.9	6.4
more than 19 jobs	0.8	1.1	1.1	1.0	0.7	0.7

Source: Panteia/GEM APS 2017.

Perceived competition level

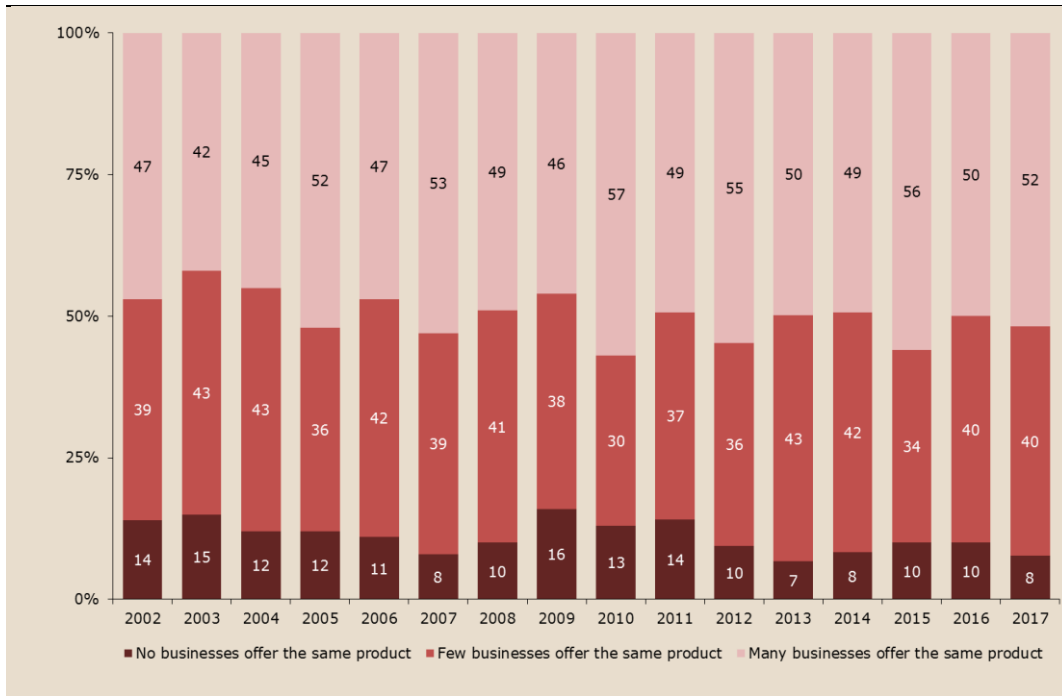
The third dimension of growth aspirations refers to the perceived competition level in the market. The GEM data helps to provide a picture of the extent of competition that entrepreneurs face when they enter the market. In the APS entrepreneurs were asked whether the market in which they (will) operate 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 correspond to the level of market competition. An overview of perceived competition among Dutch early-stage entrepreneurs is provided in figure 10. The fewer other businesses offer the same product, the weaker competition is perceived (Širec and Močnik, 2016).

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, varying between 44% (in 2015) and 50% (in 2013, 2014 and 2016). From an international perspective, the Netherlands has a similar percentage of entrepreneurs perceiving strong competition in their market (52% versus 51% for innovation-driven economies; see figure 11).

⁵ As the percentage of early-stage entrepreneurs is 9.9% (TEA rate), see table 12.

