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Global Entrepreneurship Monitor the Netherlands 2014

National Report

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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 2014 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 increased slightly from 9.3% in 2013 to 9.5% in 2014. The increase is entirely due to nascent business entrepreneurship.

The Dutch TEA rate ranks eleventh out of 30 innovation-driven economies. Despite the increase in TEA, this position represents a drop from 2013, when it was ranked sixth. However, this is in part due to a changing pool of participating innovation-driven countries. Among the 24 members of the European Union that participated in GEM 2014, the Netherlands rank sixth, compared to an eighth place last year.

TEA can be decomposed by motive into necessity-driven and opportunity-driven early-stage entrepreneurial activity. The former occurs when the individual sees no better choices for work, the latter when start-up efforts are undertaken to seize a business opportunity. The Netherlands have historically had a very low share of less than 10% of necessity-driven entrepreneurship within overall TEA. In 2014 this share has doubled to 16% of TEA. Indeed, the overall increase in TEA is driven completely by necessity TEA as opportunity-driven entrepreneurship has decreased.

A final remarkable development in TEA has occurred in its age distribution. Early-stage entrepreneurial activity among the adult population aged 18-24 has almost doubled to 13.0%, while it has decreased in the 25-34 age bracket. This phenomenon also occurs among entrepreneurial intentions, which have increased from 14% to 24% among the 18-24 age group. The increases in both TEA and intentions for the 18-24 age bracket and overall necessity-driven entrepreneurship are not linked, however. In fact, the share of the necessity motive in TEA is lowest for those aged 18-24.

Both entrepreneurial perceptions and attitudes in the Netherlands remain high when compared to other innovation-driven and EU countries. Particularly, the Dutch scores on perceived opportunities, (lack of) fear of failure and entrepreneurship as a desirable career choice are very high. Perceived opportunities have increased strongly when compared to 2013, seemingly driven by broader economic recovery.

The 2014 GEM also inquired whether respondents have had training in starting a business either during or after primary and secondary school. We observe that this form of entrepreneurship education is strongly related to entrepreneurial perceptions, intentions and actual TEA. The TEA rate among individuals who followed business training after finishing secondary school is more than twice as high compared to individuals not having followed such training.



In addition to TEA, we observe that entrepreneurial employee activity (EEA) is also relatively high as 7.0% of the adult population is active in 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. The Netherlands is ranked eighth in EEA out of 30 innovation-driven economies, with entrepreneurial employee activity particularly high in Denmark and Qatar.

It was also found that entrepreneurial intentions to start a new business within the next three years were significantly higher among entrepreneurial employees than among the general adult population, suggesting that entrepreneurial employee activity may act as a springboard to early-stage independent entrepreneurship. However, it was also found that, although EEA rates were highest among 25-34 year old individuals and among university graduates, entrepreneurial intentions of entrepreneurial employees were on average *lower* than those of entrepreneurial employees in other age and education categories. This suggests that for the 25-34 year olds and university graduates, EEA seems to be a more common but also a more permanent labour market position, rather than a springboard to independent entrepreneurship.

Similar to last year, this year's results 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.

Again similar to 2013, this year's results show that, 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.



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1 Introduction

This research report is structured in a fashion similar to recent Dutch publications under the Global Entrepreneurship Monitor banner¹ and slightly expands upon the core that remained in last year's report with a new section on entrepreneurial employee activity (EEA). This year's report also analyses two special topic questions included in 2014 on training in setting up a business.

1.1 The Global Entrepreneurship Monitor (GEM)

History

The Global Entrepreneurship Monitor (GEM) is a research programme 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 73 economies in 2014. These 73 economies cover 72% of the world's population and 90% of world GDP. 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 2014, the Netherlands participated in GEM for the fourteenth time since it joined the GEM project in 2001.

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 (Naudé, 2013). The quest to unravel this complex relationship 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:

¹ See 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.



- *Factor-driven economies.* Economic activity in these economies is primarily based on the extraction of natural resources;
- *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.

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), 2011-2012 (World Economic Forum, 2011).*

Throughout the years, the number of factor-driven economies participating in GEM has increased considerably. In 2014, there are 11 factor-driven economies, 32 efficiency-driven economies, and 30 innovation-driven economies.

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 operationalises the entrepreneurship process as depicted in figure 1 which is taken from the 2014 Global Report (Singer, Amorós & Moska, 2015).

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.

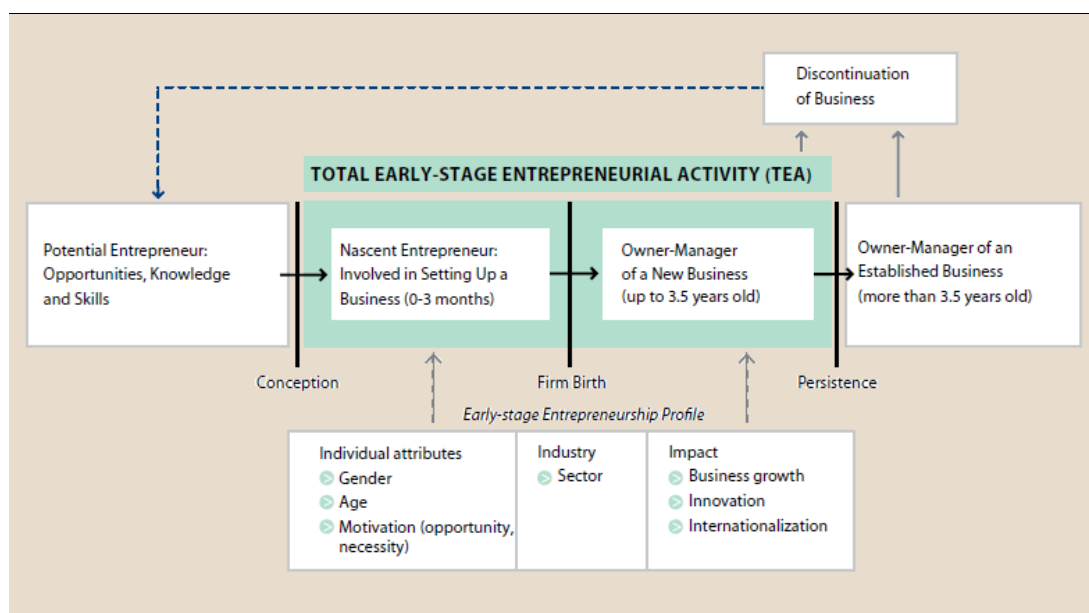


Furthermore, they should not be afraid of business failure. Section 2.1 of this report focuses on potential entrepreneurship. Additionally, their intention to start a business is underpinned by the perceptions society holds of entrepreneurs. Attitudes towards entrepreneurship are the subject of section 2.2 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: 2014 Global Report (Singer et al., 2015).

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 2,260 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 2014. 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 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 2014

Table 2 contains an overview of the participating economies. Among these economies, there are 29 Member Countries of the Organisation for Economic Co-operation and Development (OECD) and 24 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). In addition, the APS sample size for each participating economy is presented. Whereas the total number of participating economies equals 73, table 2 shows the sample sizes for 70 countries only. At the time of writing this national report the APS results of Kuwait, Latvia and Turkey were not yet made available and are, therefore, not included in this report’s calculations.

1.5 Outline of the Dutch GEM report 2014

This Dutch GEM report is structured as follows. Chapter 2 focuses on entrepreneurial attitudes and perceptions of the Dutch adult population, and compares the 2014 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. 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.



table 2 participating economies in GEM 2014, 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>sample size APS</i>
<i>factor-driven economies (11)</i>			
Angola*	no	no	
Bolivia*	no	no	2,015
Botswana*	no	no	2,156
Burkina Faso	no	no	2,850
Cameroon	no	no	2,087
India	no	no	3,360
Iran*	no	no	3,352
Kuwait*	no	no	2,000
Philippines*	no	no	2,000
Uganda	no	no	2,112
Vietnam	no	no	2,000
<i>efficiency-driven economies (32)</i>			
Argentina*	no	no	2,500
Barbados*	no	no	2,000
Belize	no	no	2,084
Bosnia and Herzegovina	no	no	2,590
Brazil*	no	no	10,000
Chile*	yes	no	6,212
China	no	no	3,647
Colombia	no	no	3,691
Costa Rica*	no	no	2,057
Croatia*	no	yes	2,000
Ecuador	no	no	2,040
El Salvador	no	no	2,014
Georgia	no	no	2,016
Guatemala	no	no	2,158
Hungary*	yes	yes	2,003
Indonesia	no	no	5,520
Jamaica	no	no	2,637
Kazakhstan*	no	no	2,099
Kosovo	no	no	
Lithuania*	no	yes	2,000
Malaysia*	no	no	2,000
Mexico	yes	no	2,587
Panama*	no	no	2,005
Peru	no	no	2,078



