



Entrepreneurship in Greece 2013-14:

The Dynamics of Youth Entrepreneurship

Executive Summary

Stavros Ioannides^a, Ioannis Giotopoulos^b

^a Professor, Panteion University, Department of Political Science and History, Head of Research at Entrepreneurship Observatory of IOBE

^b Assistant Professor, University of Peloponnese, Department of Economics

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National Research Team GEM

Stavros Ioannides, Professor, Panteion University, Department of Political Science and History and Head of Research at Entrepreneurship Observatory of IOBE

Aggelos Tsakanikas, Assistant Professor, National Technical University of Athens, School of Chemical Engineering and Research Advisor, IOBE

Ioannis Giotopoulos, Assistant Professor, University of Peloponnese, Department of Economics

Charalambos Kourantzoglou, Trainee, IOBE

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Early-stage entrepreneurship in Greece exhibits significant variations in the period of crisis. The percentage of individuals in the population aged 18-64 years being at an early stage of entrepreneurial activity declined in 2013, reaching at 5.2%, while in the previous year the relevant index recorded 6.4 percentage points. This significant drop may be the result of the deep and prolonged economic recession that hit the Greek economy. On the other hand, it is noteworthy that the first results derived from a preliminary analysis of data for 2014, show a significant improvement of the TEA index, since it was calculated at 7.8%. This improvement may be a sign of recovery of entrepreneurial activity in Greece.

The fear of failure percentage appears higher in innovation-driven countries (i.e. in more developed countries that participate in the GEM research program). However, the number of individuals that identify and recognize entrepreneurial opportunities is persistently growing. Given the above, it seems that the two strong conflicting forces that emerge in Greek entrepreneurship in crisis times, that is the high degree of fear of entrepreneurial failure along with the identification of entrepreneurial opportunities, may explain the intense volatility of TEA index. At the same time, the number of Greeks who believe that they have those abilities and skills required to start a business remains high.

Importantly, Greece ranked in the first place with respect to established entrepreneurship (12.6%) among innovation-driven countries that participate in the GEM program. However, the ranking of Greece as leader in established entrepreneurship among innovative countries has been also found in the previous years. Thus, it can be argued that micro, family-owned firms, continue to dominate the structure of Greek entrepreneurship with the financial support of informal investors (mainly family and friends). The composition of total entrepreneurship index, where established entrepreneurship prevails early-stage entrepreneurship, may reflect the low dynamics of entrepreneurship in Greece.

The proportion of population declaring a business exit in 2013 was at 4.8%. The relevant percentage in the previous year was slightly lower (4.6%). It is worth noting that Greece ranks in the first place among innovation countries regarding the indicator

of business exit. As the main factor of business exit appears the lack of profitability (51%).

The indicators of entrepreneurial motives referring to necessity and opportunity entrepreneurship for the year 2013 were 23% and 35%, respectively. These findings may imply that Greek entrepreneurship motivated by identifying opportunities exhibits significantly lower levels than the average of innovation countries (53%), while the rate of entrepreneurial activity in Greece motivated by necessity reasons appears clearly higher (by about 7 percentage points) compared to the average of innovation countries. In other words, the ongoing recession seems to motivate more Greeks (compared to other countries) to start a business due to necessity reasons rather than for the exploitation of real entrepreneurial opportunities.

The average early-stage entrepreneur in Greece is more likely to be male, 25-44 years old, educated with a university, operating in the consumer services sector.

In 2013 the rate of early-stage entrepreneurs stating that many customers consider their product/service as new and innovative stands at 17.3%. This performance constitutes the highest level recorded during the years of crisis. Nevertheless, despite the increase of the innovation index by about 3 percentage points compared to the previous year, the degree of entrepreneurial innovativeness is still at low levels.

However, remarkably Greece for the year 2013 registered the second place of all the innovation-driven economies with respect to the rate of early-stage entrepreneurs stating that they use the latest technologies. At the same time, the rate of the early-stage entrepreneurs in Greece that they use old technologies was the lowest among innovation-driven economies. This is obviously an optimistic finding, since it implies that the technological level of new entrepreneurial attempts seems to be upgraded in order to increase their probability to survive in a period that the Greek economy experiences a deep and prolonged crisis.

Despite the positive signs recorded in terms of dynamic technological capabilities, early-stage entrepreneurship in Greece continues to reproduce the basic structure of the Greek economy, i.e. an economy based on the existence and operation of micro

firms, which in their majority do not export, do not grow and consequently they do not generate new jobs.

Regarding the age distribution of early-stage entrepreneurship, our findings reveal the absence of any difference in the entrepreneurial engagement in Greece between young and old individuals. However, there are three qualitative indicators in which young early-stage entrepreneurs exhibit clearly higher rates compared to their older counterparts, implying thus there exist signs of a stronger dynamism.

First, the results derived from our analysis reveal the ability of young individuals to pursue an entrepreneurial opportunity. In turn, the sharper perception of opportunities by young people, leads to higher levels of entrepreneurial opportunities compared to older people. Despite the fact of high youth unemployment rates, it seems that necessity is not the main motive for the entrepreneurial engagement of young individuals, but the opportunity. Thus, the growth potential of youth entrepreneurial attempts is expected to be high.

Second, we found a stronger dynamism of youth entrepreneurial attempts as regards their sectoral orientation. In particular, younger entrepreneurs appear to exhibit clearly higher performance rates compared to older entrepreneurs in business-to-business services which constitute significant parts in the value chain of the economy.

Finally, a third positive point derived from the analysis of youth entrepreneurship refers to education level of younger entrepreneurs. Specifically, it has been observed that in recent years the proportion of young entrepreneurs with a university and/or postgraduate degree has considerably increased. On the other hand, in the context of youth entrepreneurship analysis, our results yield a significant drawback regarding the fear of failure intensity. In other words, the fear of failure seems to be a major constraint for the entrepreneurial engagement of young individuals, while the society could expect from the age group of young people to show a greater willingness for riskiness, innovativeness and experimentation.

The full text of the study is available in Greek at: http://iobe.gr/research_b.asp