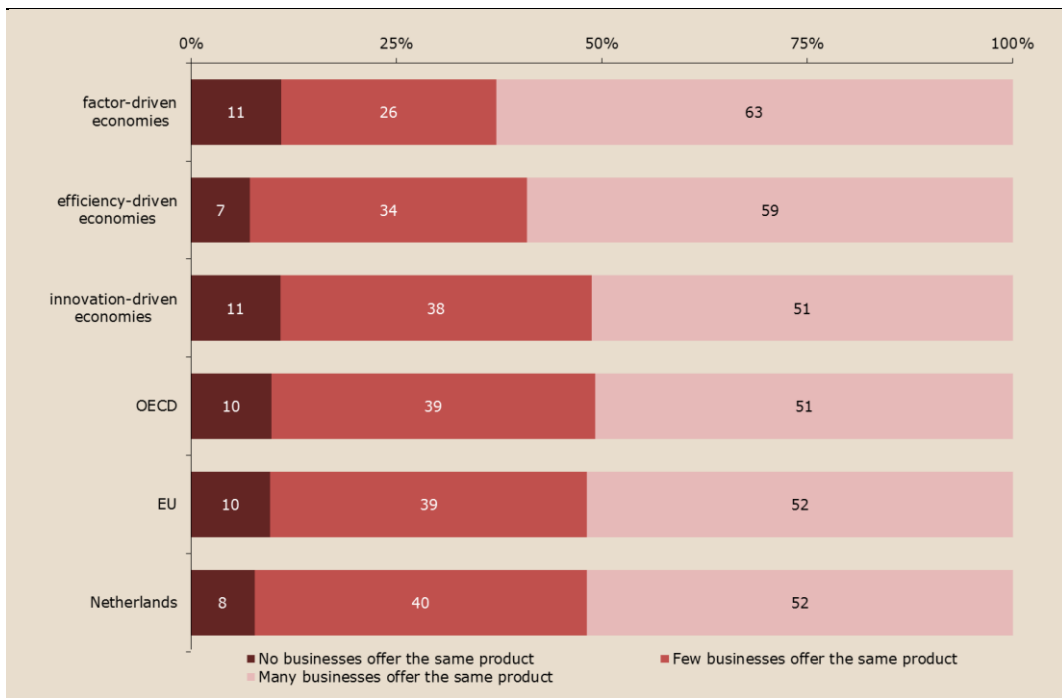


figure 10 Perceived competitiveness of early-stage entrepreneurs in the Netherlands, 2002-2017



Source: Panteia/GEM APS 2017.

figure 11 Perceived competitiveness of early-stage entrepreneurs internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age) involved in TEA.



Source: Panteia/GEM APS 2017.



3.3 Established entrepreneurship

This section reports on established entrepreneurship, namely: owner-managers of businesses that have been in existence for at least 3.5 years. It follows from table 18 that the rate of established entrepreneurship is fluctuating somewhat in the last few years. Since 2011 it has swung back and forth from 8.7% to 10.2% in 2016 (the highest level in the last 10 years) and back to 8.6% in 2017.

table 18 Established entrepreneurship in the Netherlands, 2008-2017, percentage of adult population (18-64 years of age)

Item	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>established entrepreneurship:</u> "Are you, alone or with others, currently the owner of a business you help manage?"	7.2	8.1	9.0	8.7	9.5	8.7	9.6	9.9	10.2	8.6

Source: Panteia/GEM APS 2017.

The Netherlands score above average when compared to peer economies (table 19) in terms of established entrepreneurship.

table 19 Established entrepreneurship internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age)

	<i>factor-driven economies</i>	<i>efficiency-driven economies</i>	<i>innovation-driven economies</i>	<i>OECD</i>	<i>EU</i>	<i>Netherlands</i>
established entrepreneurship	15.7	8.9	6.8	7.2	7.1	8.6

Source: Panteia/GEM APS 2017.

The results presented in figure 12 on the demographic distribution of established entrepreneurs show that, relative to innovation-driven economies, the Netherlands has a particularly high rate of established entrepreneurs among the age groups 35-44 and 45-54, among the male adult population and among the graduate level population.



figure 12 Established entrepreneurship in the Netherlands and innovation-driven economies, 2017, percentage of a given subgroup



Source: Panteia/GEM APS 2017.

3.4 Entrepreneurial Employee Activity (EEA)

Since 2011 the GEM captures entrepreneurial employee activity (EEA). This is a measure that accounts for the situation where an employee in the past three years was actively involved in and had a leading role in either the idea development for a new activity or the preparation and implementation of a new activity. In short, it refers to intrapreneurship. It is accepted as a relevant type of entrepreneurship in the sense that it aims at new venture creation and the introduction of new products and services. This type of activity also shares a lot of behavioural characteristics with the overall concept of entrepreneurship, such as taking initiative and being innovative (Liebregts, 2018).

Intrapreneurship is receiving more and more attention from policy makers. However, within an organisation, employees are often not considered as intrapreneurs. In fact, around 5% of employees in organisations are seen as intrapreneurs within innovation-driven countries and much less in factor- and efficiency-driven countries. An interesting observation is that intrapreneurs have higher job growth expectations for their new business activity than independent entrepreneurs do for their own new business, which shows that intrapreneurship can be an important driver for firm growth (Bosma, Stam & Wennekers, 2011). The performances of firms are enhanced by the proactivity and innovation of the intrapreneurs. This not only applies to big firms, but also to medium-sized and smaller firms (Augusto Felício, Rodrigues & Caldeirinha, 2012).