<i>economies</i>	<i>member OECD</i>	<i>member EU</i>	<i>sample size APS</i>
Poland*	yes	yes	2,001
Romania	no	yes	2,001
Russian Federation*	no	no	2,001
South Africa	no	no	3,789
Suriname	no	no	2,200
Thailand	no	no	2,059
Turkey*	yes	no	
Uruguay*	no	no	2,006
<i>innovation-driven economies (30)</i>			
Australia	yes	no	2,177
Austria	yes	yes	4,586
Belgium	yes	yes	2,004
Canada	yes	no	2,479
Denmark	yes	yes	2,008
Estonia	yes	yes	2,357
Finland	yes	yes	2,005
France	yes	yes	2,005
Germany	yes	yes	4,311
Greece	yes	yes	2,000
Ireland	yes	yes	2,000
Italy	yes	yes	2,000
Japan	yes	no	2,006
Latvia	no	yes	
Luxembourg	yes	yes	2,074
Netherlands	yes	yes	2,260
Norway	yes	no	2,000
Puerto Rico	no	no	2,000
Portugal	yes	yes	2,005
Qatar	no	no	4,272
Singapore	no	no	
Slovak Republic	yes	yes	2,000
Slovenia	yes	yes	2,004
Spain	yes	yes	25,000
Sweden	yes	yes	2,508
Switzerland	yes	no	2,426
Taiwan	no	no	2,000
Trinidad and Tobago	no	no	2,004
United Kingdom	yes	yes	2,007
United States	yes	no	3,273



2 Entrepreneurial perceptions, attitudes, and intentions

The present chapter focuses on entrepreneurial *perceptions*, *attitudes*, and *intentions* among the Dutch adult population in 2014. A longitudinal view of these measures is provided by comparing the Dutch numbers of 2014 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 30 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 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 of being a nascent or an established entrepreneur. While the relationship between the individual's perceptions about entrepreneurship and its behaviour is considered to be important, research on this topic has been limited, partly because of problems with acquiring good data (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 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., 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 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 2014

The values in table 3 show the three dimensions of potential entrepreneurship and their developments over time from 2004 onwards. Throughout the years we observe a



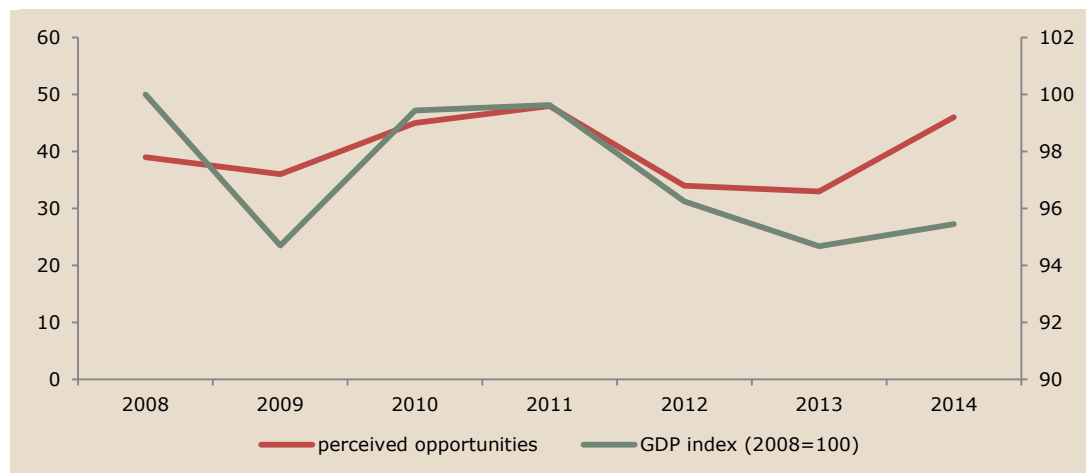
variation in the level of perceived opportunities that clearly correlates with macro-economic developments². Levels first dropped in 2008 and 2009, during the years of the first recession that initiated the recent economic and financial crises. Two years of slight economic recovery followed with modest 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. Similarly, 2014 showed modest levels of GDP growth (plus 0.75%) and the level of perceived opportunities jumping back to its 2010-2011 level. This correlation is plotted in figure 2.

table 3 entrepreneurial perceptions in the Netherlands, 2004-2014, percentage of adult population (18-64 years of age) that agrees with the statement

item	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>perceived opportunities:</u>											
"In the next six months, will there be good opportunities for starting a business in the area where you live?"	38	39	46	42	39	36	45	48	34	33	46
<u>perceived capabilities:</u>											
"Do you have the knowledge, skill and experience required to start a new business?"	37	42	38	39	38	47	46	42	42	42	44
<u>fear of failure:</u>											
"Would fear of failure prevent you from starting a business?"	32	29	29	21	26	27	26	37	39	43	39

Source: GEM APS 2014.

figure 2 plotted relationship between changes in GDP (indexed at 2008=100) and perceived opportunities in the Netherlands, 2008-2014



Source: GEM APS 2014 and Netherlands Bureau for Economic Policy Analysis

In a somewhat similar vein, the fear of failure indicator dramatically increased in 2011, even increased a bit further until 2013 when it reached its highest point since

² See recent *Macro Economische Verkenning* and *Centraal Economisch Plan* publications (Netherlands Bureau for Economic Policy Analysis, 2014, 2015) for numbers on GDP developments.



the Netherlands participate in GEM (*i.e.*, since 2001). Also, in 2013 the level of perceived opportunities reached its lowest point since 2003. 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. The increase in perceived opportunities and decrease of the fear of failure index suggest that economic circumstances have improved somewhat in 2014.

The level of self-perceived capabilities in 2014 remains stable at 44%, 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 level is not surprising. In an international perspective, the Dutch population scores better on perceived opportunities and fear of failure when compared to average scores for the OECD and innovation-driven economies (see table 4).

table 4 entrepreneurial perceptions internationally compared (unweighted average), 2014, 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	55	41	39	39	35	46
perceived capabilities	65	54	42	43	42	44
fear of failure	32	36	42	44	47	39

Source: Panteia/GEM APS 2014.

table 5 entrepreneurial perceptions of (non-)entrepreneurs in the Netherlands, 2014, percentage of adult population (18-64 years of age)

	<i>adult population</i>	<i>non-entrepreneurs</i>	<i>entrepreneurs</i>
perceived opportunities	46	41	57
perceived capabilities	44	34	79
fear of failure	39	43	27

Source: Panteia/GEM APS 2014.

In table 5 we make 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 increase in the perceived opportunities indicator is concentrated most strongly in the group of non-entrepreneurs (41%; from 28% last year). We find that the gap between non-entrepreneurs and entrepreneurs is particularly pronounced for perceived capabilities. Of the non-entrepreneurs, only 34% think they have the capabilities to start a new business. This result underlines 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). This is made further clear by the results in table 6, which compares entrepreneurial perceptions between respondents that have and have not followed training on starting a business in or after primary and secondary school. Perceived opportunities and capabilities are rated much higher by



those that have attended such training. This effect is most pronounced for training received after completing secondary school and is particularly strong for perceived capabilities.

table 6 entrepreneurial perceptions after having taken part in training on starting a business, during primary or secondary school and after completing secondary school, in the Netherlands, 2014, percentage of adult population (18-64 years of age)

	adult population	business training in primary or secondary school		business training after secondary school	
		yes	no	yes	no
perceived opportunities	46	50	45	57	43
perceived capabilities	44	64	41	72	38
fear of failure	39	36	40	39	40

Source: Panteia/GEM APS 2014.

2.2 Entrepreneurial attitudes

Measuring 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 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.

It is shown in table 7 that 79% of the Dutch adult population thinks 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 8). 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 level. 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 (Van Stel, Span and Hessels, 2014).

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. On the other hand, media attention for successful entrepreneurs seems to decline somewhat over the last three years: the level has decreased with six percentage points between 2011 and 2014. This may be related to the economic crisis where media attention may be more directed to entrepreneurs having trouble to survive.



table 7 entrepreneurial attitudes in the Netherlands, 2004-2014, percentage of adult population (18-64 years of age) that agrees with the statement

item	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>entrepreneurship as desirable career choice:</u>											
"In the Netherlands, most people consider starting a new business a desirable career choice"	81	79	80	85	85	84	85	83	79	80	79
<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"	67	66	65	69	69	67	69	67	65	66	68
<u>media attention for entrepreneurship:</u>											
"In the Netherlands, you will often see stories in the public media about successful businesses"	59	58	59	61	61	64	61	62	58	55	56

Source: GEM APS 2014.

table 8 entrepreneurial attitudes internationally compared (unweighted average), 2014, 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	68	68	55	55	57	79
entrepreneurship is given high status	76	66	68	67	67	68
media attention for entrepreneurship	72	65	60	56	53	56

Source: GEM APS 2014.

