

Global Entrepreneurship Monitor 2007 The Netherlands

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Samenvatting (Dutch summary)

De Global Entrepreneurship Monitor (GEM) is gericht op het verzamelen en analyseren van data op het gebied van ondernemerschap en brengt jaarlijks de mate van nieuw ondernemerschap en de institutionele voorwaarden daarvoor in kaart voor een groot aantal landen. In 2007 nemen 42 landen deel aan GEM. Om de mate van nieuw ondernemerschap te meten heeft GEM de TEA-index (Total early-stage Entrepreneurial Activity) ontwikkeld. Deze index geeft aan welk percentage van de volwassen bevolking (18-64 jaar) actief bezig is met het opzetten van een eigen onderneming ('nascent' ondernemers) of een eigen bedrijf heeft dat minder dan 42 maanden oud is (ondernemers van jonge bedrijven). Nederland heeft in 2007 voor de zevende keer sinds 2001 deelgenomen aan GEM. Daarbij is een telefonische survey gehouden onder 3.500 personen ouder dan 18 jaar. Dit rapport geeft inzicht in de ontwikkeling van nieuw ondernemerschap in Nederland en plaatst deze tevens in internationaal perspectief. Daarnaast zoomt dit rapport in op nieuw ondernemerschap in drie Nederlandse regio's, waarvoor een extra steekproef van 3.000 respondenten is geënquêteerd. Ook gaat dit rapport in op het vertrouwen onder consumenten in innovatie en op de innovativiteit van startende ondernemers. Tot slot worden de resultaten gepresenteerd van een vervolgonderzoek onder 'nascent' ondernemers.

De ontwikkeling van nieuw ondernemerschap in Nederland

Ondernemerschapsactiviteit in 2007

In 2007 is in Nederland 5,2% van de volwassen bevolking betrokken bij nieuwe ondernemerschapsactiviteiten (gemeten middels de TEA-index), ongeveer gelijk aan het percentage in 2006 (5,4%). Hierbij gaat het om zowel het actief bezig zijn met het oprichten van een nieuwe eigen onderneming ('nascent' ondernemers), als het runnen van een eigen onderneming die minder dan 42 maanden oud is (ondernemers van jonge bedrijven). De index voor 'nascent' ondernemers is 2,7 in 2007 (tegen 3,6 in 2006), terwijl de index voor het percentage ondernemers van jonge bedrijven (2,6) juist is gestegen ten opzichte van vorig jaar. Het lijkt erop dat meer ondernemers erin slagen daadwerkelijk hun bedrijf op te richten. Verder is in 2007 0,6% van de Nederlandse bevolking actief bezig om een bestaand bedrijf over te nemen.

Percepties en intenties

De percepties ten aanzien van ondernemerschap zijn in Nederland in één opzicht iets veranderd. 21% van de Nederlandse bevolking zegt in 2007 dat angst voor mislukking hen ervan weerhoudt een nieuw bedrijf op te richten. In voorgaande jaren lag dit percentage rond de 29%. Het economische herstel heeft mogelijk geleid tot meer vertrouwen. Toch leidt dit niet tot een stijging van de intenties om een eigen bedrijf op te richten: 5,5% van de volwassen bevolking verwacht in 2007 dit binnen drie jaar te doen, tegenover 5,6% het jaar ervoor. In 2007 geeft 1,7% van de bevolking aan te verwachten in de komende drie jaar een bestaand bedrijf over te nemen.

Etnisch ondernemerschap

In 2007 is voor het eerst gevraagd naar de herkomst van de nieuwe ondernemers. Van alle respondenten is 92% van autochtone afkomst. De overige 8% is afkomstig uit verschillende landen, waaronder Suriname, Turkije en Marokko.

Nieuw ondernemerschap internationaal bezien

Attitudes

In 2007 beschouwt 85% van de Nederlandse volwassen bevolking het starten van een nieuw bedrijf als een goede carrièreoptie. In andere OESO-landen ligt dit percentage rond de 57%. Ook in eerdere jaren werd voor Nederland op dit punt een opvallend positieve attitude gevonden. Deze houding gaat echter niet samen met opvallend veel nieuw ondernemerschap in ons land.

Mate van nieuw ondernemerschap in internationaal perspectief

Nederland scoort in internationaal perspectief vergelijkbaar met voorgaande jaren als het gaat om nieuwe ondernemerschapsactiviteit. Naar schatting is 5,2% van de Nederlandse bevolking bezig met het opzetten van een eigen bedrijf of het runnen van een nieuwe eigen onderneming die minder dan 42 maanden oud is, terwijl het gemiddelde voor de EU-landen op 5,4 ligt. De OESO-landen komen uit op een gemiddelde van 6,1. Op de 'nascent' ondernemerschapsindex scoort Nederland met een index van 2,7 net onder het EU-gemiddelde van 3,1. De gemiddelde 'nascent' ondernemerschapsindex voor de deelnemende OESO-landen is 3,6.

Fulltime versus parttime ondernemerschap

Het aandeel startende ondernemers dat fulltime bezig is met zijn eigen bedrijf is 53% in Nederland in 2007. Dit is een van de laagste percentages van alle landen die meedoen aan de GEM. Gemiddeld genomen is 64% van de startende ondernemers in alle landen fulltime bezig met het ondernemen. Voor de EU-landen ligt dit gemiddelde op 70%.

Mannelijke versus vrouwelijke starters

In Nederland is in 2007 ongeveer 64% van de startende ondernemers van het mannelijke geslacht en 36% van het vrouwelijke geslacht. Dit percentage komt redelijk in de buurt van het Europese gemiddelde van 67% respectievelijk 33%.

Motieven voor ondernemerschap

Het aandeel startende ondernemers dat onafhankelijkheid of autonomie noemt als belangrijkste motief om ondernemer te worden ligt in Nederland in 2007 op 47%. Dit is een van de hoogste percentages in vergelijking met andere deelnemende landen. Voor alle aan GEM deelnemende landen ligt het gemiddelde percentage op 28%, en het gemiddelde voor de OESO-landen ligt op 35%. Terwijl gemiddeld 27% van de startende ondernemers in alle GEM-respondenten zegt dat de belangrijkste reden voor het starten van een eigen bedrijf is om meer geld te verdienen, geldt dit voor slechts 19% van de startende ondernemers in Nederland. Verder geeft 20% van de startende ondernemers in Nederland aan uit noodzaak te starten met een eigen bedrijf.

Eerdere ervaring met ondernemerschap

In Nederland heeft 19% van de 'nascent' ondernemers in het verleden al eens een eigen bedrijf opgericht; dit is laag in vergelijking met het gemiddelde van de deelnemende OESO-landen (32%) en de deelnemende EU-landen (29%). 23% van de Nederlandse ondernemers van jonge bedrijven heeft al eerdere ervaring met het starten van een eigen bedrijf, wat vrijwel overeenkomt met het gemiddelde voor alle deelnemende OESO- en EU-landen.

Informele investeerders

Het aandeel volwassen Nederlanders dat informeel investeert is in 2007 weer terug op het in 2005 bereikte niveau. In 2007 is dit aandeel 2,3%, terwijl dit in het voorgaande jaar 1,1% en in 2005 2% was. In internationaal verband blijft de prevalentie van informele investeerders in Nederland niettemin laag. Het gemiddelde aandeel in alle OESO-landen is 3,4% in 2007, terwijl dit voor de EU-landen 2,9% is in 2007. Het gemiddelde voor alle GEM-landen is met 4,7% een stuk hoger. Dit wordt voornamelijk veroorzaakt door hoge aandelen informele investeerders in ontwikkelingslanden.

Regionale ondernemerschapsactiviteit

Ondernemerschapsattitudes en regionale ondernemerschapsactiviteit

De houding en activiteiten van individuele ondernemers kunnen slechts gedeeltelijk verklaard worden door persoonlijke of persoonskenmerken. Om deze reden dienen de determinanten van ondernemerschap niet alleen gezocht te worden op het individuele niveau, maar bijvoorbeeld ook in de regionale context waarbinnen ondernemers wonen en werken. Het blijkt namelijk dat de thuisbasis van 'nascent' en nieuwe ondernemers in veel gevallen tevens de locatie vormt van hun onderneming.

Amsterdam, Twente en Oost-Groningen onder de loep genomen

De drie verschillende Nederlandse regio's groot-Amsterdam, Twente en Oost-Groningen zijn met elkaar vergeleken op het gebied van nieuw ondernemerschap. Met betrekking tot het zien van marktkansen voor een eigen bedrijf en de mate waarin mensen iemand anders kennen die een onderneming is gestart, bestaan er aanzienlijke verschillen tussen de regio's. Op beide punten scoort de regio Amsterdam het hoogst. Daarnaast scoort de regio Amsterdam het hoogst op de mate van daadwerkelijk nieuw ondernemerschap en de mate waarin mensen overwegen of de intentie hebben om in de toekomst een onderneming te starten. Daarentegen zijn de nieuwe ondernemers in Twente meer gericht op innovatie dan in de regio Amsterdam.

Regionale verschillen verklaard

Er is regressieanalyse uitgevoerd om inzicht te krijgen in de factoren die van belang zijn om de regionale verschillen te verklaren. Uit de resultaten blijkt dat basiskenmerken van inwoners (zoals leeftijd en opleiding) mede een belangrijke verklaring vormen voor regionale verschillen op het gebied van nieuw ondernemerschap. Daarnaast verschillen de onderzochte regio's ten aanzien van de (gepercipieerde) marktkansen voor ondernemerschap. Ook rolmodellen blijken belangrijk bij het verklaren van regionale verschillen. De kans op een keuze voor ondernemerschap neemt aanzienlijk toe wanneer een direct familielid ondernemer is. Ten slotte zijn op innovatie gerichte ondernemers vaak geïnspireerd door andere ondernemers, die zich doorgaans in dezelfde regio bevinden.

Innovatie

Innovatieactiviteit in Nederland

In Nederland bestaat een kloof tussen enerzijds de creatie van kennis en anderzijds innovatieve activiteit. Op basis van de European Innovation Scoreboard (EIS) blijkt dat met name de volgende indicatoren voor Nederland relatief zwak zijn: de R&D-intensiteit binnen bedrijven, het aandeel van de bevolking met een hogere opleiding, de introductie van nieuwe processen en producten en het gebruik van niet-technologische veranderingen.

Consumentenattitudes ten aanzien van innovatie

In het kader van de GEM is met een aantal landen een deelonderzoek gehouden naar consumentenattitudes ten aanzien van de waarde van innovatie. De landen zijn onderling vergeleken met behulp van een index voor consumentenvertrouwen in innovatie. Deze index bestaat uit de volgende drie elementen: bereidheid tot het kopen van nieuwe producten of diensten, bereidheid om nieuwe producten of diensten uit te proberen en beoordeling van de mate waarin nieuwe producten of diensten het leven verbeteren. Het blijkt dat vergeleken met elf andere aan dit deelonderzoek deelnemende landen consumenten in Nederland het minste vertrouwen hebben in de waarde van innovatie. Het blijkt dat landen met relatief snel groeiende economieën geneigd zijn meer vertrouwen te hebben in innovatie dan landen met een relatief tragere economische groei.