Table 20 presents an international comparison of the EEA rate. It is clear that the EEA rate increases with the stage of economic development, as factor-driven economies have a much lower EEA rate than the innovation-driven economies. It also shows that



the Netherlands have a relatively high EEA rate at 7.6% (the same rate as in 2016). This value is substantially higher than the EEA rate averages in the EU and OECD countries and shows that there were relatively many employees involved in intrapreneurship.

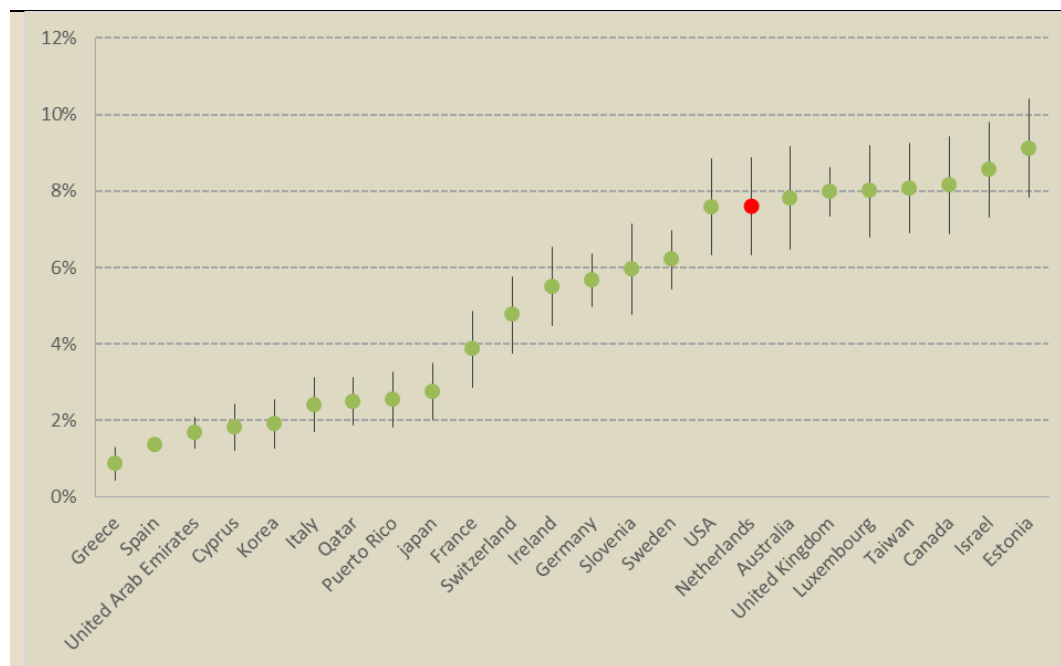
table 20 EEA rates internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age)

	<i>factor-driven economies</i>	<i>efficiency-driven economies</i>	<i>innovation-driven economies</i>	<i>OECD</i>	<i>EU</i>	<i>Netherlands</i>
EEA	1.4	1.9	5.1	5.1	4.6	7.6

Source: Panteia/GEM APS 2017.

Figure 13 shows the EEA rate in the innovation-driven economies in ascending order. The EEA rate varies between 0.9% for Greece and 9.1% for Estonia. While the average EEA rate for innovation-driven economies has remained the same (compared to 2016), the variation has increased with 30%⁶ and several countries show changes of more than 2 percentage points⁷. Consequently, even though the average EEA rate for innovation-driven economies and for the Netherlands has not changed compared to 2016, the ranking of the Netherlands dropped from second out of 27 innovation-driven economies in 2016 to eighth out of 24 innovation-driven economies in 2017.

figure 13 Entrepreneurial employee activity (EEA) in the innovation-driven economies, 2017, percentage of adult population (18-64 years of age)



Source: GEM APS 2017.

Table 21 presents various demographic divisions of the EEA rate. Please note that the percentages in each of the three columns relate to different populations. The first column presents the distribution of demographical characteristics *within the EEA*

⁶ From 2.13% in 2016 to 2.78% in 2018.

⁷ Compared to 2016, the EEA rate has increased with 2.3 to 2.9 percentage points for Taiwan, Canada and Estonia, and decreased with 3.8 to 3.9 percentage points for Cyprus and Qatar.



population. For example, 63% of all entrepreneurial employees within the Netherlands is male, 37% is female. The rates presented in this column add up to hundred percent within each of the presented categories.