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 fourth 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 9). 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. This is further corroborated by the results in table 10, showing that intentions are higher among individuals that have taken part in training on starting a



business. This effect is particularly pronounced for those who have taken such training after secondary school.

table 9 entrepreneurial intentions in the Netherlands, 2004-2014, percentage of adult population (18-64 years of age) that agrees with the statement

<i>item</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2013</i>	<i>2013</i>	<i>2014</i>
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?"	6.5	6.2	5.6	5.5	5.3	7.4	7.1	9.8	10.1	10.3	10.8

Source: GEM APS 2014.

table 10 entrepreneurial intentions after having taken part in training on starting a business, during primary or secondary school and after completing secondary school, in the Netherlands, 2014, percentage of adult population (18-64 years of age)

	<i>adult population</i>	<i>business training in primary or secondary school</i>		<i>business training after secondary school</i>	
		<i>yes</i>	<i>no</i>	<i>yes</i>	<i>no</i>
entrepreneurial intent	10.8	13.9	10.3	17.6	9.2

Source: Panteia/GEM APS 2014.

table 11 entrepreneurial intentions internationally compared (unweighted average), 2014, 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>
entrepreneurial intent	43.2	26.2	14.8	13.7	14.1	10.8

Source: Panteia/GEM APS 2014.

Remarkably, in an international perspective the Dutch entrepreneurial intentions are still relatively low (see table 11). 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. Furthermore, while entrepreneurial intentions are relatively low, they did increase slightly in the Netherlands, while intentions in the OECD and EU countries decreased markedly.

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 12 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 12 also reports on entrepreneurial intent among the nascent, new, and established entrepreneurs (i.e., actual entrepreneurs).

table 12 entrepreneurial intentions of non-entrepreneurs and potential entrepreneurs in the Netherlands, 2014, 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	10.8	8.0	22.2	17.7

Source: Panteia/GEM APS 2014. The group of potential entrepreneurs excludes individuals who are also involved in TEA or established entrepreneurship.

Not surprisingly, the potential entrepreneurs considerably more often have entrepreneurial intentions than the 'non-potential entrepreneurs'. After two years of remarkably higher levels of entrepreneurial intent among the potential entrepreneurs (over 30%), the level is now back to that of 2011. Further 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.

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.

In table 13 we present 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 12) 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 3. 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". When considering the potential entrepreneurship indicator, table 13 confirms the well-known wisdom that males are more often involved in entrepreneurialism than females (64 vs. 36%). However, when 'pure' entrepreneurial intent (i.e., intentions among those who are not involved in entrepreneurship yet) is considered, table 13 and figure 3 show that the gender difference is much smaller (52 vs. 48% of 'pure' intentional entrepreneurs being male/female; or 7.9 vs. 7.3% of males/females having 'pure' entrepreneurial



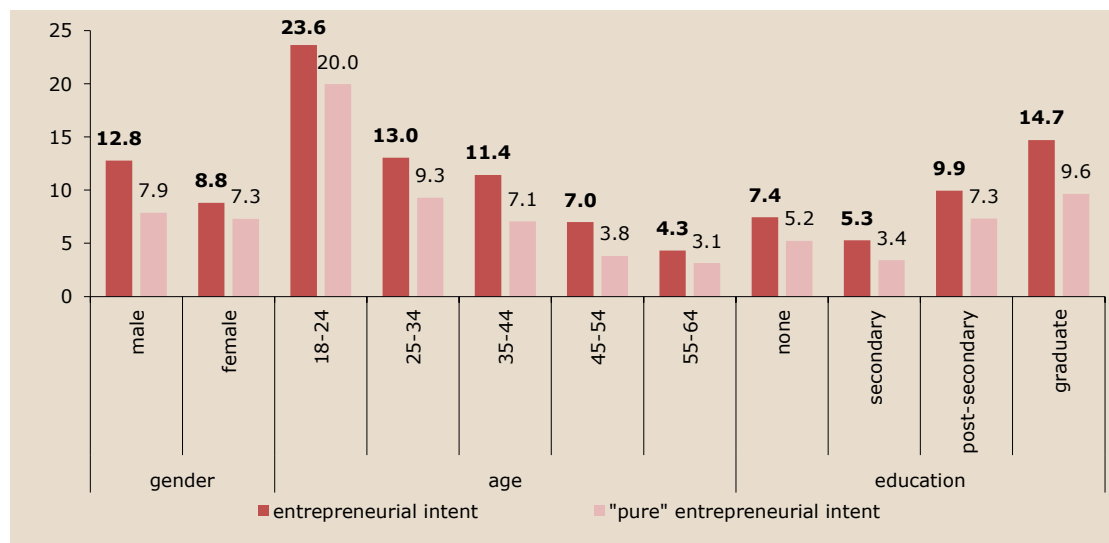
intentions). So, when 'untapped' entrepreneurial resources are considered, the gender gap in entrepreneurship is much smaller than traditionally assumed. Interestingly, this finding predicts that, if in the next three years entrepreneurial intentions of Dutch men and women (those who are not entrepreneurially active yet) are realised to the same extent, the gender gap in actual entrepreneurial activity will decrease.

table 13 demographic structure of (non-)potential and intentional entrepreneurs in the Netherlands, 2014

		'non-potential entrepreneurs'	potential entrepreneurs	"pure" intentional entrepreneurs
gender	male	46%	64%	52%
	female	54%	36%	48%
age	18-24 years	14%	17%	35%
	25-34 years	19%	22%	23%
	35-44 years	22%	20%	22%
	45-54 years	24%	20%	12%
	55-64 years	21%	21%	8%
education	no degree (incl. some secondary)	16%	11%	8%
	secondary degree (<i>middelbare school</i>)	57%	56%	55%
	post-secondary degree (<i>HBO</i>)	20%	25%	26%
	graduate degree (<i>universiteit</i>)	7%	8%	12%

Source: Panteia/GEM APS 2014. 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, 2014, percentage of a given subgroup



Source: Panteia/GEM APS 2014. The group of individuals with "pure" entrepreneurial intentions excludes individuals who are also involved in TEA or established entrepreneurship.



Figure 3 also shows that the prevalence of entrepreneurial intentions tends to decrease with age class. 'Pure' entrepreneurial intentions among the 18-24 age group of the adult population (20.0%) have greatly increased when compared to 2013 (12.5%), while 'pure' intentions also increased considerably for the oldest group 55-64 (from 2.2% to 3.1%). Intentions among the adults population aged 25-34 remained stable at 9.3% whereas ('pure') intentions among the age groups 35-44 and 45-54 have decreased markedly.

Furthermore, when comparing the 'potential entrepreneurs' with the 'pure intentional entrepreneurs' columns in table 13, we see that the youngest age class makes up a substantially bigger percentage of the 'pure intentional entrepreneurs' compared to the 'potential entrepreneurs' (35% versus 17%). 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.



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 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 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 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.

It is shown in table 14 that the extreme increase of TEA in 2012, where TEA was 25% higher than in 2011, was incidental. In 2013 TEA was a full percentage point lower than in the preceding year. Nevertheless, the Dutch TEA rate is still at a historically high level and again increased further in 2014. It is also relatively high compared to peer economies (see table 15). Nonetheless, the Netherlands dropped to eleventh place out of 30 innovation-driven economies (see figure 4). While last year it was still ranked sixth. This drop is partially due to a changing pool of innovation-driven countries participating in the 2014 GEM when compared to the preceding year: Qatar and Australia did not participate in the 2013 GEM. Furthermore, in the past year, Slovakia joined the group of innovation-driven countries from its position among the efficiency-driven countries, which on average have higher TEA rates (see table 15). However, among the 24 members of the European Union that participated in the 2014 GEM, the Netherlands rank sixth, compared to an eight place last year.



