



Entrepreneurship in Greece during 2012-13:

Are there any Signs of Recovery in Small Entrepreneurship?

Executive Summary

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Executive Summary

The Foundation for Economic and Industrial Research (IOBE / FEIR) has conducted the annual survey for entrepreneurship in Greece since 2003, utilizing a representative sample of 2000 respondents between 18 and 64 years old, within the context of Global Entrepreneurship Monitor (GEM) research program. The relevant report for the period 2012-2013, apart from the basic indicators of entrepreneurship, analyzes, also, the perceptions and incentives for the entrepreneurial activity, demographic aspects and qualitative characteristics of business ventures. Moreover, the mass of data on an annual basis from 2003 until 2012 enable to investigate the evolution of the basic entrepreneurial indicators within a dynamic context pre and post the recent economic crisis outbreak.

Key entrepreneurship indicators in 2012

Based on the research findings, in Greece, the percentage of total early-stage entrepreneurship in 2012 was 6.5%. This proportion is significantly lower than the respective one recorded in the previous year (8%). Apparently, the fall of the index is closely related to the difficult economic situation of the country, as the recession shrinks the survival of business initiatives. Thus, although Greece was ranked in the fourth place among innovative countries in 2011, in 2012 was ranked in the 12th place. Indeed, the recent findings from the 2013 survey for Greece show a further drop of 5.5% in the relevant indicator.

In Greece, more than one third (36.32%) of the early-stage entrepreneurs in 2012 were classified in the age group of 25-34 years old. This is a positive sign, since it can be argued that younger people are carriers of new ideas and it is more likely to pose greater risk in the business arena. However, despite this positive change, this trend may be explained on the grounds of high unemployment rates especially for young people in Greece. In other words, young people exhibit a low likelihood to find a job, and consequently, they shift to some kind of autonomous business activity.

Early-stage entrepreneurship rate is slightly higher for immigrants compared to the domestic population (6.9% against 6.3%). This interesting finding is not unexpected,

since immigrants face greater difficulties to be employed, implying thus a greater probability to start their own business.

The analysis of early-stage entrepreneurial activity at regional level is also of high importance, since it is reasonable to expect the existence of significant heterogeneity for the examined indicator not only among countries, but also among regions within a country. Cultural factors at local level, and the level of regional economic development may affect the decision of individuals to become entrepreneurs. Based on the results obtained the early-stage entrepreneurship indicator varies from 11.6% in the region Central Macedonia (the highest rate) to 1.7% in the region of Central Greece (the lowest rate). It is worth mentioning that only two further regions, exhibit an early-stage entrepreneurship rate above the national average, that is West Macedonia (11.1%) and Peloponnese (7.9%).

As regards the sectoral structure of early-stage entrepreneurial activity in Greece, in 2012, more than 50% of the new ventures provided products and services to the final consumer. This index has remained particularly high in most years under of Greek participation in GEM. Nevertheless, the relevant rate has been reduced significantly during the period of financial crisis, explained probably by great fall in consumer demand. On the other hand, after the beginning of crisis, it has been observed an increase in the percentage of new ventures that provide business to business services. Hence, the recent crisis may have a positive impact on the productive restructuring of the Greek economy, even in the context of “small-sized entrepreneurship”.

Regarding the established entrepreneurship indicator, Greece reports the highest performance among the innovation countries (12.3%). Nevertheless, the percentage is obviously lower comparing to 2011 (15.8%) by about 3.5 percentage points. It is noteworthy here that although 2012 was the year with the deepest recession in Greece, affecting in a negative way firm survival and unemployment rates as well, the structure of the Greek economy, dominated by small-sized enterprises, has not been changed. In other words, despite the fact that the crisis had strong negative effects on the activity of SME's operating in Greece, the structure of the Greek economy with respect to firm size distribution appears to a great extent unchanged.

Along the same vein, Greece records the second highest performance in the total entrepreneurship indicator (that is the sum of established and early-stage entrepreneurial activity) among the innovation countries. However, it should be noted here that innovation countries with high total entrepreneurship rates, exhibit a composition of high early-stage entrepreneurship rates and comparatively low established entrepreneurship rates. On the contrary, Greece constitutes an exception among them, since the total index is mainly formed by the high rate of the established entrepreneurship. The different composition of the relevant index for Greece reflects the absence of dynamic patterns in the economy.

Perceptions and motives for entrepreneurship

The analysis of entrepreneurial perceptions focuses on factors classified in two categories: cultural factors referring to the general attitude of a society about the entrepreneurial activity, and personal factors referring to the way in which individuals perceive the aspect of entrepreneurial activity.