Innovatief ondernemerschap

In internationaal perspectief kunnen de Nederlandse nieuwe ondernemers worden bestempeld als gematigd innovatief. Nieuwe ondernemers in Nederland maken voornamelijk gebruik van reeds op de markt beschikbare technologieën. De producten en diensten die door deze nieuwe ondernemers worden aangeboden worden in bijna de helft van de gevallen door slechts enkele bedrijven of door geen enkel ander bedrijf aangeboden. Bijna 40% van de nieuwe ondernemers geeft aan dat alle of sommige klanten het aangeboden product of de aangeboden dienst als nieuw beschouwen.

Vervolgonderzoek 'nascent' ondernemers

Startproces

Medio 2007 is er in Nederland een vervolgonderzoek gehouden onder degenen die in de GEM bevolkingssurvey van 2006 waren geïdentificeerd als 'nascent' ondernemers, onder andere om na te gaan hoe het startproces voor hen verlopen is. 33 'nascent' ondernemers hebben deelgenomen aan dit vervolgonderzoek. Twee derde van de deelnemende 'nascent' ondernemers gaf aan dat het bedrijf inmiddels operationeel was, terwijl de overigen nog steeds bezig waren met het opzetten van het eigen bedrijf of de pogingen hiertoe hadden uitgesteld of gestaakt. Van de verschillende activiteiten die een onderdeel kunnen zijn van het startproces had een relatief hoog aandeel van de respondenten reeds financiële prognoses gemaakt, eigen geld in het bedrijf geïnvesteerd, een nieuw product of een nieuwe dienst ontwikkeld en een businessplan opgesteld. Veelgenoemde knelpunten tijdens het startproces zijn financiële beperkingen, het vinden van een goede balans tussen werk en privé, knelpunten in relatie tot de markt en/of klanten en tijdsbeperkingen.

Bedrijfskenmerken

Een meerderheid van de 'nascent' ondernemers die deelnamen aan het vervolgonderzoek gaf aan dat het bedrijf dat ze poogden op te zetten/hebben opgezet actief is in een sector met een beter dan gemiddelde of gemiddelde groei. Verreweg de populairste concurrentiestrategie is 'kwaliteit van producten en diensten'.

Menselijk kapitaal

Menselijk kapitaal verwijst naar vaardigheden, kennis en ervaringen van individuen. De meerderheid van de deelnemers aan het vervolgonderzoek gaf aan meer dan tien jaar werkervaring te hebben en had in elk geval enige ervaring in de sector waarin ze het bedrijf wilden opzetten/hebben opgezet. Ongeveer twee derde gaf aan zichzelf meer als een allrounder te zien, terwijl een derde zichzelf meer ziet als specialist. Verder bleek dat ongeveer twee derde van de 'nascent' ondernemers werkzaam was voor een ander bedrijf op het moment dat er voor het eerst met hen contact was gelegd medio 2006, waarbij driekwart daarvan medio 2007 nog steeds werkzaam was voor dit bedrijf.

Sociaal kapitaal

Sociaal kapitaal omvat het netwerk van een individu met andere individuen en organisaties evenals de bronnen die daaruit voortvloeien. De mate waarin 'nascent' ondernemers advies zoeken tijdens het startproces geeft een indicatie van hun sociaal kapitaal. 64% van de respondenten van het vervolgonderzoek gaf aan dat ze advies aan anderen gevraagd hebben over het starten van hun bedrijf. Vrienden werden het vaakst genoemd als bronnen van advies, maar ook familie, bankadviseurs/juristen/accountants en voormalige collega's werden relatief vaak geraadpleegd. Opvallend genoeg gaf 36% aan geen enkel advies van anderen te hebben gevraagd over het starten van het eigen bedrijf. Voor 'nascent' ondernemers kan een huidige of voormalige werkgever van groot belang zijn voor het mobiliseren van bronnen. 39% van de 'nascent' ondernemers die meededen aan het vervolgonderzoek zei kennis en/of expertise te gebruiken die ze kunnen aanwenden via of zelf hebben opgebouwd bij een huidige of voormalige werkgever. 36% gaf aan actieve steun te hebben ontvangen van een huidige of voormalige werkgever in de vorm van kapitaal, uitrusting/kantoorruimte of orders.

Summary

The Global Entrepreneurship Monitor (GEM) focuses on collecting and analyzing entrepreneurship-related data and provides an annual assessment of the level of "early-stage entrepreneurship" and the conditions to which it is subject in a large number of countries. In 2007 42 countries have participated in the GEM. Within the framework of GEM a TEA index (Total early-stage Entrepreneurial Activity) is developed to enable it to measure early-stage entrepreneurship. This index indicates the share of the adult population (28-64 years old) that is actively involved in setting up a business that they will (partly) own (nascent entrepreneurs) or that owns and manages a business that is less than 42 months old (new or young business owners). The Netherlands participated in the GEM for the seventh time in 2007. A telephone survey was carried out, within the framework of the GEM, among 3,500 people aged 18 or older. This report provides insight into the development of early-stage entrepreneurship in the Netherlands and also places this within an international perspective. In addition, this report compares the entrepreneurial activity between three Dutch regions, based upon an additional sample of 3,000 respondents. Furthermore, consumer confidence in innovation and innovative activity of nascent and new entrepreneurs is discussed. Finally, results are presented of a follow-up survey among nascent entrepreneurs.

Early-stage entrepreneurial activity in the Netherlands

Entrepreneurial activity in 2007

In 2007 5.2% of the adult population was involved in early-stage entrepreneurial activity (as measured by the TEA-index). This involved both being active in setting up an own business (nascent entrepreneurs) and managing/owning a firm that has existed for less than 42 months (new business owners). The index for nascent entrepreneurs decreased from 3.6 in 2006 to 2.7 in 2007, while the index for young business owners increased from 1.9 to 2.6 in 2007. It seems that more nascent entrepreneurs actually succeed in starting up a new business than in previous years, and that fewer new businesses fail. Furthermore, in 2007 0.6% of the Dutch adult population is actively involved in taking over an existing business.

Perceptions and intentions

Perceptions of the Dutch adult population regarding entrepreneurship have slightly changed in one respect. In 2007 21% of the Dutch adult population says that fear of failure would prevent them from starting a business, while this percentage was around 29 in the preceding years. For the first time, this percentage is significantly lower. As the perception regarding own capabilities for starting a new business has remained stable in the last two years, the decrease could be the result of the Dutch population's growing confidence in the economy. Also, in line with the reasoning regarding the increase in the young firm ownership rate, this decrease could indicate that actually starting up a business is being perceived as less difficult than before. However, this has not resulted in an increase in intentions to set up a new business: in 2007 5.5% of the adult population expects to set up a new business within three years time in 2007 compared to 5.6% in 2006. Furthermore, 1.7% of the adult population expects to take over an existing firm within the next three years.

Ethnic entrepreneurship

In the GEM survey 2007 we assess the ethnic background of early-stage entrepreneurs in the Netherlands for the first time. Of all the respondents in the GEM survey, 92% is of Dutch origin. The remainder originate from a variety of countries including Surinam (1.2%), Turkey (0.7%), Morocco (0.5%), the Dutch Antilles/Aruba (0.3%) and China/Hong Kong (0.1%).

Early-stage Entrepreneurship from an international perspective

Attitudes

A relatively large share of people in the Netherlands regards the step of setting up an enterprise as being positive. In 2007 85% of the Dutch adult population considers starting a business as a good career choice and 69% says that people in the Netherlands attach high status to successful entrepreneurs. This is slightly higher than in preceding years. In other OECD-countries, the attitude toward starting a business is somewhat less positive. While 68% of the adult OECD-residents on average attach high status to successful entrepreneurs, only 57% of the adult OECD-population considers starting a business as a good career choice.

The degree of early-stage entrepreneurial activity

In 2007 5.2% of the Dutch adult population is involved in early-stage entrepreneurial activity. This is close to the EU average of 5.4%, but below the average for the OECD-countries participating in GEM (6.1%). For all the participating countries 9.1% of the adult population is on average involved in early-stage entrepreneurial activity. This relatively high percentage is mainly the outcome of high rates of early-stage entrepreneurial activity in middle and low income countries in Latin America and the Caribbean.

Fulltime versus part time involvement

The share of individuals that are involved full time in early-stage entrepreneurial activity is 52.8% in the Netherlands. This is amongst the lowest of all the countries that participate in GEM. The reason might be that the overall share of part time workers in the Dutch labour force has been increasing for several decades and is high by international standards. On average, 63.9% of the early-stage entrepreneurs in the participating countries is involved full time in business activities. The average fulltime entrepreneurship in EU countries is 69.9%.

Male versus female entrepreneurship

In the Netherlands about 64.2% of the early-stage entrepreneurs is male in 2007. This percentage is slightly below the EU average of 66.9%. The percentage of females involved in early-stage entrepreneurial activity amounts to 35.8 and is slightly higher than the EU average of 33.1%.

Entrepreneurial motivations

The share of independence motivated entrepreneurs among the early-stage entrepreneurs is 47% in the Netherlands and is among the highest of all countries involved in GEM. The average for all the countries participating in GEM is 28%, while the average is 35% for OECD countries. Only 19% of Dutch early-stage entrepreneurs indicate that they are involved in entrepreneurship predominantly to increase their wealth. The average share of early-stage entrepreneurs motivated by increasing wealth across all countries participating in GEM is 27%. In the par-

ticipating EU-countries, the share of necessity motivated early-stage entrepreneurs is relatively low: 18%. This share is slightly higher: 20% in the Netherlands.

Prior start-up experience

Of the nascent entrepreneurs in the Netherlands 19% indicates to have started a different business in the past, which is low in comparison to the average for participating OECD-countries (32%) and EU-countries (29%). Furthermore, 23% of Dutch new business owners report having prior start-up experience, which is broadly in line with the average for all OECD- and EU-countries that participate in GEM.

Informal investment activity

The prevalence rate of informal investors in the Netherlands persistently remains among the lowest participating in GEM. However, in 2007 the share of informal investors in the Netherlands has risen to 2.3% from its low point of 1.1% in 2006; again in line with the prevalence rate in 2005, which was 2.0%. In international perspective, the average prevalence rate in OECD-countries is 3.4%, while in EU-context the average prevalence rate of informal investors is 2.9%. The average for all participating countries is significantly higher, 4.7%. This is due to high shares of informal investors in developing countries.

Regional entrepreneurial activity

Entrepreneurial attitudes and regional entrepreneurial activity

Individual entrepreneurial attitudes and activities can be explained only partly by personal or personality characteristics. Determinants of entrepreneurship must also be sought at the regional level. It appears that for many nascent and new entrepreneurs the home region is the relevant location choice arena.

Amsterdam, Twente and Oost-Groningen explored

Entrepreneurial attitudes and entrepreneurial activity in the Netherlands are compared for three different regions Amsterdam, Twente and Oost-Groningen. Significant differences are observed regarding perceived opportunities and regarding the extent to which people know someone who started a business. The Amsterdam area scores highest for both these items. In addition, early-stage entrepreneurial activity, present intentions and future considerations of entrepreneurship are also highest in Amsterdam. However, the early-stage entrepreneurs in Twente are more innovation oriented compared to Amsterdam.