In table 14 it is also shown that the decrease in TEA is mainly due to new business entrepreneurship, which decreased with 1.5 percentage points from 2012 to 2013 and further decreased in 2014. 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 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 15, with 4.5% the level of new business entrepreneurship in the Netherlands is far above the average of similar countries (*i.e.*, innovation-driven economies, OECD or EU countries).

table 14 total early-stage entrepreneurial activity (TEA) in the Netherlands, 2004-2014, percentage of adult population (18-64 years of age)

<i>item</i>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
TEA:											
aggregate of nascent and new entrepreneurship	5.1	4.4	5.4	5.2	5.2	7.2	7.2	8.2	10.3	9.3	9.5
nascent entrepreneurship:											
"Are you, alone or with others, currently trying to start a new business?"	3.0	2.5	3.6	2.7	2.1	3.1	4.0	4.3	4.1	4.7	5.2
new entrepreneurship:											
"Are you, alone or with others, currently the owner of a business you help manage?"*	2.2	1.9	1.9	2.6	3.2	4.1	3.4	4.1	6.3	4.8	4.5

* 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 2014.

table 15 TEA rates internationally compared (unweighted average), 2014, percentage of adult population (18-64 years of age)

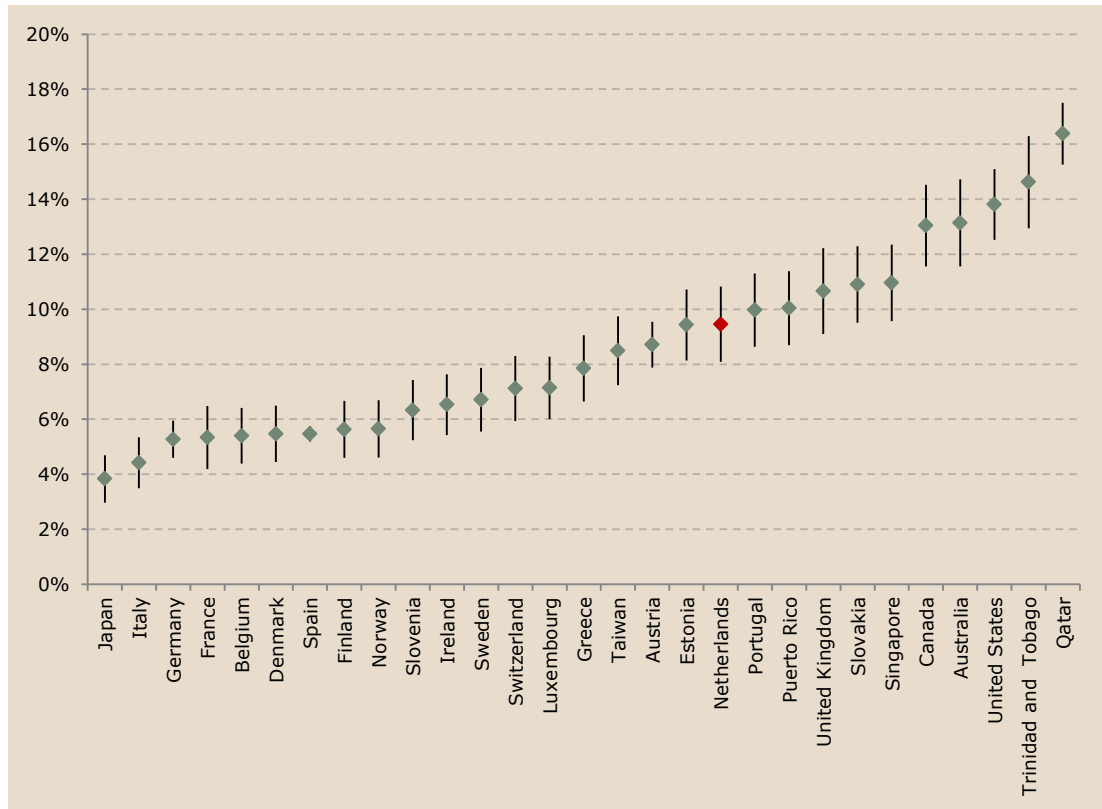
	<i>factor-driven economies</i>	<i>efficiency-driven economies</i>	<i>innovation-driven economies</i>	OECD	EU	Netherlands
TEA	23.3	14.6	8.5	9.0	7.8	9.5
nascent entrepreneurship	12.4	8.5	5.3	5.6	4.8	5.2
new entrepreneurship	11.7	6.5	3.4	3.6	3.2	4.5

Source: Panteia/GEM APS 2014.

Whereas the level of new business entrepreneurship went further down in 2014, the level of nascent entrepreneurship continued to increase from 4.7% to 5.2%. 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 4 total early-stage entrepreneurial activity (TEA) in the innovation-driven economies, 2014, percentage of adult population (18-64 years of age)



Source: GEM APS 2014.

Demographics

In table 16 a decomposition is shown across gender, age, and educational background for three subgroups of individuals ('non-potential entrepreneurs', potential entrepreneurs, and "pure" intentional entrepreneurs). The table replicates table 13, 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 5. For each demographic subgroup the figure 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 5 should be inspected in light of a "benchmark difference" in TEA rates between the Netherlands and the innovation-driven economies as displayed in table 15, i.e. 9.5% versus 8.5%.

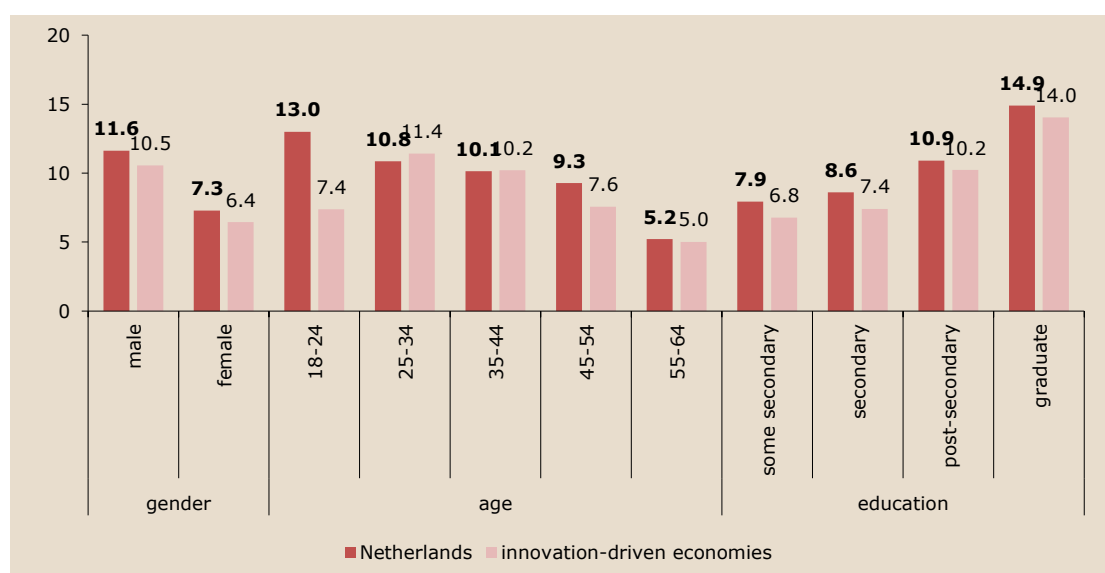


table 16 demographic structure of (non-)potential, intentional, and early-stage entrepreneurs in the Netherlands, 2014

		'non-potential entrepreneurs'	potential entrepreneurs	"pure" intentional entrepreneurs	early-stage entrepreneurs
gender	male	46%	64%	52%	62%
	female	54%	36%	48%	38%
age	18-24 years	14%	17%	35%	19%
	25-34 years	19%	22%	23%	22%
	35-44 years	22%	20%	22%	25%
	45-54 years	24%	20%	12%	23%
	55-64 years	21%	21%	8%	11%
education	none (incl. some secondary)	16%	11%	8%	13%
	secondary degree (middelbare school)	57%	56%	55%	51%
	post-secondary (HBO)	20%	25%	26%	24%
	graduate degree (universiteit)	7%	8%	12%	12%

Source: Panteia/GEM APS 2014. 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 5 total early-stage entrepreneurial activity (TEA) in the Netherlands and innovation-driven economies, 2014, percentage of a given subgroup



Source: Panteia/GEM APS 2014.

In figure 5 it is shown that for the Netherlands, the actual entrepreneurial activity rate is highest among individuals aged 18-24 years. This is in line with the findings from



figure 3 on entrepreneurial intentions. Notwithstanding the high TEA rate, we note that among this age category entrepreneurial activity (13.0%) is considerably lower than entrepreneurial intentions (23.6%). This suggests that a proportion of young people may find it harder to realise their entrepreneurial ambitions or that they prefer to wait and gain work experience in existing organisations before starting a business. There is a considerable discrepancy among this age group between the Netherlands and other innovation-driven countries. In the latter, entrepreneurial activity is highest among the 25-34 age bracket. In the past, this was also the case for the Netherlands. The 2014 results show a strong increase in both intentions (figure 3) and TEA for the youngest group. See figure 6.