As far as cultural factors are concerned our analysis shows a high performance rate about the statement that in Greece successful entrepreneurs receive high status. This interesting result may be explained by the fact that established entrepreneurship remains strong, despite the crisis. On the contrary, Greece records the lowest performance regarding the media attention for entrepreneurship among the innovation countries.

In Greece, perceptions related to the existence of entrepreneurial opportunities over the next six months record one of the lowest rates globally, with a percentage of 12.9%. The impact of the long-run recession of Greek economy on the relevant index is certainly expected. However, comparing to the period 2008-2011, there is a clear reversal of the downward trend (for example in 2011 the performance was 10.9%). Thus, some signs of recovery in Greek economy and entrepreneurial activity seem to appear, since more individuals identify and recognize entrepreneurial opportunities around them.

As the economy was shrinking, fewer individuals appear to perceive entrepreneurial activity as a desirable career choice being able to secure to the entrepreneur a high

income, job security and independence. However, the performance of the index in 2012 is interesting again, since 64.4% of the sample responds that entrepreneurship is a good career choice, while this percentage in 2011 was only 61%. This increase may partly reflect the more positive assessments on the survival prospects of new ventures comparing to the past, and consequently the expectation for the improvement of the economy outlook in Greece.

As regards the personal factors, Greeks continue to record –like all the previous years under examination- a high performance rate in the index that captures the skills, capabilities, and experience in doing business. The other personal factor, the fear of failure, presents a greater interest, as in 2012 more than 7 out of 10 Greeks stated that the fear of failure would be a barrier to start a business.

The findings regarding the motives of entrepreneurial activity highlight that after the beginning of crisis in Greece, the necessity entrepreneurship has increased, since 3 out of 10 entrepreneurs stated that they involved in entrepreneurship because they had no other option for work. In other words, the prolonged recession (and especially necessity) seems to be the main motive for more people in Greece to be involved in entrepreneurship, rather than the exploitation of real entrepreneurial opportunities.

Entrepreneurial aspirations

New entrepreneurship contributes to economic development mainly, through the emergence of the qualitative characteristics of start-ups, rather than by the number of new ventures created. In this context, it is of greater significance the investigation of innovativeness, internationalization and perspectives for job creation of new ventures, rather than the quantity of new ventures.

Regarding the perspectives for job creation, the highest percentage of people aged 18-64 stated that they did not expect to generate more than 4 new jobs within the next 5 years, while only 0.67% expect to create from 5 to 19 new job positions. This means that new ventures in Greece continue to reproduce the basic structure of the Greek economy: an economy based in the existence and operation of SMEs, most of which do not grow and remain small-sized, and as a result they do not create new jobs.

The composite index of innovativeness and intensive competition for Greece in 2012 was 23%, i.e. a low performance for Greece compared to the other innovation countries. It is a reversal of a trend that appeared 3 years ago, when this index for Greece was around 32%. The sharp reduction of the index, in 2012, may be related to the deep and prolonged recession of the Greek economy. During the period of the severe crisis that hit the Greek economy, it may be expected that a significant part of the population to enter the business arena for survival reasons (i.e. necessity entrepreneurship), and consequently the issue of innovativeness is degraded.

The results for the internationalization of new ventures show that in 2012, 20.6% of new entrepreneurs declared that more than 25% of their clients come from abroad. The corresponding percentage in 2011 was only 16.1%. On the other hand, 51.3% of new entrepreneurs stated that their strategic orientation to sell their products is exclusively in the domestic market, while this percentage in 2011 was 44.8%. Therefore, it can be deduced that crisis has activated two opposite trends, one that reflects necessity motives to start a business, and the other one involving new ventures that identify and exploit the entrepreneurial opportunities generated by the crisis.

Business environment

A basic finding derived from the analysis of business environment based on the views of experts is that the distance between the estimations of Greeks experts and those of experts of other innovation countries is important in, mainly, the 3 following dimensions: a) the general framework of national policies and priorities, b) the governmental programs for the stimulation of entrepreneurship, and c) the financial support of new ventures. These findings are not surprising, given the fiscal adjustment program for Greece and the austerity measures of recent years. On the other hand, an interesting result refers to the small distance between the views of Greeks experts and those of the foreign experts concerning the two dimensions of education.