Explaining regional differences

Regression analysis was carried out to gain insight into the factors that explain regional differences in entrepreneurial activity. The results indicate that one major explanation of regional differences in startup rates is found in fairly basic characteristics of the inhabitants. In addition, the results also underline the differences in perceived opportunities and the importance of role models. Having a member of the direct family involved in entrepreneurship dramatically increases the odds of becoming involved with entrepreneurship. Finally, innovation oriented entrepreneurs are often inspired by other entrepreneurs of whom most reside in the same region.

Innovation

Innovation activity in the Netherlands

There is a gap between knowledge creation and innovation activity in the Netherlands. Based on the European Innovation Scoreboard (EIS) it appears that the following key innovation indicators are relatively weak for the Netherlands: business R&D intensity, proportion of the population with tertiary education, introduction of new processes and products and the use of non-technological changes.

Consumer attitudes towards innovation

As part of the GEM twelve countries participated in a special topic on consumer attitudes towards the value of innovation. A cross-country comparison was made based on an index for consumer confidence in innovation. This index consists of the following elements: willingness to buy new products or services, willingness to try new products or services and assessment of the extent to which new products or services improve one's life. Compared with eleven other GEM nations participating in this special topic, consumers in the Netherlands have least confidence in the value of innovation. It appears that countries with relatively fast-growing economies tend to exhibit higher innovation confidence than countries undergoing slower growth rates.

Innovative entrepreneurship

Dutch new entrepreneurs can be labelled as moderately innovative in an international perspective. New entrepreneurs in the Netherlands make use mainly of technologies that are already available on the market. The products and services offered by these new entrepreneurs are, in almost half of the cases, offered by few or no other businesses. Almost 40% of these new entrepreneurs mention that all or some of their customers perceive the offered product or service as new.

Follow up survey nascent entrepreneurs

Start-up process

Mid 2007 a follow up telephone survey was held among individuals that were identified as nascent entrepreneurs in the GEM Adult Population Survey 2006 to assess how the start-up attempt has proceeded. 33 nascent entrepreneurs took part in the follow up survey. Two thirds of the respondents of the follow up survey had already started their business, while the others were still working on putting the business in place or had postponed or abandoned their start-up effort. Of the various activities that can be part of the start-up process, a relatively high share of the follow up respondents had already made financial projections, invested own money in the business, developed a product or service and prepared a business plan. Frequently encountered constraints during the start-up process were financial constraints, constraints relating to work-life balance, constraints relating to the market/customers and time-related constraints.

Business characteristics

Most of the nascent entrepreneurs taking part in the follow up attempt(ed) to start their business in industries characterized by better than average or average growth. By far the most popular competitive strategy is "quality of products and services".

Human capital

Human capital relates to the skills, knowledge and experiences of individuals. The majority of the follow up respondents reported to have more than ten years overall work experience and to have at least some prior experience in the industry in which they attempt(ed) to set up their business. About two third of the participants described themselves more as an all-rounder, while one third saw themselves more as a specialist of some kind. Also about two third were working for another business at the moment of initial contact mid 2006 and almost three quarter of them were still working for this business at the moment of the follow-up survey.

Social capital

Social capital captures an individual's network with other individuals or organizations and the resources that can be drawn from these relationships. The extent to which nascent entrepreneurs seek advice from various individuals and organizations during the start-up process provides an indication of their social capital networks. 64% of the respondents in the follow up survey indicated to have sought advice from others on starting their business. Friends were most frequently mentioned as sources of advice while family, bank advisors/lawyers/accountants and previous colleagues were also rather frequently consulted. Remarkably, 36% indicated not to have consulted anyone on starting their business. Furthermore, for nascent entrepreneurs current or former employers can be important for mobilizing resources. Of the nascent entrepreneurs participating in the follow up survey 39% indicated that they benefited from knowledge and/or expertise they were able to use from or have build up through experiences at current or former employers. Furthermore, 36% reported having received active support from a current or former employer in terms of capital, use of equipment and/or accommodation and assistance through orders.

1 Introduction

1.1 Role of entrepreneurship

Entrepreneurship is one of the most important forces shaping the changes in the economic landscape (cf. Baumol, 2002; Wennekers, et al. 2005; Van Stel, 2006). But even now the understanding of the relationship between entrepreneurship and national growth is far from complete. There is a lack of cross-national harmonized data on entrepreneurship. The Global Entrepreneurship Monitor (GEM) is a worldwide research program focusing on entrepreneurship and it has contributed to increasing knowledge in this area by collecting relevant harmonized data on an annual basis. The GEM focuses on three main objectives:

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

Traditional analyses of economic growth and competitiveness have tended to neglect the role played by new and small firms in the economy. The GEM takes a more comprehensive approach and also considers the degree of involvement in entrepreneurial activity within a country. GEM views national economic growth and the aggregate level of economic activity in a country as being associated with newer and smaller firms as well as with established firms but its focus lies on early stage entrepreneurial activity. Small and newer firms innovate, fill market niches and increase competition, thereby contributing to resource reallocation in economic activity. By considering the complementary nature of economic activity among different groups of firms, the GEM links a nation's economic activity to the interplay of established and new and smaller firms and so doing it contributes to a clearer understanding of why entrepreneurship is vital to the whole economy (Bosma et al, 2008).

1.2 The Global Entrepreneurship Monitor

This report focuses on entrepreneurial activity in the Netherlands and is written within the framework of the Global Entrepreneurship Monitor. The GEM provides an annual assessment of the level of 'early-stage entrepreneurial activity' and the conditions to which it is subject in a large number of countries. The program started in 1999 and was developed to redress the lack of harmonized cross-national data on entrepreneurship. The GEM developed a TEA index (Total early-stage Entrepreneurial Activity) to enable it to measure early-stage entrepreneurship. This index contains both nascent entrepreneurs (people who are currently actively involved in setting up their own business) and owners of young or new enterprises (people who currently manage and own a business that is less than 42 months old). In 2007, 42 countries participated in the GEM. A telephone survey was carried out among at least 2,000 of the population (aged 18 or older) in these countries.

The Netherlands participated in the GEM for the seventh time in 2007. A telephone survey was carried out, within the framework of the GEM, among 3,500 people aged 18 or older. This survey provides a representative image of the

adult population (18-64 years old), as the data is weighed by the actual distribution of the Dutch population in terms of age, gender and education level. The current report provides insight into the development of early-stage entrepreneurship in the Netherlands and also places this within an international perspective. In addition, this report focuses on the entrepreneurial activity in three Dutch regions, based upon an additional sample of 3,000 respondents. Attention is paid to innovative activity and nascent entrepreneurs are examined in more detail in the last chapter.

1.3 Participating countries in 2007

In 2007 42 countries participated in the Global Entrepreneurship Monitor Research Program. Twenty of these countries are members of the OECD, whereas 17 countries are members of the EU. The following table shows all participating countries and indicates for each of these countries whether it belongs to the OECD and/or the EU.

Table 1 Participating countries GEM 2007

<i>Countries</i>	<i>Member OECD</i>	<i>Member EU</i>
Argentina		
Austria	✓	✓
Belgium	✓	✓
Brazil		
Chile		
China		
Colombia		
Croatia		
Denmark	✓	✓
Dominican Republic		
Finland	✓	✓
France	✓	✓
Greece	✓	✓
Hong Kong		
Hungary	✓	✓
Iceland	✓	
India		
Ireland	✓	✓
Israel		
Italy	✓	✓
Japan	✓	
Kazakhstan		
Latvia		✓
Netherlands	✓	✓

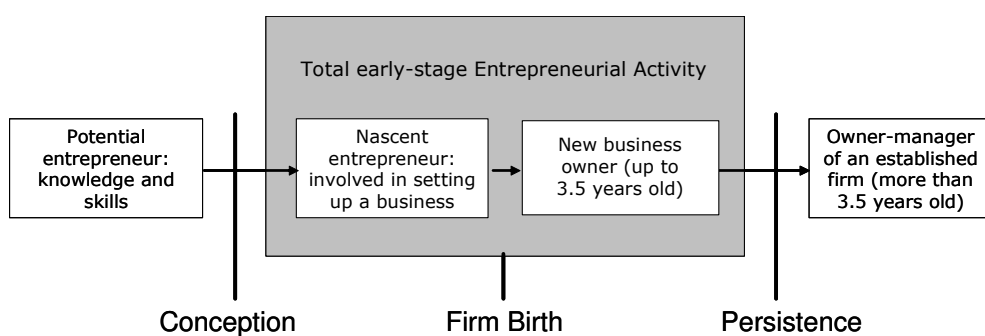
<i>Countries</i>	<i>Member OECD</i>	<i>Member EU</i>
Norway	✓	
Peru		
Portugal	✓	✓
Puerto Rico		
Romania		✓
Russia		
Serbia		
Slovenia		✓
Spain	✓	✓
Sweden	✓	✓
Switzerland	✓	
Thailand		
Turkey	✓	
United Arab Emirates		
United Kingdom	✓	✓
United States	✓	
Uruguay		
Venezuela		

Source: EIM/GEM.

1.4 Model and methodology

As explained previously, the GEM developed a TEA index (Total early-stage Entrepreneurial Activity) to enable it to measure early-stage entrepreneurship. This index provides insight into the share of the adult population (18-64 years old) that is setting up a new business or owning and managing a young business that is less than 42 months old. More exactly, the measure contains both nascent entrepreneurs (people who are currently actively involved in setting up their own business) and young or new business owners (people who currently manage and own a business that is less than 42 months old). Figure 1 shows the entrepreneurial process and the GEM operational definition.

Figure 1 The entrepreneurial process and GEM operational definition



Source: EIM/GEM.

1.5 Set up of the report

This report provides insight into the development of entrepreneurial activity in the Netherlands and worldwide. The set up of this report is as follows. First, Chapter 2 provides an update of entrepreneurial activity in the Netherlands. In Chapter 3, entrepreneurial activity in the Netherlands and related items are compared to other countries. An overview is given of entrepreneurial activity in three distinct Dutch regions: Amsterdam, Twente and Groningen in Chapter 4. Innovation is the central topic of Chapter 5. This chapter looks not only at the innovativeness of entrepreneurs but also at the extent to which Dutch consumers (intend to) use innovative products and how this affects their lives. Finally, Chapter 6 presents the result of a follow up survey that was held in the Netherlands in 2007 among individuals who were identified as nascent entrepreneurs in the GEM survey of 2006.

2 Entrepreneurial activity in the Netherlands 2001-2007

This chapter provides an overview of entrepreneurial activity in the Netherlands in 2007. Results for 2007 are compared with results from previous years. The focus will be on the development of both the share of nascent entrepreneurs and the share of young or new business owners within the adult population. This chapter will furthermore provide insight into the intentions of Dutch people to start their own new business. Finally, some light will be shed on the ethnicity of new entrepreneurs in the Netherlands in 2007.