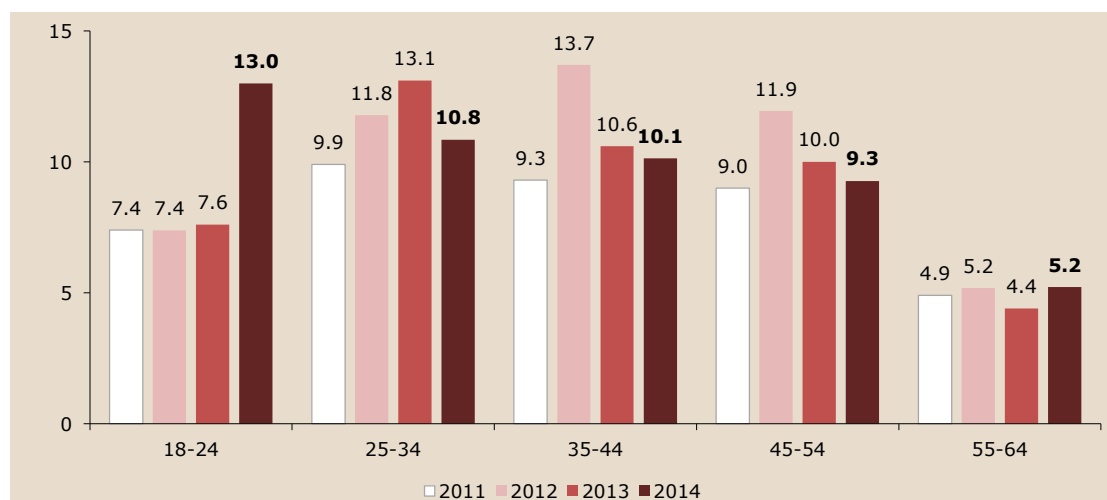
Regarding education, figure 5 shows that the prevalence of entrepreneurial activity is especially high among individuals with a graduate (university) degree. The prevalence rate (14.9%) among this category is also a bit higher relative to other innovation-driven economies. Van Stel, Span and Hessels (2014) suggest that the high prevalence rate may be related to the increased attention for entrepreneurship in higher education programs in the Netherlands in recent years. This is also suggested by table 17, which compares TEA rates among groups of the adult population that have or have not taken part in a training on starting a business.

table 17 TEA after having taken part in training on starting a business, during primary or secondary school and after completing secondary school, in the Netherlands, 2014, percentage of adult population (18-64 years of age)

	adult population	business training in primary or secondary school		business training after secondary school	
		yes	no	yes	no
TEA	9.5	13.9	8.8	18.4	7.3

Source: Panteia/GEM APS 2014.

figure 6 total early-stage entrepreneurial activity (TEA) in the Netherlands, 2011-2014, percentage of a given age category



Source: Panteia/GEM APS 2014.



Opportunity and necessity TEA

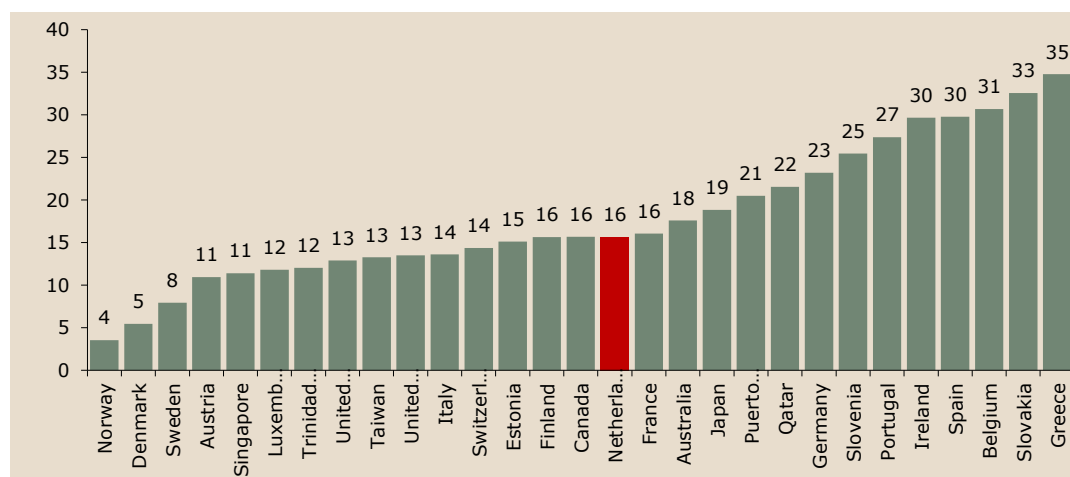
Individuals who are involved in early-stage entrepreneurial activity are asked about their underlying motives of starting a business. Within the context of the Global Entrepreneurship Monitor, a distinction between opportunity motives and necessity motives has traditionally been made. Opportunity entrepreneurship 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 18 motivation for the decision to be entrepreneurially active (TEA), the Netherlands, 2004-2014, percentage of adult population (18-64 years of age)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
opportunity-driven motivation	4.3	3.9	4.9	3.9	4.3	5.0	6.1	7.0	8.6	8.1	7.6
necessity-driven motivation	0.7	0.3	0.3	0.6	0.5	0.7	0.6	0.7	0.9	0.7	1.5
other motivation	0.1	0.1	0.2	0.7	0.4	1.4	0.5	0.5	0.8	0.5	0.4
total (TEA)	5.1	4.4	5.4	5.2	5.2	7.2	7.2	8.2	10.3	9.3	9.5

Source: GEM APS.

figure 7 necessity-driven TEA divided by total TEA for the innovation-driven economies, 2014 (%)



Source: Panteia/GEM APS 2014.

As shown in table 18, the necessity rate of entrepreneurship in the Netherlands had been relatively stable between 0.5 to 1% since 2007. Most variation in the TEA rate in that period therefore related to opportunity entrepreneurship. In that light, the 2014 results offer an interesting outcome: the decrease in opportunity-driven early-stage entrepreneurship is more than offset by the increase in necessity-driven TEA. Indeed, with 16% (doubling from 8% last year when it had one of the lowest shares) the share of necessity-driven entrepreneurs within the total number of entrepreneurs in the Netherlands has become average among the innovation-driven economies (see figure 7).



The relative share of necessity-driven entrepreneurship in total TEA has doubled. At the same time, we observe substantial dynamics in the 18-24 age group. Entrepreneurial intentions for this group have increased very strongly from 14.4% to 23.6%. This development is driven almost completely by increased intentions among the subset of pure intentional entrepreneurs, *i.e.* those that are not currently involved in (setting up) a business. The TEA among the 18-24 age group has also increased notably, from 7.6% to 13.0%. At first sight, this patterns suggests that young entrants to the labour market are forced to turn to entrepreneurship as an alternative to paid employment. However, a closer look into the age distribution of necessity-driven entrepreneurship shows that this is not the case. In fact, the share of necessity-driven entrepreneurship among the 18-24 age bracket (11%) is much lower than the overall necessity share (16%).

The figures in table 19 compare 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). We find that sector distribution of early-stage entrepreneurship is comparable with the rates found in other countries with similar levels of economic development.

table 19 sector distribution of early-stage entrepreneurs, internationally compared (unweighted average), 2014, 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	13%	9%	5%	5%	7%	2%
transformative sectors	18%	23%	22%	23%	24%	27%
business services	6%	12%	29%	29%	29%	30%
consumer services	63%	56%	44%	43%	40%	41%

Source: Panteia/GEM APS 2014.

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.