The second column presents EEA rates *within a demographic group* for the total adult population. It follows that 10% of the male adult population is an actively entrepreneurial employee versus 6% among the female adult population. The proportional relation between the two groups is similar to that in column one, *i.e.* it is clear from both columns that men are more actively involved in intrapreneurship. In addition, the second column shows that intrapreneurship is more likely among employees with a post-secondary or graduate degree than among employees with secondary degree or less.

The third column presents entrepreneurial intent (expectations to start a new business within the next three years, see section 2.3) within the EEA population, that is, among entrepreneurial employees or intrapreneurs⁸. Comparing these numbers to those presented in table 10 suggests that entrepreneurial intent is higher among intrapreneurs (19% for male and 23% for female) than among the general adult population (8.1%). This suggests that entrepreneurial employee activity may act as a springboard to early-stage entrepreneurship.

table 21 Demographic structure of entrepreneurial employees and EEA rates among the total adult population and the part of the population that expects to start an enterprise in the next three years, in the Netherlands, 2017

	<i>entrepreneurial employees</i>	<i>EEA rate among adult population</i>	<i>entrepreneurial intent among EEA</i>
male	63%	10%	19%
female	37%	6%	23%
18-24 years	11%	6%	28%
25-34 years	28%	11%	30%
35-44 years	26%	9%	24%
45-54 years	24%	8%	10%
55-64 years	11%	4%	8%
none (incl. some secondary)	7%	2%	45%
secondary degree (<i>middelbare school</i>)	36%	6%	20%
post-secondary (<i>HBO</i>)	33%	15%	20%
graduate degree (<i>universiteit</i>)	24%	16%	18%

Source: Panteia/GEM APS 2017.

⁸ The APS contains only a few observations of entrepreneurial employees (34 in APS 2016, 36 in APS 2017). This is enough to compute reliable estimates of the EEA rate among the adult population (as in the second column of table 21), but estimates of subgroups within the EEA population (as in the third column of table 21) are much less reliable. Comparisons of these estimates over time should not be made.



3.5 Entrepreneurial exit

The present section elaborates on the fraction of the adult population that has exited entrepreneurship in the past twelve months. These individuals have also indicated 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 (DeTienne, 2010). In addition to continued or discontinued activities, respondents reveal the most important reason behind exiting the entrepreneurship process.

Table 22 presents 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, 3.1% of the Dutch adult population experienced an entrepreneurial exit in 2017. This is the highest exit rate for the last 10 years. In about two out of three entrepreneurial exits, the exit coincides with firm exit: 2.1% of the Dutch adults experienced an entrepreneurial exit with business closure in 2017.

table 22 Entrepreneurial exit in the Netherlands, 2008-2017, percentage of adult population (18-64 years of age)

Item	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>exit with business</u>										
<u>closure:</u>										
Sold, shut down, discontinued, or quit a business in the past 12 months; business did not continue its activities after exit	1.0	1.8	0.9	1.4	1.5	1.6	1.3	1.7	2.1	2.1
<u>exit without business</u>										
<u>closure:</u>										
Sold, shut down, discontinued, or quit a business in the past 12 months; business continued its activities after exit	0.6	0.7	0.5	0.5	0.7	0.5	0.4	0.4	0.6	1.0

Source: Panteia/GEM APS 2017.

Table 23 compares entrepreneurial exit rates from an international point of view. The probability of exit decreases with the stage of economic development, although this relationship is more pronounced for exit with business closure than for exit without business closure. The exit rates for the Netherlands are identical to the average exit rates for the EU and slightly lower than the averages for the innovation-driven economies.

Over the past few years, results have shown that the share of entrepreneurial exits with business continuation is lower in the Netherlands compared to innovation-driven economies: in 2015, the share for the Netherlands was about half of the average



share for innovation-driven economies⁹, and in 2016 it was about two-thirds¹⁰. In 2017 the share of entrepreneurial exits with business continuation is still lower in the Netherlands compared to innovation-driven economies, but the difference has become much smaller: the share of entrepreneurial exits involving continuation of the business is around 37% for innovation-driven economies and around 32% in the Netherlands.

table 23 Entrepreneurial exit internationally compared (unweighted average of country scores), 2017, percentage of adult population (18-64 years of age)

	<i>factor- driven economies</i>	<i>efficiency- driven economies</i>	<i>innovation- driven economies</i>	<i>OECD</i>	<i>EU</i>	<i>Netherlands</i>
exit with business closure	3.8	3.9	2.2	2.3	2.1	2.1
exit without business closure	1.6	1.5	1.3	1.1	1.0	1.0

Source: Panteia/GEM APS 2017.