2.1 Early-stage entrepreneurial activity

In assessing the early-stage entrepreneurial activity in the participating countries, GEM uses the TEA index discussed in Chapter 1. In the Netherlands in 2007, 5.2% of the adult population (18-64) is involved in early-stage entrepreneurial activity. This means that about 5% of Dutch adults are either in the process of setting up a business they will (partly) own or currently owning and managing an operational young business. In 2006, 5.4% of the Dutch adult population was involved in early-stage entrepreneurial activity. Thus, the prevalence rate of early-stage entrepreneurship remained fairly stable over the past two years. However, the composition of this prevalence rate has changed. Whereas the new business ownership rate increased from 1.9% in 2006 to 2.6% in 2007, the nascent rate showed a decline from 3.6% in 2006 to 2.7% in 2007. This decline in nascent entrepreneurship may be a signal that the continuous increase of the number of new start-ups in the Netherlands during the past years will now decelerate. However, it could also indicate that it has become easier for nascent entrepreneurs to actually set-up their own firm. The following table shows the development of the Total early-stage Entrepreneurial Activity index (TEA) in the past seven years. In fact, after the economic slowdown of 2002/2003 early-stage entrepreneurship remained relatively stable at around 5% for four consecutive years.

Table 2 Development of the Total early-stage Entrepreneurial Activity (TEA) index (percentage of the adult population (18-64 years old) that is actively involved in setting up a business that they will (partly) own or that currently owns and manages a business that is less than 42 months old), the Netherlands, 2001-2007

<i>Year</i>	<i>TEA</i>
2001	4.9*
2002	4.6
2003	3.6
2004	5.1
2005	4.4
2006	5.4
2007	5.2

* *Revised figure.*

Source: EIM/GEM.

2.2 Nascent entrepreneurial activity

Nascent entrepreneurs are potential entrepreneurs who are actively involved in concrete activities to start up their own business. They are individuals who take steps to found a new business, but have not yet succeeded in making the transition to new business ownership (Carter, Gartner and Reynolds, 1996). It is the stage in the business lifecycle before actually owning their new business.

Until recently, relatively few attempts were made to study nascent entrepreneurship empirically, mainly because of the lack of a representative sample: nascent entrepreneurs are unregistered which makes them difficult to sample in comparison to small business owners (Reynolds, 1997). Studies of start-ups based on samples of established firms are prone to a 'survival' bias, missing many interesting cases that do not succeed in completing the process of market entry. Survival bias is important because the characteristics that affect survival are not necessarily the same as those that affect start-up (Gartner, Shaver, Carter and Reynolds, 2004). Surveys that ask entrepreneurs who did succeed in starting up to recall the circumstances and attitudes prevailing at the time of the inception of the venture, are susceptible to a 'hindsight' bias. This refers to the incorrect reporting of information to survey interviewers the result of memory loss and the re-interpretation of facts as a consequence of events that occurred after start-up rather than before it. The GEM aims to avoid such problems of survival and hindsight bias.

Within the framework of the GEM, the nascent entrepreneurship rate is defined as the "*percentage of 18-64 population who are currently actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages, or any payments to the owners for more than 3 months*".

The nascent entrepreneurial activity rate in 2007 is 2.7% in the Netherlands. This rate, as explained previously, shows a decline of almost one percentage point compared to 2006, when the nascent index was 3.6%. Still, when we look at this index in perspective, we see that this index has fluctuated around 3% in

the last seven years (except for 2003 when economic growth was very low). The following table shows nascent entrepreneurship rates for the past seven years.

Table 3 Development of the Nascent Entrepreneurial Activity index (percentage of the adult population (18-64 years) that is actively involved in setting up a business that they will (partly) own), the Netherlands, 2001-2007

<i>Year</i>	<i>Nascent index</i>
2001	2.3*
2002	2.6
2003	1.7
2004	3.0
2005	2.5
2006	3.6
2007	2.7

* Revised figure.

Source: EIM/GEM.

2.3 Young firm entrepreneurial activity

A nascent entrepreneur who actually succeeds in starting up a new firm becomes a young or new business owner. Research suggests that in the early stages of a firm's life, there are some specific factors that influence the performance of the young firm. New firms generally enter their market with below-average productivity levels (Barnes and Haskel, 2000; Bradford Jensen, McGuckin and Stiroh, 2001). Within their first years of existence, they either learn how to adapt to the norms of their industry, or they exit. Not only the learning effect but also the selection effect is also especially relevant during the first few years of existence. Starting entrepreneurs will not be fully aware of their productivity level until they actually start. Once started, the majority of new firms will discover that their productivity levels are not high enough to generate profits. These firms will often exit within a few years. Only those firms that are productive enough to generate (acceptable) profits will remain in business (de Kok, Fris and Brouwer, 2006).

Within the GEM framework the young firm ownership rate is defined as the "percentage of 18-64 population who own and manage a running business that has paid salaries, wages, or any other payment to the owners for more than three months, but not more than 42 months".

The young firm entrepreneurial activity rate for the Netherlands is 2.6% in 2007. Table 4 shows the young firm ownership rate in the past seven years. We see that, for the first time in several years, the share of young firm owners has increased above the average 2%. It seems that more nascent entrepreneurs actually succeed in starting up a new business than in past years and that fewer businesses fail. In 2006, the nascent entrepreneurs rate was actually higher than in previous years. The increase could also indicate that it has become less difficult to actually start up a business. World Bank Doing Business data shows that the number of procedures and days required to start a business in the Netherlands has decreased from 7 (resp. 11) in 2006 to 6 (resp. 10) in 2007.

Table 4 Development of the Young Firm Entrepreneurial Activity index (percentage of the adult population (18-64 years) that owns and manages a business that is less than 42 months old), the Netherlands, 2001-2007

<i>Year</i>	<i>Young Firm index</i>
2001	2.8*
2002	2.1
2003	1.9
2004	2.2
2005	1.9
2006	1.9
2007	2.6

* Revised figure.

Source: EIM/GEM.

2.4 Taking over an existing business

In the GEM survey that was held in 2007 in the Netherlands we did not only assess whether people are involved in (setting up) a new business, but we also assessed (for the first time) whether they are involved in taking over an existing business. The results indicate that in 2007 0.6% of the Dutch adult population is actively involved in taking over an existing business. This is (largely) in addition to the 2.7% nascent entrepreneurs who try to start up a new business. Furthermore, 1.7% of the adult population expects to take over an existing firm within the next three years.

2.5 Start-up intentions

Pre-organisational phenomena such as intentions to enter an entrepreneurial career are both important and interesting (Bird, 1988). Krueger, Reilly and Carsrud (2000) state that intentions should be taken into account when predicting entrepreneurial behaviour in addition to individual and situational variables. However, there is often a considerable time-lag before intentions lead to action (Katz, 1992; Reynolds, 1994). Even so, assessing intentions might be valuable in understanding trends in entrepreneurial activity.

The share of the Dutch adult population that expects to start a new business within the next three years is 5.5% in 2007, (largely) in addition to the 1.7% who intend to take over an existing firm as discussed in the previous paragraph. If we compare this to preceding years we see that the intentions to start a new business have remained relatively stable. The following table reflects the development during 2003-2007 of the intentions of the Dutch adult population to start up a new firm within the coming three years.

Table 5 Intentions to start a new business, 2003-2007, percentage of the adult population (18-64 years old)

<i>Item</i>	2003	2004	2005	2006	2007
Do you alone or with others, expect to start a new business, including any type of self-employment, within the next three years?	5.7	6.5	6.2	5.6	5.5

Source: EIM/GEM.

Perceptions of own capacities and opportunities to start a new business are shown in Table 6.

Table 6 Perceptions regarding starting a new business, 2003-2007, percentage of the adult population (18-64 years old)

<i>Item</i>	2003	2004	2005	2006	2007
Would fear of failure prevent you from starting a new business?	28	32	29	29	21
Do you have the knowledge, skill, and experience required to start a new business?	32	37	42	38	39
Will there be good opportunities in the next 6 months for starting a business in the area where you live?	29	38	39	46	42

Source: EIM/GEM.

In 2007 21% of the Dutch adult population says that fear of failure would prevent them from starting a business. In the preceding years, approximately 29% indicated that fear of failure would prevent them from starting a new business. This is the first time this percentage is significantly lower. As the perception regarding own capabilities for starting a new business has remained stable in the last two years the decrease could be the result of growing confidence in the economy among the Dutch population. Also, in line with the reasoning regarding the increase in the young firm ownership rate, this decrease could indicate that actually starting up a business is perceived as being less difficult than before. Regarding new business opportunities, the Dutch adult population is somewhat less positive than in 2007. Forty-two percent indicate that they think that there will be good opportunities for starting a business in the area where they live in the next six months. However, this is close to the average percentage of the past four years.

Identifying an opportunity is the first step in the process of venture creation and it often builds a solid base for further actions, such as obtaining capital (Burke, FitzRoy and Nolan (2002). Krueger (2000) states that without a good opportunity, potential entrepreneurs lack the intention and motivation to pursue an entrepreneurial endeavour. We see that the GEM data for the Netherlands does not confirm this pattern: while a slight decrease is observed in the opportunity perception regarding starting a new business, the intentions to start a new business have remained stable.

2.6 Ethnic entrepreneurship

Immigrants often tend to be in marginal economic positions, disproportionately affected by changes in their host societies (Dagevos and Veenman, 1992). Entrepreneurship can be a way out of these arrears (Choenni, 1997). In the Netherlands, some immigrant groups have responded by entering business ownership but not all have entered equally into self-employment, and not all have been equally successful (Waldinger et al, 1990). Immigrant entrepreneurs in the Netherlands can be categorized in two groups, namely western immigrants and non-western immigrants. Western immigrants originate from Europe (excl. the Netherlands and Turkey), North-America, Japan, Oceania and Indonesia. Non-western immigrants originate from Africa, Asia, South- and Middle-America and Turkey. However, five of these non-western countries are particularly relevant: Turkey, Morocco, Surinam, the Dutch Antilles/Aruba and China/Hong Kong.

Entrepreneurship has risen steadily amongst immigrants over the last fifteen years. There were 106,490 ethnic entrepreneurs in the Netherlands in 1999 but this number had risen to 128,310 in 2004 (EIM, 2007). However, the percentage of entrepreneurs in the labour force still differs greatly between the immigrant groups and the Dutch population and between the immigrant groups themselves. In the year 2000, the percentage of immigrant entrepreneurs in the labour force was 6.0 whereas the same percentage for the Netherlands as a whole was 10.2¹. The share of immigrant entrepreneurs in the total number of entrepreneurs increased from 11.5% in 1999 to 13% in 2004. Within these percentages, the share of non-western immigrant entrepreneurs rose from 32% in 1999 to 39% in 2004.

Using the GEM survey 2007 we assess the ethnic background of early-stage entrepreneurs for the first time. Of all the respondents in the GEM survey, 92% is of Dutch origin. The remainder originate mainly from a variety of countries including Surinam (1.2%), Turkey (0.7%), Morocco (0.5%), the Dutch Antilles/Aruba (0.3%) and China/Hong Kong (0.1%).

2.7 Summary

In 2007 5.2% of the adult population was involved in early-stage entrepreneurial activity (as measured by the TEA-index). This involved both being active in setting up an own business (nascent entrepreneurs) and managing/owning a firm that has existed for less than 42 months (young business owners). The index for nascent entrepreneurs decreased from 3.6 in 2006 to 2.7 in 2007, while the index for young business owners increased from 1.9 to 2.6 in 2007. It seems that more nascent entrepreneurs actually succeeded in starting up a new business than in past years, and that fewer businesses failed. In 2006, the nascent entrepreneurs rate was actually higher than in previous years. The increase in the index for young business owners could also indicate that it has become less difficult to actually start up a business. Furthermore, it appears that in 2007 0.6% of the Dutch adult population is actively involved in taking over an existing business.