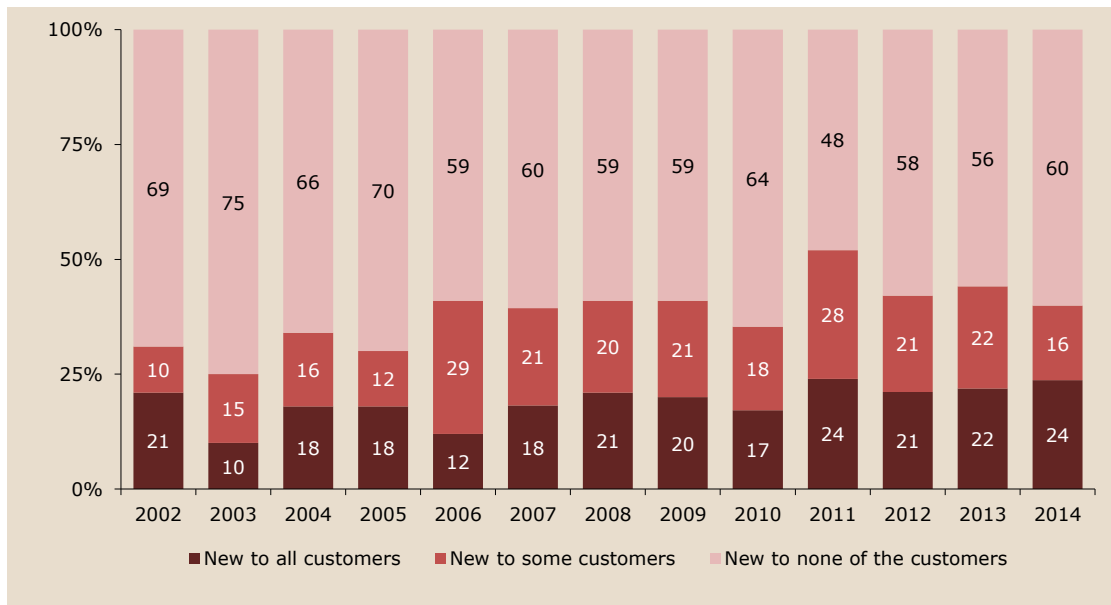
Product innovation

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.



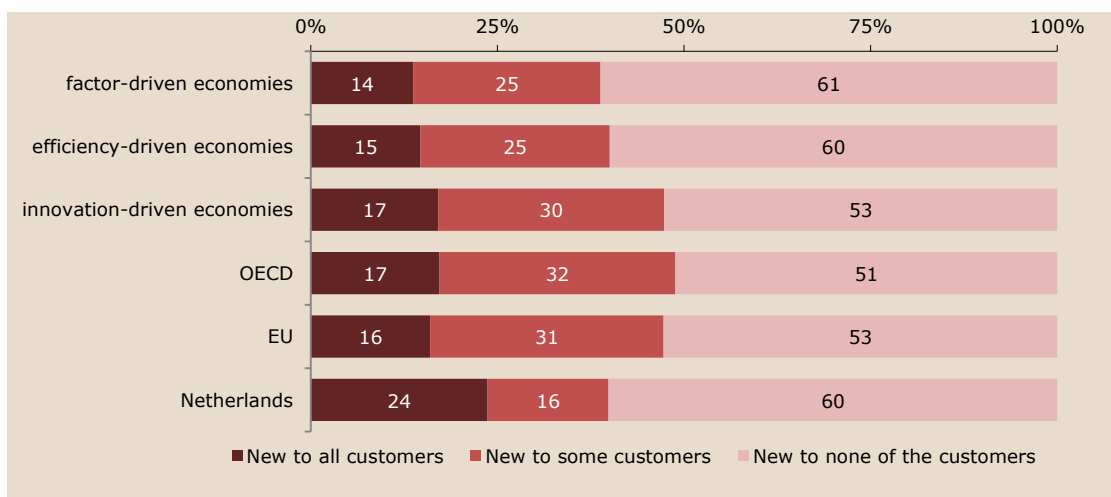
The results presented in figure 8 show that product innovativeness remained stable in 2014: 40% of early-stage entrepreneurs indicate that their product is new to some or all customers (44% in 2013). It is interesting that the Netherlands score higher than peer economies on the indicator 'new to all customers', but decidedly lower on the indicator 'new to some customers' (figure 9). This suggests that the Netherlands is relatively good at radical innovation but not so good in imitation (Van Stel, Span and Hessels, 2014). More research is needed though to corroborate this suggestion.

figure 8 product innovativeness of early-stage entrepreneurs in the Netherlands, 2014, percentage of adult population (18-64 years of age) involved in TEA



Source: Panteia/GEM APS 2014.

figure 9 product innovativeness of early-stage entrepreneurs internationally compared (unweighted average), 2014, percentage of adult population (18-64 years of age) involved in TEA



Source: Panteia/GEM APS 2014.

Job growth expectations

GEM asks early-stage entrepreneurs about the expected growth in the number of employees in the next five years. It is shown in table 20 that in the Netherlands 5.4 percent of the adult population, or about 57% of early-stage entrepreneurs (as TEA



rate is 9.5, see table 14), 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 over a third lower than the average for innovation-driven economies.

table 20 job growth expectations now or in five years of early-stage entrepreneurs internationally compared (unweighted average), 2014, 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	17.7	9.8	6.1	6.6	5.6	5.4
more than 19 jobs	1.5	1.1	1.0	1.0	0.9	0.6

Source: Panteia/GEM APS 2014.

Hence, the Netherlands does not score well when considering the most ambitious segment of early-stage entrepreneurs. Furthermore, even though the TEA rate has remained similar to that of last year (9.5 now versus 9.3 then) the total share of early-stage entrepreneurs expecting to create any jobs within the next five years has fallen from 6.1% of the adult population last year to 5.4% now. Dutch early-stage entrepreneurs seem to be somewhat less ambitious regarding job-creation than their peers in other innovation-driven economies.

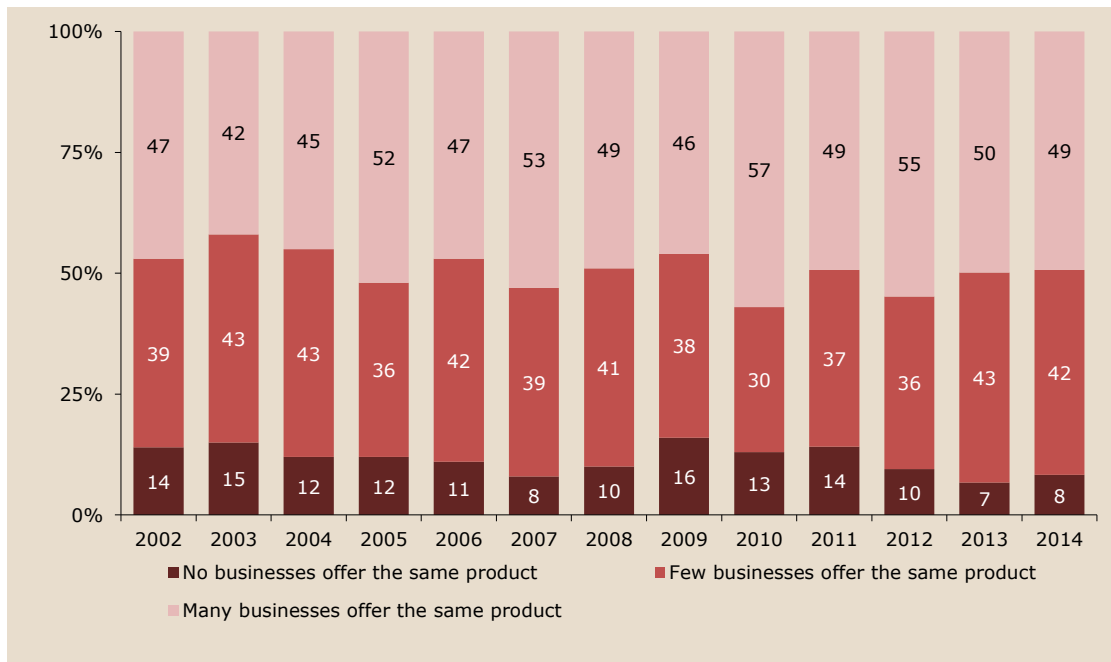
Perceived competition level

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 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 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 is competition.

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 came back at 50% and in 2014 remained constant. From an international perspective, the Netherlands scores relatively low when considering the percentage of entrepreneurs perceiving no competition at all in their market (8% versus 11% for innovation-driven economies; see figure 11). This finding is remarkable when combining it with the finding from figure 9 which showed that the Netherlands scores 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 (Van Stel, Span and Hessels, 2014).