Women entrepreneurship

In the second chapter, women entrepreneurship is analyzed with respect to determinants, attitudes, perceptions and motives. In addition, the entrepreneurial

aspirations and the qualitative characteristics of female entrepreneurial activity in Greece are presented. In doing so, a comparative analysis of early-stage entrepreneurial activity per gender is performed. Moreover, by utilizing the accumulated data from 2003 up to 2012, this study investigates the evolution of the basic early stage-entrepreneurship indicators for Greek women pre and post the economic crisis.

The percentage of women in 2012 who involved in the early-stage entrepreneurial activity (of female population aged 18-64) was 4.3%. On the contrary, the corresponding percentage for men (of male population aged 18-64) was 8.6%. Therefore, it is obvious that the female early-stage entrepreneurial activity lags significantly (approximately the half) compared to the male early-stage entrepreneurial activity. Regarding the motives of women entrepreneurship, necessity entrepreneurship in Greece appears stronger for women early-stage entrepreneurs compared to men.

In Greece, the perceptions of women related to the capabilities and skills to set up a business are reported lower compared to the corresponding perceptions of men. In particular, 42% of the women believe that they have the required capabilities to start a business, while the corresponding percentage of men is about 53%. As far as the fear of failure is concerned, in 2012, 77% of women indicate that fear of failure would prevent them to set up a business. This rate is clearly higher compared to the fear of failure of men population (69%).

The majority of women early-stage entrepreneurs provide services to consumers (62%), while only 19% of them provide business to business (B2B) services. The participation of women entrepreneurs in the rest sectors is even lower, since 14% operates in the transforming economic activity, and about 5% acts in the extractive sector.

The percentage of women entrepreneurs who stopped their entrepreneurial activity in 2012 was 3.1%. The corresponding percentage for men is comparatively higher (4.3%). Women who put an end to their entrepreneurial activity, indicate as main factors the absence of firm profitability and their retirement as well.

Men entrepreneurs enter the business arena in a younger age than women do. Especially, the highest percentage (35.71%) of women entrepreneurs seems to implement an entrepreneurial idea in the age of 35-44, while men set up an entrepreneurial process, mainly, in the age of 25-34, with a percentage of 39.53%. A possible interpretation of the fact that women enter the business arena in an older age than men is the dedication of women in family responsibilities.

The percentage of women who hold a postgraduate or doctorate degree is about 7.5 percentage points greater than the respective percentage of men. The high educational level and the specific knowledge of women could provide a boost to economic development, since the exploitation of specialized knowledge and skills in the context of entrepreneurial initiatives would improve the prospects for the transition from low-quality and low value-added entrepreneurial attempts to a knowledge-intensive entrepreneurship.

16.28% of men entrepreneurs indicate that the product or the service they offer is considered to be new by all customers. The corresponding percentage for women entrepreneurs is only 9.52%. Thus, the level of radical innovation appears to be higher for men entrepreneurs than women. However, 68.6% of young men entrepreneurs declare that the product or the service that they offer is not considered as new by none customers, while the respective percentage of women entrepreneurs is 52.38%. Hence, women exhibit much higher percentage (38.1%) than men (15.12%) with respect to partial innovativeness. In other words, Greek women entrepreneurs are able, to a greater extent than their male counterparts, to offer relatively new products or services to their customers.

Women also, tend to exploit to a greater extent new technologies in their entrepreneurial attempts, while men entrepreneurs seem to be stuck on using older technologies. Furthermore, it seems that the greater use of last, modern and upgraded technologies by women entrepreneurs in Greece may consequently imply that it is expected to face a lower degree of competition intensity in the markets they enter. Therefore, women entrepreneurs appear more likely to create and develop new niche markets compared to men counterparts. This empirical finding is in accordance with the relevant arguments to support and encourage female

entrepreneurship. Thus, it should be taken into account by policy makers in Greece who design strategic actions for the stimulation of entrepreneurship and the improvement of competitiveness.

Moreover, the results of the analysis provide evidence supporting that women entrepreneurs appear to follow an internationalization strategy to a greater extent compared to men entrepreneurs. Thus, 9.52% of Greek women entrepreneurs state that 76-100% of their sales derive from exports, while the corresponding percentage of men is below 7%. Accordingly, men entrepreneurs, who declare that they sell their products exclusively within the domestic market, record a higher rate compared to women by about 3.5 percentage points.

Finally, a further interesting result refers to the high rates of respondents from both genders who indicate that within the next five years they will create 1-5 jobs (50.62% for women and 45.28% for men). Smaller rates in both gender distributions recorded with respect to their assessment that their business venture will be evolved to a “gazelle”, i.e. to succeed fast growth rates creating thus a large number of jobs (more than 20 jobs).

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