¹ These data refer only to the four largest groups of immigrants in the Netherlands, i.e. Turkish, Moroccan, Surinamese and Dutch Antillean/Aruban immigrants.

Perceptions of the Dutch adult population with respect to entrepreneurship have changed somewhat. In 2007 21% of the Dutch adult population said that fear of failure would prevent them from starting a business, while this percentage was around 29 in the preceding years. For the first time, this percentage is significantly lower. As the perception regarding own capabilities for starting a new business remained stable in the last two years, the decrease could be the result of the growing confidence of the Dutch population in the economy. Also, in line with the reasoning regarding the increase in the young firm ownership rate, this decrease could indicate that actually starting up a business is perceived as being less difficult than before. However, this has not resulted in an increase in intentions to set up an own business: in 2007 5.5% of the adult population stated their intention to set up an own firm within three years time, this was 5.6% in 2006. Furthermore, in 2007 1.7% of the Dutch adult population expects to take over an existing firm within the next three years.

Using the GEM survey 2007 we assessed the ethnic background of early-stage entrepreneurs for the first time. Of all the respondents to the GEM survey 92% is of Dutch origin. The remainder originate from a variety of countries including Surinam (1.2%), Turkey (0.7%), Morocco (0.5%), the Dutch Antilles/Aruba (0.3%) and China/Hong Kong (0.1%).

3 International comparison of entrepreneurial activity

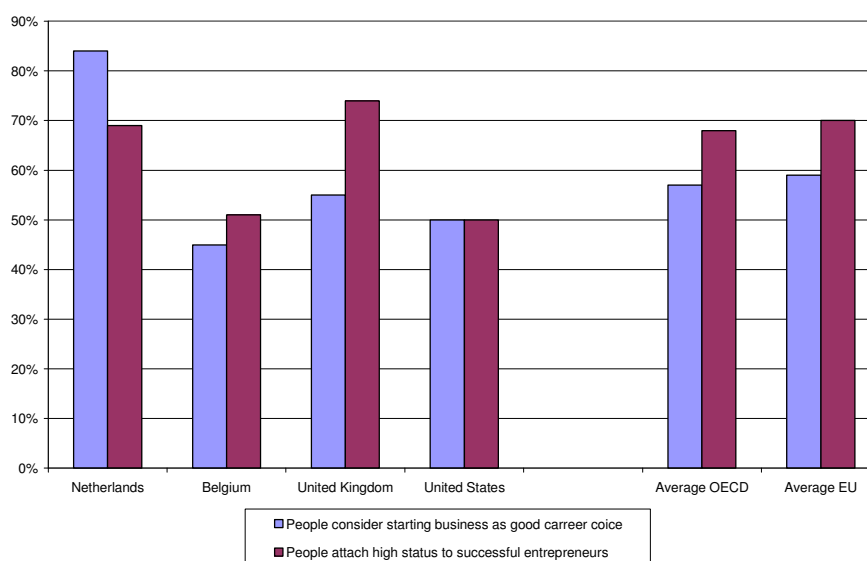
The previous chapter provided some indications of entrepreneurial activity and capacity in the Netherlands and how this has developed over time. In this chapter, data for 2007 for the Netherlands are compared with data for other countries participating in GEM. First, we consider the attitude of the Dutch population towards entrepreneurship in international perspective. Early-stage entrepreneurial activity in the Netherlands will then be compared to early-stage entrepreneurial activity in the other participating EU-countries. After that we make an international comparison of underlying motivations for pursuing entrepreneurship as well as of the extent to which early-stage entrepreneurs have prior start-up experience. Finally, we present figures on informal investment activity in an international context.

3.1 Attitudes

In the Netherlands a relatively large share of people regard the step to set up an enterprise as being positive. In 2007 85% of the Dutch adult population considers starting a business to be a good career choice and 69% says that people in the Netherlands attach high status to successful entrepreneurs. This is slightly higher than in preceding years. In other OECD-countries, attitudes towards starting a business are somewhat less positive. Though 68% of the adult OECD-residents on average attach high status to successful entrepreneurs, only 57% of the adult OECD-population considers starting a business as a good career choice. In the US, approximately half of the adult population regards setting up a business as a good career choice and attaches high status to successful entrepreneurs. This percentage is among the lowest and comparable with the figures for Belgium, a country with one of the lowest rates of early-stage entrepreneurial activity. Figure 2 shows the attitudes towards entrepreneurship for the Netherlands and Belgium, UK and US¹.

¹ We choose to use Belgium and the UK as benchmark countries, because these are located close to the Netherlands; the US is an interesting benchmark country because this country is traditionally characterised by a high share of (early-stage) entrepreneurs.

Figure 2 Attitudes regarding entrepreneurship, the Netherlands, Belgium, UK, US, average EU, average OECD, 2007, percentage of the adult population (18-64 year)

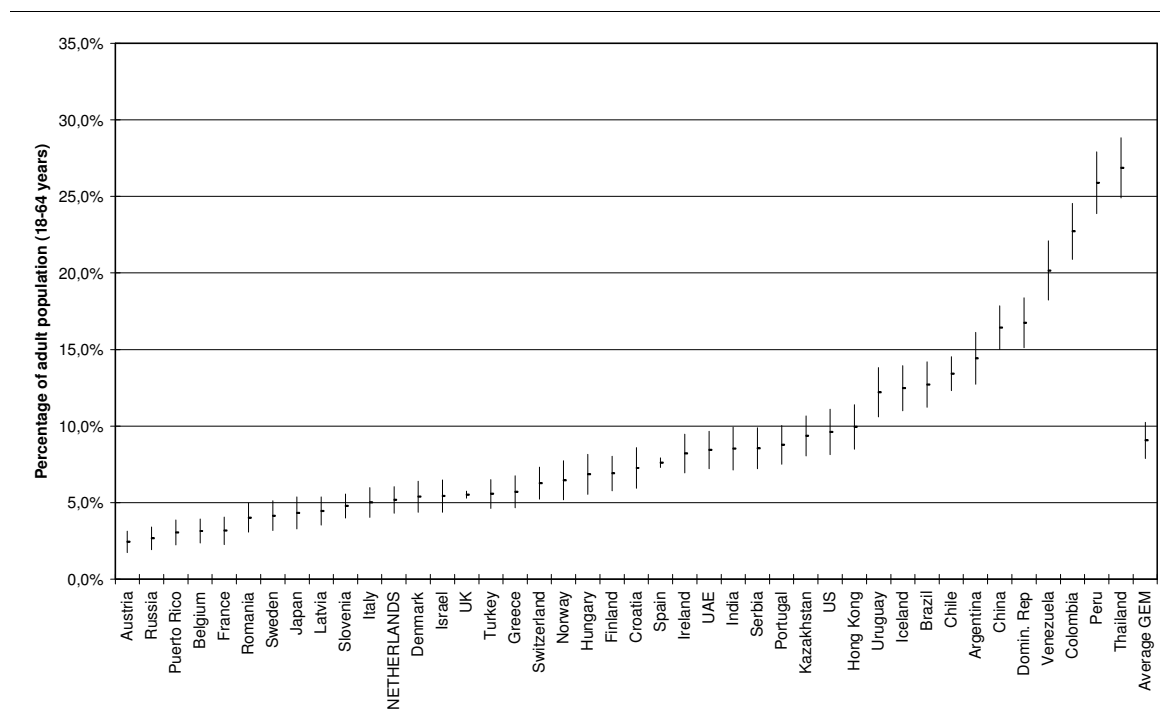


Source: EIM/GEM.

3.2 Early-stage entrepreneurial activity

In 2007 5.2% of the Dutch adult population is involved in early-stage entrepreneurial activity. This is close to the EU average of 5.4%, but below the average for the OECD-countries participating in GEM. The average for the OECD-countries is 6.1%. For all the participating countries 9.1% of the adult population is, on average, involved in early-stage entrepreneurial activity. This relatively high percentage is mainly the result of high rates of early-stage entrepreneurial activity in middle and low income countries in Latin America and the Caribbean. Figure 3 shows the involvement of the population in these countries in early-stage entrepreneurial activity.

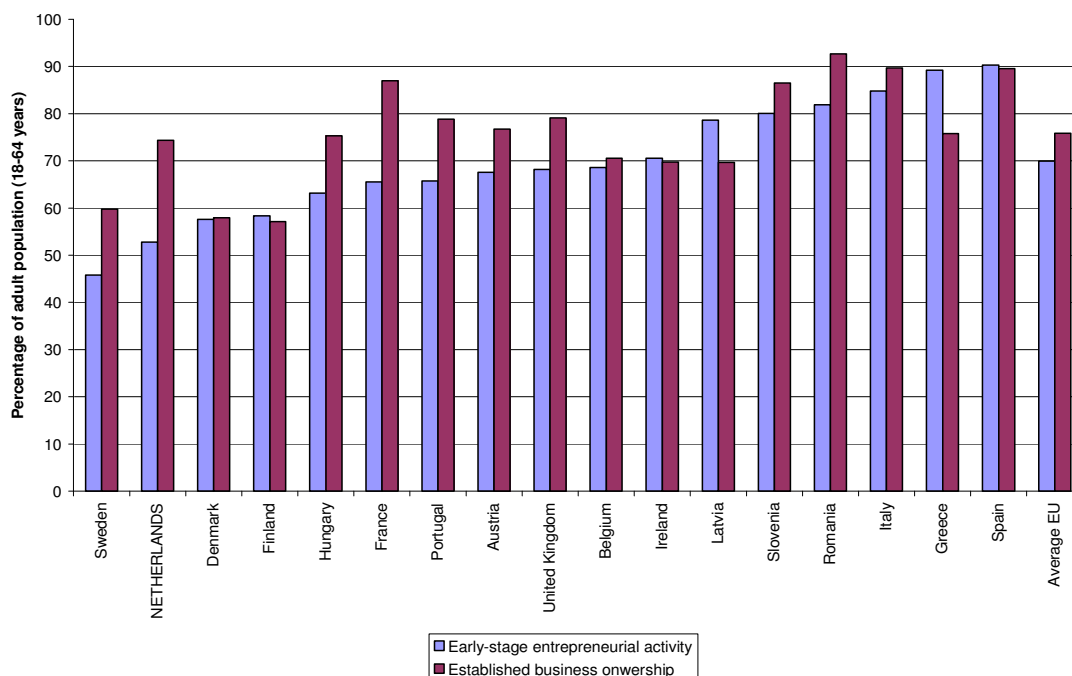
Figure 3 Total early-stage Entrepreneurial (TEA) Index (% of adult population (18-64 years) that is setting up or running a business for less than 42 months), GEM-countries, 2007



Source: EIM/GEM. The vertical bars represent the 95% confidence intervals.