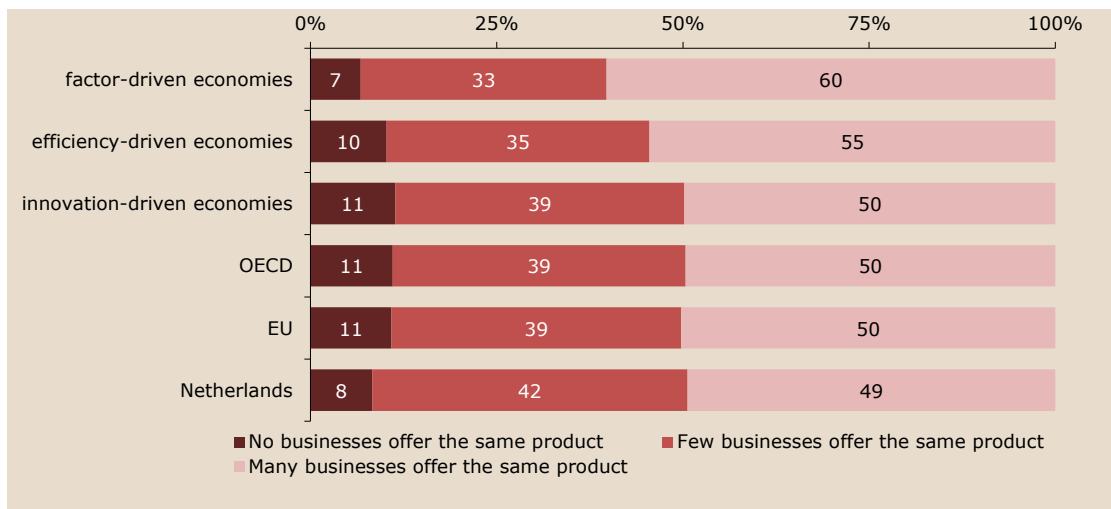


figure 10 perceived competitiveness of early-stage entrepreneurs in the Netherlands, 2002-2014



Source: Panteia/GEM APS 2014.

figure 11 perceived competitiveness of early-stage entrepreneurs internationally compared (unweighted average), 2014, percentage of adult population (18-64 years of age) involved in TEA



Source: Panteia/GEM APS 2014.

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. From table 21 it follows that the rate of established entrepreneurship is fluctuating somewhat in the last few years. Since 2011 it has changed back and forth from 8.7% to around 9.5% and in 2014 it is back to the latter, higher level. These swings may be related to macro-economic developments with more starting businesses surviving when overall economic circumstances are better. The Netherlands score far above average when compared to peer economies (table 22). 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 1415) and established entrepreneurship.

The results presented in figure 12 show that, relative to innovation-driven economies, the Netherlands has a particularly high rate of established entrepreneurs among middle-aged and higher educated individuals.

table 21 established entrepreneurship in the Netherlands, 2004-2014, percentage of adult population (18-64 years of age)

item	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
established entrepreneurship:											
"Are you, alone or with others, currently the owner of a business you help manage?"*	6.1	5.7	6.6	6.4	7.2	8.1	9.0	8.7	9.5	8.7	9.6

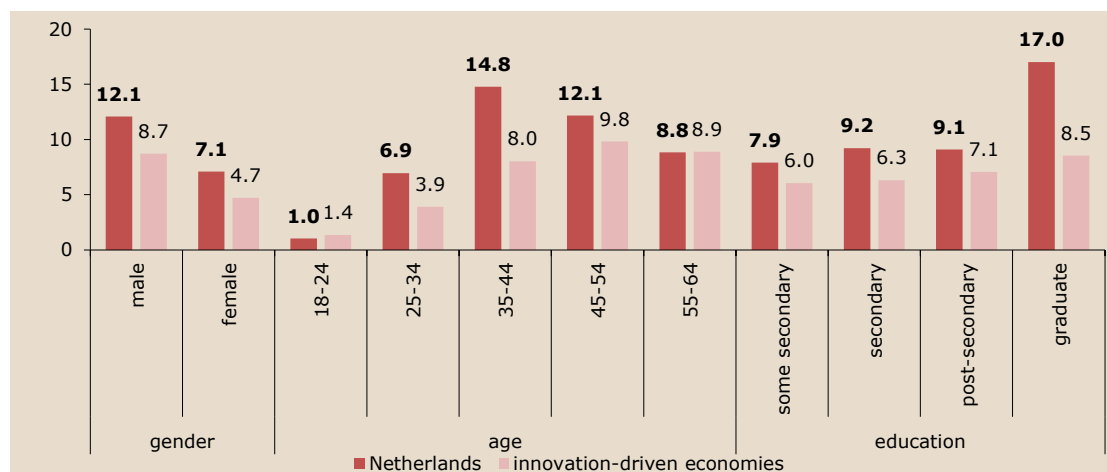
* Note that wages, profits, or payments in kind from this business should have been received before January 1, 2011. Furthermore, respondents partially or fully own this new business. Source: Panteia/GEM APS.

table 22 established entrepreneurship internationally compared (unweighted average), 2014, percentage of adult population (18-64 years of age)

	factor-driven economies	efficiency-driven economies	innovation-driven economies	OECD	EU	Netherlands
established entrepreneurship	12.7	8.9	6.7	7.0	6.7	9.6

Source: Panteia/GEM APS 2014.

figure 12 established entrepreneurship in the Netherlands and innovation-driven economies, 2014, percentage of a given subgroup



Source: Panteia/GEM APS 2014.

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.

Intrapreneurship is receiving more and more attention from policy makers. However, not many employees are considered intrapreneurs, namely around 5% in innovation-driven countries and much less in factor- and efficiency-driven countries. An interesting finding 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).

In table 23 we present an international comparison of the EEA rate. It is clear that the EEA rate increases for 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 7.0%. This is substantially higher than the EEA rate averages in the European Union and OECD countries and shows that there were relatively many employees involved in intrapreneurship. These numbers coincide with the relatively high Dutch TEA rate.

table 23 EEA rates internationally compared (unweighted average), 2014, 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	1.3	1.7	5.2	4.8	4.7	7.0

Source: Panteia/GEM APS 2014

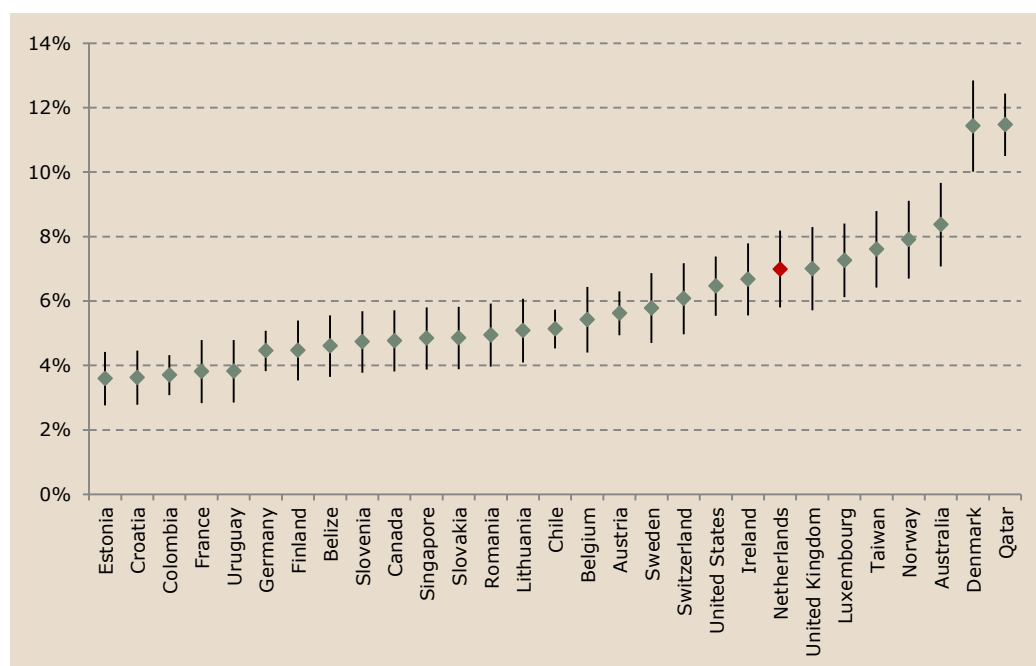
In



figure 13 we observe the EEA rate in the innovation-driven economies in ascending order. It clearly visualises the fact that the EEA rate of 7 percent is relatively high. Furthermore, it follows that Denmark and Qatar have an exceptionally high EEA rate, each above 11 percent of the adult population, while the third highest country, Australia, is just above 8 percent. On the other side of the spectrum we observe some countries that have an EEA rate below 4 percent, which are Estonia, Croatia, Colombia, France and Uruguay.



figure 13 entrepreneurial employee activity (EEA) in the innovation-driven economies, 2014, percentage of adult population (18-64 years of age)



Source: GEM APS 2014.

table 24 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, 2014

	entrepreneurial employees	EEA rate among adult population	entrepreneurial intent among EEA
male	59%	8%	27%
female	41%	5%	18%
18-24 years	12%	7%	41%
25-34 years	29%	12%	17%
35-44 years	22%	7%	23%
45-54 years	18%	6%	19%
55-64 years	19%	7%	27%
none (incl. some secondary)	1%	1%	0%
secondary degree (<i>middelbare school</i>)	29%	4%	22%
post-secondary (<i>HBO</i>)	45%	11%	29%
graduate degree (<i>universiteit</i>)	25%	17%	17%

Source: Panteia/GEM APS 2014

In table 24 we present 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 EEA*. For example, 59% of all entrepreneurial employees within the Netherlands is male, 41% 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 8% of the male adult population is an actively entrepreneurial employee versus 5% 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. More highly educated employees are also more often involved in intrapreneurship.