The share of entrepreneurial exits involving continuation of the business has increased in the Netherlands (from 19% in 2015 to 32% in 2017). There are two possible explanations for increases in the share of exits with business continuation. First, the number of business transfers may have increased. However, given the low percentage (1%) of entrepreneurial exits declaring 'an opportunity to sell' as their main exit reason (see Table 24), this explanation seems unlikely. The second possibility is that many entrepreneurial exits involve team entrepreneurs, where the remaining business owners continue the business.

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. The GEM distinguishes between nine exit reasons in total and respondents are asked to select the most important reason for quitting their business. An overview of these nine reasons and corresponding percentages is given in table 24.

The dominant reason for entrepreneurial exit tends to be lack of profitability. This is traditionally also the case for the Netherlands, however 2017 is an exception. In 2017, 15% of exits were due to a lack of profitability, which is considerably less than in 2016 (39%). A possible explanation for this decrease is the ongoing economic growth in the Netherlands. 2017 has shown the highest GDP growth rate in the past 10 years. Combined with a decreasing labour income share (CPB, 2018), this may result in an increasing profitability of enterprises and fewer entrepreneurs being forced to exit due to a lack of profitability.

In 2017, three other reasons were mentioned more often than lack of profitability: problems with getting finance (16%), another job (or business) opportunity (18%), and problems with government, tax policy and /or bureaucracy (35%). The latter share is very high, especially considering the very low scores in the previous years (1% in 2016 and 2% in 2015). Possibly, this reflects the unclarity of the DBA law

⁹ For the Netherlands, 19% of all exits were exits with business continuation. For innovation-driven economies this was 36% (Van der Zeijden, Van Stel & Wong, 2016).

¹⁰ For the Netherlands, 22% of all exits were exits with business continuation. For innovation-driven economies this was 33% (Van der Zeijden, Van der Graaf & Snijders, 2017).



("wet Deregulerend Beoordeling Arbeidsrelaties"), which introduced much uncertainty among solo self-employed and their clients about the labour market status of the solo self-employed (in terms of 'true' or 'false' self-employment). This uncertainty increased the risk for clients to work with solo self-employed¹¹, reducing the number of assignments granted to solo self-employed. This may have forced several solo self-employed to exit¹². Further research is needed to examine if the introduction of the DBA has indeed affected entrepreneurial exit.

table 24 Main exit reason internationally compared, 2017, percentage of exits

	<i>factor- driven economies</i>	<i>efficiency- driven economies</i>	<i>innovation- driven economies</i>	<i>OECD</i>	<i>EU</i>	<i>Netherlands</i>
an opportunity to sell	6%	5%	8%	7%	5%	1%
business was not profitable	22%	39%	26%	29%	31%	15%
problems getting finance	21%	15%	11%	10%	12%	16%
other job/business opport.	9%	8%	13%	13%	12%	18%
exit was planned in advance	6%	3%	6%	5%	4%	3%
Retirement	3%	2%	4%	4%	4%	0%
personal reasons	22%	18%	19%	18%	17%	12%
an incident	10%	3%	3%	3%	3%	0%
government/tax policy/bureaucracy	1%	7%	10%	11%	12%	35%
other reason/don't know	0%	0%	0%	0%	0%	0%

Source: Panteia/GEM APS 2017.

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

Whereas the majority of this report is devoted to the 2017 results of the Dutch Adult Population Survey due to the richness of the data, one interesting component of GEM that has remained unaddressed so far are 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 have been asked to give their assessments about a wide range of statements that can be classified according to these EFCs. The experts were asked to give a score on a Likert scale with values from 1 (completely false) to 9 (completely true), where 5 is neither true nor false, for each EFC. A high score for an EFC (value 8 or 9) indicates that the particular factor

¹¹ In particular, clients ran the risk of having to pay social security premiums and payroll tax ex-post in case the tax authorities considered the solo self-employed to be 'false' self-employed (i.e. really an employee).

¹² See: <https://www.ikgastarten.nl/zzp/var-verklaring-wet-dba/modelovereenkomst-zzp/wiebes-stelt-nieuwe-wetgeving-zzpers-uit-tot-2018>



encourages entrepreneurial activity within a country whereas a low score (value 1 or 2) means that entrepreneurship is hampered by this area.