The GEM-survey also assessed to what extent early-stage entrepreneurs (expect to) run their business fulltime. Fulltime is, in this context, defined as spending 36 or more hours per week on entrepreneurial activities. The share of individuals that are involved fulltime in early-stage entrepreneurial activity is 52.8% in the Netherlands. This is amongst the lowest of all the countries participating in GEM. The reason might be that the overall share of part timers in the Dutch labour force has been increasing for some decades now. On average, 63.9% of the early-stage entrepreneurs in the participating countries is involved full time in business activities. For EU-countries, the average for fulltime entrepreneurship is 69.9%. The next figure shows the rate of fulltime involvement in entrepreneurial activity – both early stage and established entrepreneurship – for each of the participating EU-countries. The figure shows that the rate of fulltime established entrepreneurs is much higher than in the early stage, and comparable with the average for the EU-countries.

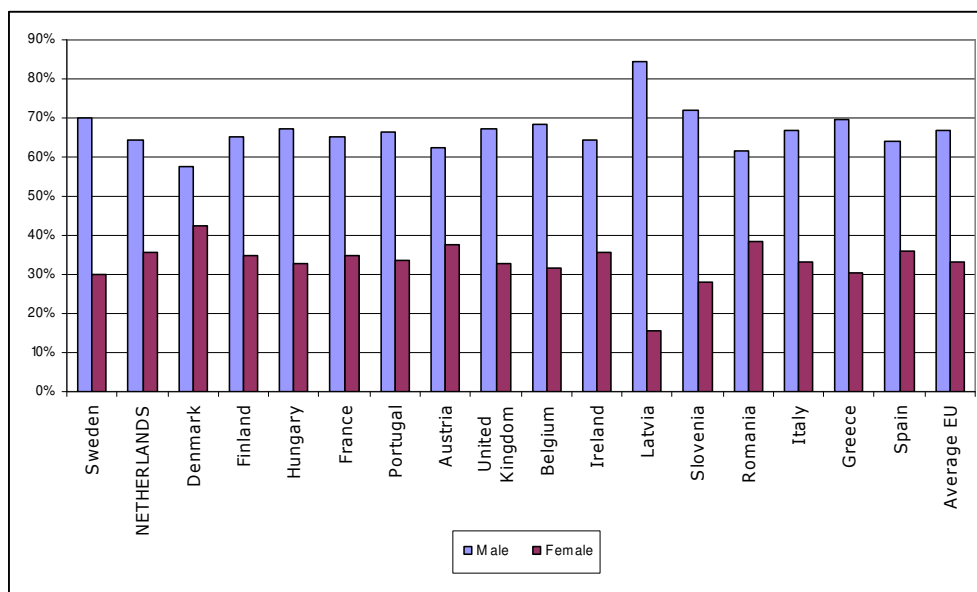
Figure 4 Fulltime involvement in early-stage entrepreneurial activity and established business ownership, EU-countries, 2007, percentage within early stage entrepreneurial activity (TEA) and within the established business ownership index (percentage of the adult population that owns and manages a business that exists for more than 42 months)



Source: EIM/GEM.

In 2007 64.2% of the early-stage entrepreneurs in the Netherlands is male. This percentage is slightly below the EU average of 66.9%. The percentage of females involved in early-stage entrepreneurial activity is 35.8 and is slightly higher than the EU average of 33.1%. Looking at the other EU countries the most striking fact is the relatively high percentage of males (84.5%) – or the relative low percentage of females (15.5%) – involved in early-stage entrepreneurial activity in Latvia. The Latvian report suggests that this imbalance will continue because the magnitude of the difference is roughly the same for both early-stage and established entrepreneurs. The difference between males and females with respect to early-stage entrepreneurship is smallest in Denmark. Figure 5 shows the percentage of males and females in early-stage entrepreneurial activity.

Figure 5 Male and female involvement in early-stage entrepreneurial activity, EU-countries, 2007, percentage within early-stage entrepreneurial activity (TEA)



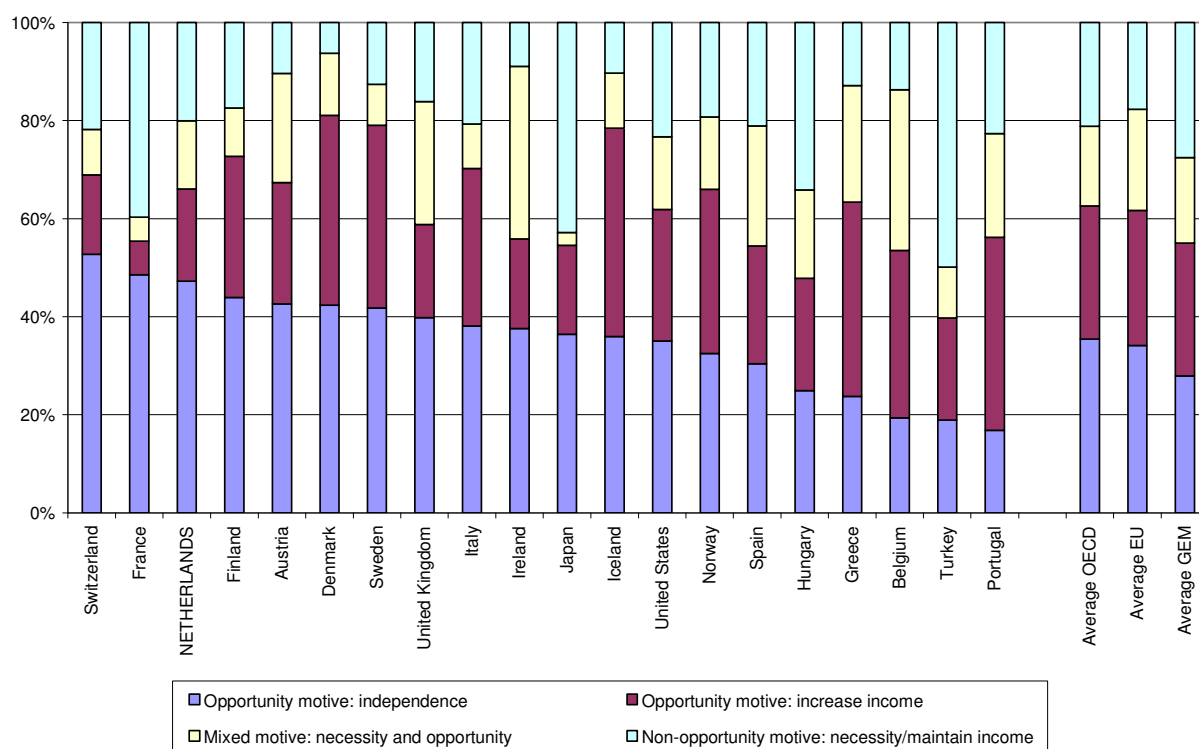
Source: EIM/GEM.

3.3 Entrepreneurial motivations

People can have different motives to start a business. Many people start their own business because they perceive an opportunity in the market and want to take advantage of this. This type of entrepreneurship is called opportunity entrepreneurship. With the GEM data it is possible to distinguish between opportunity entrepreneurs who start a firm mainly in order to gain independence and those who start a business with the main reason to increase their income. On the other hand, some people are forced into entrepreneurship because they have no alternative job options. This is called necessity entrepreneurship. In general, the share of necessity entrepreneurship tends to be higher in developing countries compared to developed countries.

The share of independence motivated entrepreneurs among the early-stage entrepreneurs is 47% in the Netherlands and is among the highest of all the countries involved in the GEM. The average for all countries participating in GEM is 28%, while for OECD-countries the average is 35%. Only 19% of Dutch early-stage entrepreneurs indicate that they are involved in entrepreneurship predominantly to increase their wealth. The average share of early-stage entrepreneurs motivated by increasing wealth in all those countries participating in GEM is 27%. The share of necessity motivated early-stage entrepreneurs is relatively low in the participating EU countries: 18%. In the Netherlands, this share is slightly higher: 20%. Figure 6 shows four entrepreneurial motivations for nascent entrepreneurs in the participating countries.

Figure 6 Entrepreneurial motivations: opportunity motive (in order to gain independence), opportunity motive (in order to increase income), mixed motive (necessity and opportunity) or non-opportunity motive (necessity/maintain income), OECD, 2007, percentage within early-stage entrepreneurial activity (TEA)



Source: EIM/GEM.

3.4 Prior start-up experience

Previous start-up experience has been found to be important in explaining entry into (nascent) entrepreneurship (Bates, 1995; Davidsson and Honig, 2003; Robinson and Sexton, 1994). The next table reveals the extent to which nascent entrepreneurs and owner-managers of young businesses in the various countries that participated in GEM in 2007 indicated having prior start-up experience. The table shows that in the Netherlands about 19% of the nascent entrepreneurs reported having prior experience with starting and managing a business of one's own. This is well below the average for all participating GEM countries (32%), the OECD-average (32%) and the EU-average (29%). Furthermore, 23% of the young business owners in the Netherlands indicated they had started or managed a different business of one's own before the current one; this is broadly in line with the OECD-average (23%) and the EU-average (25%), and slightly lower than the average for all participating countries (28%).

Table 7 Prior experience with starting and managing an own business, 2007, percentage of nascent entrepreneurs and of young business owners.

<i>Country</i>	<i>% of nascent entrepreneurs</i>	<i>% of young business owners</i>
Argentina	30.25	38.17
Austria	30.76	10.81
Belgium	16.35	0.00
Brazil	31.25	27.16
Chile	40.70	29.06
China	41.82	39.68
Colombia	38.81	30.70
Croatia	26.85	17.78
Denmark	49.22	28.17
Dominican Republic	51.67	39.01
Finland	39.12	34.73
France	20.85	17.15
Greece	25.50	12.49
Hong Kong	46.61	53.23
Hungary	21.57	24.96
Iceland	41.84	35.80
India	21.97	41.07
Ireland	32.76	23.93
Israel	35.69	13.87
Italy	29.44	33.41
Japan	38.67	13.29
Kazakhstan	28.68	23.97
Latvia	13.80	35.41
Netherlands	19.48	22.77
Norway	48.58	12.44
Peru	33.60	32.80
Portugal	32.81	31.50
Puerto Rico	23.12	39.37
Romania	38.13	42.16
Russia	17.21	16.31
Serbia	36.21	26.03
Slovenia	20.27	18.74
Spain	20.68	15.51
Sweden	37.74	38.23
Switzerland	21.88	23.04
Thailand	30.07	38.42
Turkey	37.26	27.14

<i>Country</i>	<i>% of nascent entrepreneurs</i>	<i>% of young business owners</i>
United Arab Emirates	41.61	33.24
United Kingdom	32.88	22.93
United States	41.98	30.18
Uruguay	38.90	46.11
Venezuela	29.06	23.80
OECD-Average	31.97	22.93
EU-Average	28.84	25.05
GEM-Average	32.28	27.73

Source: EIM/GEM.