The third column presents entrepreneurial intent (expectations to start a new business within the next three years, see section 2.3) among EEA, *i.e.*, among entrepreneurial employees or intrapreneurs. Comparing these numbers to those presented in table 12 reveals that entrepreneurial intent is higher among intrapreneurs (24%) than among the general adult population (11%) and still even higher than among potential entrepreneurs (individuals in the adult population with certain entrepreneurial characteristics, 22%). It is clear that entrepreneurial intentions are relatively high among intrapreneurs suggesting that entrepreneurial employee activity may act as a springboard to early-stage entrepreneurship.

Furthermore, we observe that there are relatively more men (27%) than women (18%) with entrepreneurial intentions among intrapreneurs. Young and post-secondary educated (HBO) intrapreneurs are also more likely to have intentions to start a business of their own within the next three years. Table 24 also shows that, although EEA rates are highest among 25-34 year old individuals and among university graduates, entrepreneurial intentions of entrepreneurial employees are on average *lower* than those of entrepreneurial employees in other age and education categories. This suggests that for the 25-34 year olds and university graduates, EEA seems to be a more common but also a more permanent labour market position, rather than a springboard to independent entrepreneurship.

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 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.

In table 25 we present 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, 1.7% of the Dutch adult population experienced an entrepreneurial exit in 2014, which is a small decrease when compared to the two preceding years and may be related to the increased established entrepreneurship rate detailed in table 21. The exit rate dropped 0.4 percentage points. In about three out of four entrepreneurial exits, the exit coincides with firm exit, *i.e.* 1.3% of the Dutch adults experienced an entrepreneurial exit with business closure in 2014.



table 25 entrepreneurial exit in the Netherlands, 2004-2014, percentage of adult population (18-64 years of age)

<i>item</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
<u>exit with business closure:</u>											
Sold, shut down, discontinued, or quit a business in the past 12 months; business did not continue its activities after exit	1.2	1.5	0.8	0.5	1.0	1.8	0.9	1.4	1.5	1.6	1.3
<u>exit without business closure:</u>											
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	0.4

Source: Panteia/GEM APS 2014.

In table 26 we compare 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 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.

table 26 entrepreneurial exit internationally compared (unweighted average), 2014, 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	8.0	3.2	1.7	1.8	1.7	1.3
exit without business closure	2.9	1.2	1.0	1.0	0.8	0.4

Source: Panteia/GEM APS 2014.

However, the table 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 a bit more than 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 Netherlands³. Such a problem may be important as transferred businesses are often reported to outperform new-firm start-ups (e.g., Meijaard, 2007). In contrast however, recent research on business transfers in the Netherlands (Ruis et al., 2014)

³ 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.



finds that failed transfers have a marginal macro-economic impact only as the economic importance of the underlying businesses has often already strongly diminished. Failed transfers do lead to “friction costs and micro-economic impacts consisting of evicted business premises, former employees facing unemployment and clients having to find a new supplier”.

table 27 main exit reason internationally compared, 2014, 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	5%	3%	4%	4%	3%	3%
business was not profitable	32%	37%	28%	29%	33%	39%
problems getting finance	17%	13%	10%	10%	12%	11%
other job/business opport.	8%	9%	12%	13%	12%	9%
exit was planned in advance	4%	3%	6%	5%	5%	4%
retirement	1%	2%	7%	7%	6%	0%
personal reasons	26%	26%	27%	26%	24%	31%
an incident	7%	5%	5%	5%	5%	2%
other reason/don't know	1%	2%	0%	0%	0%	0%

Source: Panteia/GEM APS 2014.

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 27.

In the Netherlands, lack of profitability has traditionally been a dominant reason for entrepreneurial exit. This is also the case for 2014, where 39% of exits were due to a lack of profitability. While the other reasons have remained constant in their importance, lack of probability has increased strongly from 27% last year. So while in 2014 the Dutch economy exhibited the first signs of an upward business-cycle, exiting entrepreneurs did not yet profit from these developments.

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

Whereas the majority of this report is devoted to the 2014 results of the Dutch Adult Population Survey due to the richness of the data, one interesting component 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.

Entrepreneurial Framework Conditions

The EFCs are explained below (mainly drawn from Xavier et al., 2013, Figure 3.1). For three 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.

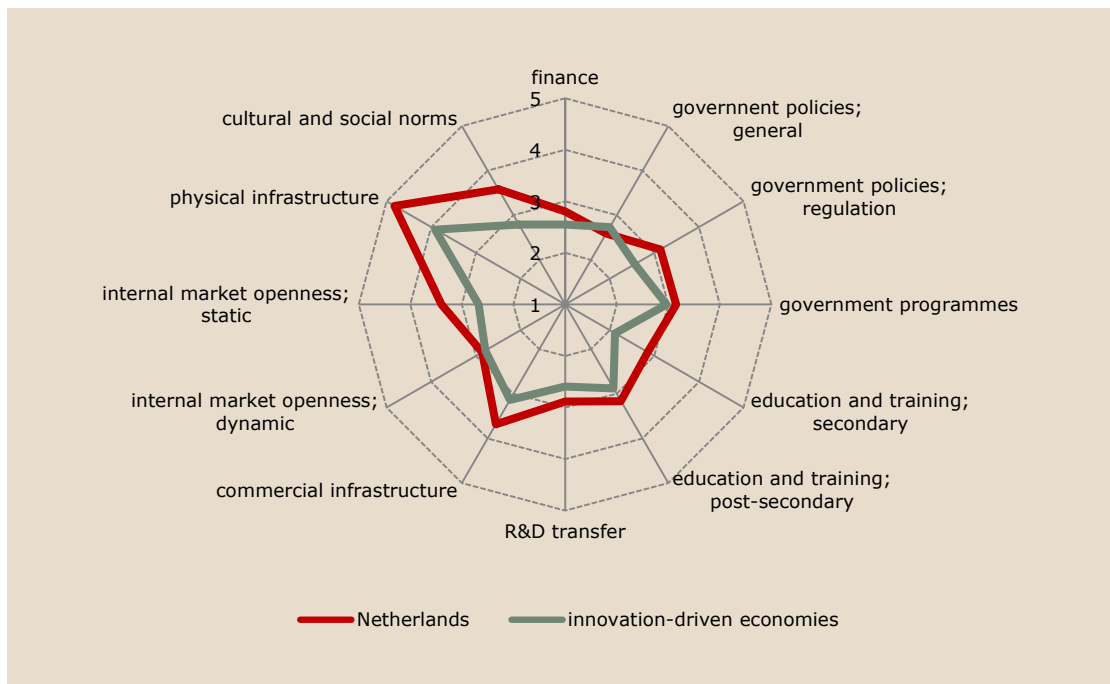
- *Financing*: The availability of financial resources, equity, and debt (including grants and subsidies) for new and growing firms.
- *Government policies*: The extent to which public policies support entrepreneurship. This EFC has two sub-conditions: *general*, i.e. entrepreneurship as a relevant issue, 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 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.

In

figure 14 the scores for the 12 dimensions are presented 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 14 average expert scores for the Entrepreneurial Framework Conditions (EFCs) for the Netherlands and innovation-driven economies, 2014



Source: Panteia/GEM NES 2013.

Results Dutch NES

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. In spite of these positive conditions in the Netherlands, there are two framework conditions with scores below 3. These are the framework conditions relating to financial support and general government policies. Hence, according to Dutch experts, there is room for improvement in the area of finance for new and growing firms and the degree to which SMEs and entrepreneurship are considered a relevant policy issue. The access to finance for SMEs was particularly dire for the Netherlands in 2014 as rejection rates on bank loans applied for were highest among all EU countries (39% of all applications versus the 13% EU-28 average: see Doove et al., 2014, figure 23).

The figure 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), education and on cultural and social norms. This implies that the basic requirements for starting and running a business are in place. The well-regarded social and cultural norms are in line with the results from table 8, showing that entrepreneurship is seen as a desirable career choice by four-fifths of the adult population, much higher than in comparable economies. The relatively positive results regarding education again underline the increased attention for entrepreneurship in the Dutch education system (e.g., European Commission, 2012).



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