Entrepreneurial Framework Conditions

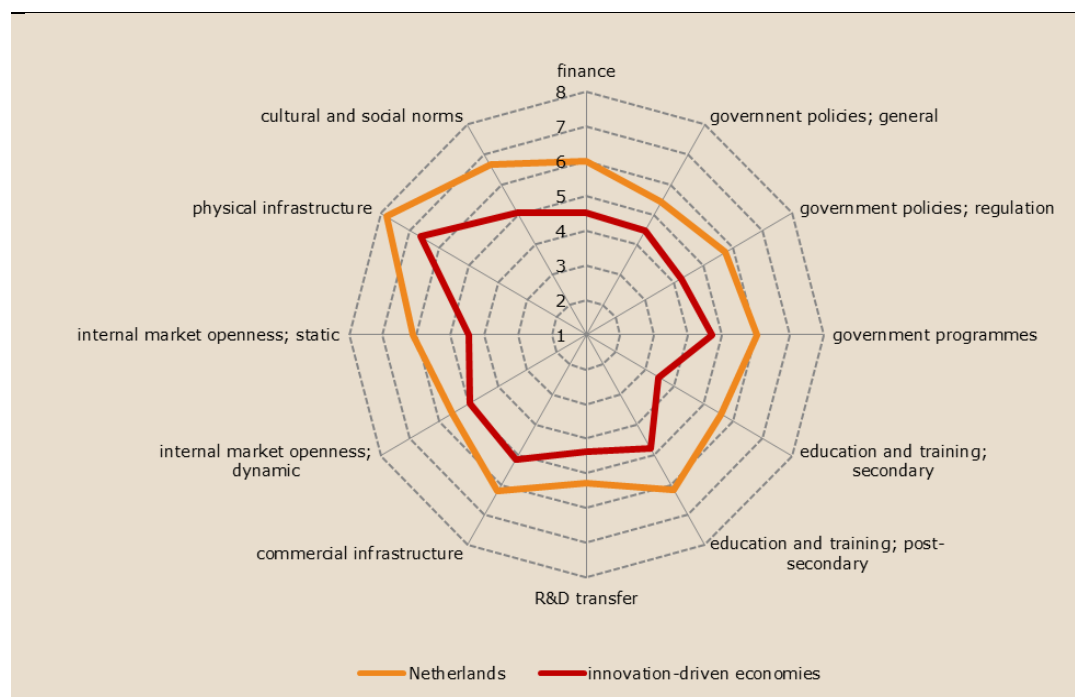
The EFCs are explained below (mainly drawn from Xavier et al., 2013, Figure 3.1). For two EFCs a further distinction is made between two sub-conditions. The first is that, *education and training* consists of a primary school and secondary school component on the one hand and a post-secondary school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

- *Financing*: The availability of financial resources, equity, and debt (including grants and subsidies) for new and growing firms.
- *Government policies*: The extent to which public policies support entrepreneurship. This EFC has two sub-conditions: *general*, i.e. entrepreneurship as a relevant issue, and *regulation*, i.e. whether taxes or regulations are size-neutral or encourage new enterprises and SMEs.
- *Education and training*: The extent to which training on 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.

Figure 14 presents the scores for the 12 dimensions for the Netherlands and for the innovation-driven economies (unweighted average of country scores). Note that high scores (8 and 9) indicate that the EFC being examined promotes a good entrepreneurial climate whereas low scores (1 and 2) indicate that the particular EFC constrains the entrepreneurial environment. The results for the Netherlands are discussed first, followed by a comparison with international results.



figure 14 Average expert scores for the Entrepreneurial Framework Conditions (EFCs) for the Netherlands and innovation-driven economies, 2017



Source: Panteia/GEM NES 2017.

A first observation is that none of the entrepreneurial framework conditions stand out as a particularly clear barrier for the Netherlands in terms of scores below 2. In general, this suggests positive conditions for entrepreneurial activity in the Dutch context. The Netherlands score particularly high on physical infrastructure and social norms. The well-regarded social and cultural norms are in line with the results from table 7, showing that entrepreneurship is seen as a desirable career choice by four-fifths of the adult population, much higher than in comparable economies.

The lowest scores in 2017 are the scores for the framework condition relating to R&D transfer and to general government policies (in 2016, these EFCs also received the lowest scores). That being said however, the Netherlands scores relatively high on these framework conditions compared to the average innovation-driven economy.

The figure shows that the Netherlands score above the average amongst innovation-driven economies across every EFC. The scores of the Netherlands are also higher than the average of OECD countries and EU countries on every EFC. The largest difference¹³ is found regarding education at the secondary level. This underlines the increased attention for entrepreneurship in the Dutch education system (e.g. European Commission, 2012).

¹³ relative as well as absolute.



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