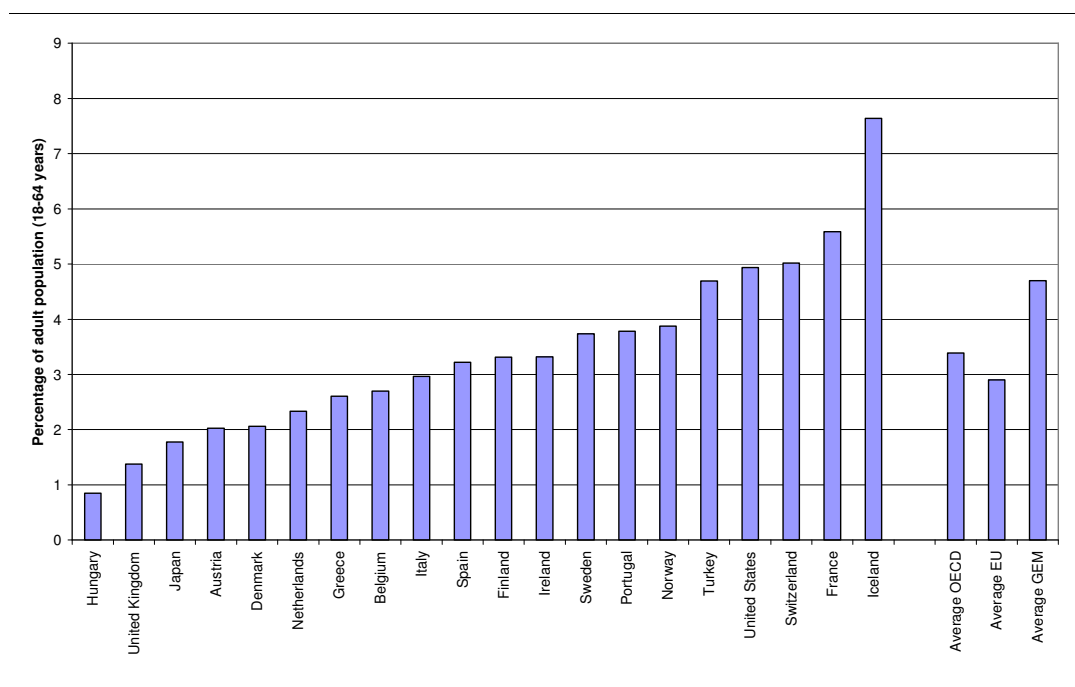
3.5 Informal investment activity

The Dutch informal investors market for new start-ups is relatively underdeveloped. One reason might be that in the Netherlands people are relatively more individualistic and somewhat more risk-averse than people in other countries (Beugelsdijk, 2002). Banks form the most important source of finance. The Dutch venture capital market has most resemblance to the bank-oriented system, as the stock market is relatively underdeveloped and banks play an important role in capital provision (Borger, Janssen and Van Noort, 2002). The prevalence rate of informal investors in the Netherlands is persistently among the lowest participating in GEM. However, in 2007 the share of informal investors in the Netherlands rose to 2.3% from a low of 1.1% in 2006; again in line with the prevalence rate in 2005, which was 2.0%. In an international perspective, the average prevalence rate in OECD-countries is 3.4%, while in EU-context the average prevalence rate of informal investors is 2.9%.

The average for all participating countries is significantly higher, 4.7%. This is due to the higher participation of informal investors in developing countries. In such countries starting entrepreneurs are more inclined to borrow money from friends and family, as part of their culture. In developing countries the culture tends to be characterized by a relatively low degree of individualism and also, the role of family is to support each other. This makes borrowing money from family or friends more acceptable in such countries. Neither do the majority of people in these countries have bank accounts (Bygrave and Quill, 2007).

The next figure shows the prevalence rate of informal investors in the adult population for the participating OECD-countries.

Figure 7 Prevalence rate of informal investors, OECD, 2007, percentage of adult population (18-64 years)



Source: EIM/GEM.

3.6 Summary

In the Netherlands a relatively large share of the population regard the step to set up an enterprise as being positive. In 2007 85% of the Dutch adult population considers starting a business to be a good career choice and 69% says that people in the Netherlands attach high status to successful entrepreneurs. This is slightly higher than in preceding years. In other OECD-countries, the attitudes toward starting a business are somewhat less positive. Though 68% of the adult OECD-residents on average attach high status to successful entrepreneurs, only 57% of the adult OECD-population considers starting a business to be a good career choice.

In 2007 5.2% of the Dutch adult population is involved in early-stage entrepreneurial activity. This is close to the EU average of 5.4%, but below the average for the OECD-countries participating in GEM (6.1%). Of the adult population in all the participating countries on average 9.1% is involved in early-stage entrepreneurial activity. This relatively high percentage is mainly due to high rates of early-stage entrepreneurial activity in middle and low income countries in Latin America and the Caribbean.

The share of individuals that are involved fulltime in early-stage entrepreneurial activity is 52.8% in the Netherlands. This is among the lowest of all countries that participate in GEM. The reason might be that the overall share of part timers in the Dutch labour force has been increasing for some decades now. On average, 63.9% of the early-stage entrepreneurs in the participating countries is involved fulltime in business activities. The average for fulltime entrepreneurship for EU countries is 69.9%.

In the Netherlands about 64.2% of the early-stage entrepreneurs is male in 2007. This percentage is slightly below the EU average of 66.9%. The percentage of females involved in early-stage entrepreneurial activity amounts to 35.8 and is slightly higher than the EU average of 33.1%.

The share of independence motivated entrepreneurs among the early-stage entrepreneurs is 47% in the Netherlands and is among the highest of all countries involved in GEM. The average for all countries participating in GEM is 28%, while for OECD-countries the average is 35%. Only 19% of Dutch early-stage entrepreneurs indicate that they are involved in entrepreneurship predominantly to increase their wealth. The average share of early-stage entrepreneurs motivated by increasing wealth across all countries participating in GEM is 27%. The share of necessity motivated early-stage entrepreneurs is relatively low in the participating EU countries: 18%. In the Netherlands, this share is slightly higher: 20%.

Of the nascent entrepreneurs in the Netherlands 19% indicates to have started and owned an own business in the past, which is low in comparison to the average participating OECD-countries (32%) and EU-countries (29%). Furthermore, 23% report having prior start-up experience, which is broadly in line with the average for OECD- and EU-countries that participate in GEM.

The prevalence rate of informal investors in the Netherlands is persistently among the lowest of those countries participating in GEM. However, in 2007 the share of informal investors in the Netherlands has risen to 2.3% from its low point of 1.1% in 2006; again in line with the prevalence rate in 2005, which was 2.0%. In international perspective, the average prevalence rate in OECD-countries is 3.4%, while in EU-context the average prevalence rate of informal investors is 2.9%. The average for all participating countries is significantly higher, 4.7%. This is due to high shares of informal investors in developing countries.

4 Regional entrepreneurial activity¹

Regional variations in entrepreneurial activity rates are often said to be caused by regional characteristics, which are believed to effect individual entrepreneurial activity and attitudes. In this chapter entrepreneurial attitudes and entrepreneurial activity in the Netherlands are compared for three different regions: Amsterdam (metropolitan area), Twente (former industrial area) and Oost-Groningen (rural area). The data for these specific regions were collected in the period September to November 2007 and data are available for about 1,000 people aged between 18 and 64 in each of the three regions.

4.1 Entrepreneurial attitudes and regional entrepreneurial activity

In general, a *region* is a medium-sized area of land or water, smaller than the whole area of interest and larger than a specific site or location. A region can be seen as a collection of smaller units or as one part of a larger whole. Regions have their own *culture* which can be defined by physical characteristics, human characteristics and functional characteristics. Because entrepreneurship is a socio-economic phenomenon, the characteristics of entrepreneurship are contingent on the regional culture. In this respect, positive perceptions of entrepreneurship in the region may be an important cultural 'resource' leading to higher individual engagement levels in entrepreneurial activity. Also, at the individual level, participation in entrepreneurial activity is (partly) explained by entrepreneurial attitudes such as the perception or recognition of opportunities, the perceived ability or self-efficacy and willingness or desirability (see conceptual models proposed by Davidsson, 1995). Individual attitudes towards entrepreneurship, possibly leading to involvement in entrepreneurial activity, may be affected by the regional entrepreneurial spirit.

Individual entrepreneurial attitudes and activities can be explained only partly by personal or personality characteristics, as *"...(A)ny business activity is embedded in a broader socio-institutional context and therefore the economic dimensions or relationships cannot be separated from the socio-institutional ones...."* (Rocha and Sternberg 2005, p. 288). Determinants of entrepreneurship therefore must be sought at the level of both the individual and the regional context.

The impact of regional entrepreneurial attitudes on individual entrepreneurial attitudes and behaviour is due to the extent to which local people are embedded in the region. Founders of new firms are almost always local residents (Allen and Hayward, 1990; Lenz and Kulinat, 1997) or have worked in the area/region in which they have located their new firm (Figueiredo and Guimaraes, 1999; Zander, 2004). An entrepreneur is likely to have social and business contacts in a location in which he had been working and living before he started his firm (a familiar environment). This observation feeds sociologists' argument that eco-

¹ This chapter is based on Bosma, N., V. Schutjens and K. Suddle (2008), Whither a flat landscape? Regional Differences in entrepreneurship in the Netherlands, Paper presented at the IECER Conference 2008, Regensburg.

conomic actors are shaped and constrained by the socio-historical context in which they are located (Dowd and Dobbin, 1997).

For many nascent and new entrepreneurs, and even growing firms, the home region is the relevant location choice arena. This is because the two fundamental pillars of new firm formation, opportunity recognition and intentions to act upon these business opportunities (Shane and Venkatamaran, 2000), are firmly rooted in the home region. First, potential entrepreneurs will more easily perceive market opportunities, discover consumer needs or envisage new combinations of resources in a well-known and familiar environment. The second entrepreneurship pillar, focusing on intentions to act upon perceived opportunities, is comprised of different phases in which perceptions of desirability, social norms, self-efficacy and collective efficacy are central (Zander, 2004). The normative beliefs of significant other people, close to the potential entrepreneur, are important in entrepreneurial decision making. This means that in (thinking about) setting up a business, friends, family and acquaintances are consulted, and these will often be based in the home region as well. An active entrepreneurial climate and knowing many new local entrepreneurs, will then stimulate starting the business in the home region. According to Stam (2007), a third reason to start a new firm in the home-region is simply the lack of financial resources and the need to limit risks. This may hinder the would-be entrepreneur from even considering a more unfamiliar and therefore risk-prone, formal location than a home-or region based business site. As a result, distant alternative sites are rarely considered as initial locations (OTA, 1984).

At the regional level, an active entrepreneurial climate can stimulate new firm formation in at least two ways. First, an active and thriving small and medium sized local business base enhances the building, maintenance and rejuvenation of formal and informal business networks, which may also be accessible to nascent and new firms. Furthermore, small scale business dynamics reveal flows of resources and clear market boundaries that are visible and accessible and open to new combinations, challenges and opportunities. Local economic diversity fuels the spread of ideas, as Jacobs (1969) and Glaeser et al. (1992) among others have shown convincingly. Potential entrepreneurs may also be stimulated to actually set up their own firm in a regional context of many small-scale businesses, new firms and entrepreneurial activities around them. Entrepreneurship and economic activity is clearly visible in their own surroundings and neighbourhood, which may act as a role model and stimulate risk taking and self efficacy. This 'psychological' effect of local entrepreneurship and small business development is greatest at the local and regional level. Indeed, Davidsson (1995) found empirical support for a positive effect of entrepreneurial values and new business formation. Maskell (2000) referred to this social business environment as 'community', where trust and a climate of cooperation between individuals, firms and actors in a region spurs the emergence of new firms.

4.2 Attitudes and early-stage entrepreneurial activity in Amsterdam, Twente and Oost-Groningen

As previously stated three different regions are used to compare entrepreneurial attitudes and entrepreneurial activity in the Netherlands. These regions are: Amsterdam (metropolitan area), Twente (former industrial area) and Oost-

Groningen (rural area). Some background information on these three regions is presented below.

Region Amsterdam

The agglomeration Amsterdam is a metropolitan area which is characterised by a high degree of dynamism and creativity. Amsterdam is considered to be a European Urban Region, due to its high concentration of European headquarters locations, financial activities and advanced business services (Brenner, 2000). The urban form of Amsterdam could be described as a 'finger plan' structure, with urban expansion following radial corridors that are separated by wedges of greenery (Gieling, 2006). The 'finger plan' structure is characterised by a balanced relationship between city and landscape and the city centre's good accessibility. This facilitates Amsterdam being a strong regional network city. In order to enable the Amsterdam agglomeration to maintain its role as the centre of a region of creativity and knowledge, it is necessary to satisfy the needs of entrepreneurs. In contrast to the past, nowadays the importance of an attractive environment in firm location decisions outweighs the presence of infrastructure and seaports. This is due to the high degree of the knowledge-based business services sector. However, restrictions imposed by a lack of space in the area and national (environmental) policies put pressure on the regional and entrepreneurial ambitions of Amsterdam (Alexander, 2002).

Region Twente

Twente is a diverse region with its characteristic rural areas along with some large cities. As a consequence of significant changes in the agricultural sector (such as the increase in scale of agricultural companies) the regional economy has developed less than the national average in the last decades. The regional economic structure is quite simple (textiles and manufacturing), which makes the region rather sensitive to the business cycle. Competition from surrounding regions is increasing and Twente is suffering from the only moderate accessibility of the region. On the other hand however, Twente is moving from being an industrial area to becoming a more technology- and knowledge-intensive area. The presence of the University of Twente and the increasing number of technology- and knowledge-based institutes make the region innovative. In Twente social-cultural characteristics are more important in the allocation of regional identities. This has, in particular, to do with the diversity in traditions, values and symbolic aspects that are considered typical of Twente (Bosma, Schutjens and Suddle, 2008).

Region Oost-Groningen

Oost-Groningen is a rural region that shows some socio-economic differences with urbanised regions. The unemployment rate of this region is the highest in the Netherlands: 6.3% of the labour force received unemployment benefits in 2006, compared to 4.6% in Twente and 4.0% in Groot-(Greater-)Amsterdam. However, in recent years, many supporting programmes have been introduced to boost the economy in Oost-Groningen (the unemployment rate was 9% in 2004). Most recently a four-year socio-economic development programme was launched. The main aims of this programme are to increase the labour participation rate and the education level. Another pilot programme, started in Oost-Groningen last year aims to reduce administrative burdens for entrepreneurs.

Innovations in SMEs are stimulated by conducting an innovation scan and providing advice to support entrepreneurs.

As explained above, the three selected regions differ from each other in many ways. This is also apparent from key figures provided by Statistics Netherlands¹. Table 8 clearly shows that the three regions differ vastly in terms of demography and economic output. The Amsterdam labour market area stands out, not only as regards urbanisation, but also in terms of economic output.

Table 8 Demographic and economic characteristics of the three Dutch regions

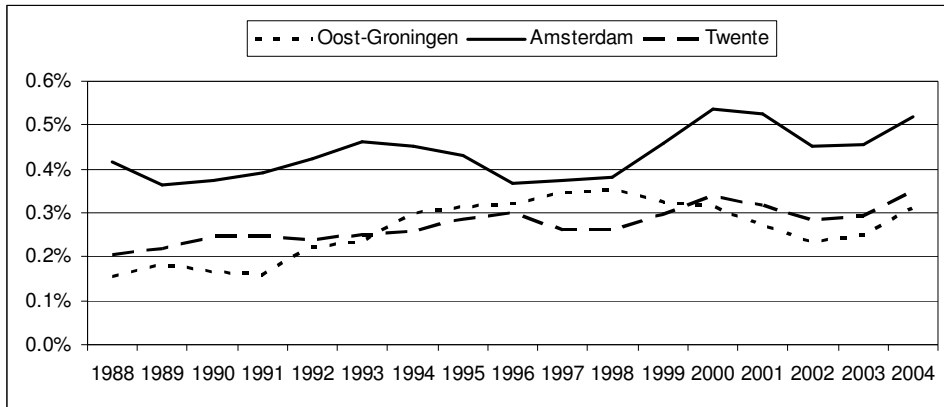
<i>Region</i>	<i>Urban area coverage</i>	<i>Rural area coverage</i>	<i>Average population density (nr of inhabitants per km²)</i>	<i>Share 15-45 years population</i>	<i>Gross Regional Product per capita 2004</i>	<i>Gross Regional Product growth 2001-2004</i>
Oost-Groningen	3%	50%	185	37%	17,411	5%
Twente	31%	21%	415	40%	24,698	9%
Amsterdam	79%	5%	1,687	45%	47,475	15%

Source: Statistics Netherlands.

Looking at start-up rates encompassing the entire private sector in the three regions we see that for all years Amsterdam has the highest number of start-up firms relative to the total population. This start-up rate increased particularly in the late nineties. Figures 9-11 show the development in the number of start ups using 1988 as the baseline year. It appears that in construction and business services in particular the number of start ups increased dramatically. In 1993 the mandatory 'self-employment' exam was effectively abolished and this clearly resulted in an increase in the number of firm entries in construction. A similar but weaker effect can be seen in business services. The development in trade differs, probably the consequence of the increasing dominance of chain stores, preventing the (entry of) independent firms.

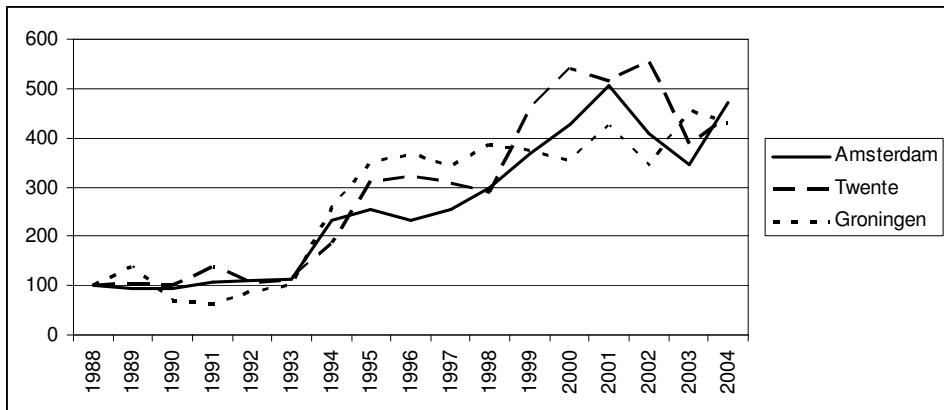
¹ In Dutch: Centraal Bureau voor de Statistiek.

Figure 8 Start-up rates: number of start-ups in total population



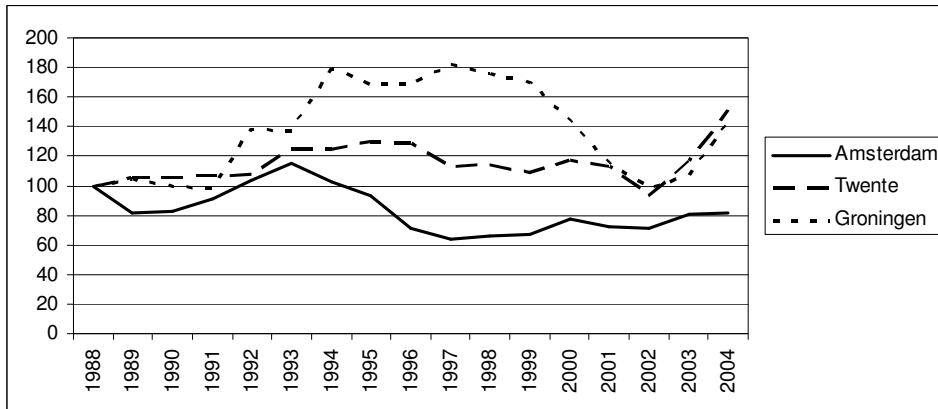
Source: Statistics Netherlands.

Figure 9 Independent start-ups in construction, 1988-2004 (1988=baseline)



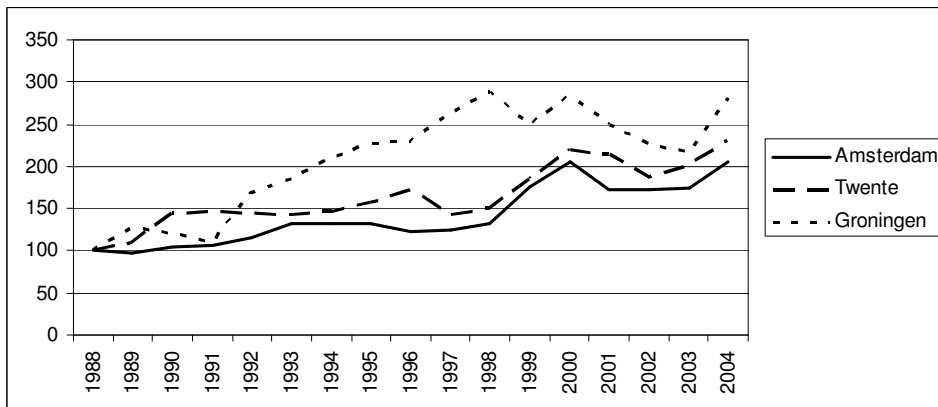
Source: Statistics Netherlands.

Figure 10 Independent start-ups in trade, 1988-2004 (1988=baseline)



Source: Statistics Netherlands.

Figure 11 Independent start-ups in services, 1988-2004 (1988=baseline)



Source: Statistics Netherlands.

In all three regions, a representative sample of 1,000 respondents aged between 18-64 years were interviewed as to their perceptions of and involvement in, entrepreneurial activity. It appears that regional perceptions of entrepreneurial activity differ for some components only. More specifically, significant differences are observed in perceived opportunity also in the extent to which people know someone who started a business. The Amsterdam area scores highest for both these items. Perceived skills and the knowledge to start a business do not differ significantly and neither does fear of failure seem to differ much over the regions (see Table 9). Past, present and future intentions to start a business are shown in Table 10. Whereas past intentions are remarkably equal across the three regions, present intentions and future considerations of undertaking entrepreneurship are again mentioned more often in the Amsterdam region.

Table 9 Regional differences in perceptions of entrepreneurship, 2007, percentage of adult population (18-64 years)

	<i>Oost- Groningen</i>	<i>Twente</i>	<i>Amsterdam</i>
Personally know someone who started a business	29%	33%	41%
Perceived opportunities	40%	52%	60%
Perceived skills and knowledge	42%	40%	43%
Fear of failure	29%	26%	31%

Source: *EIM/Urban and Regional research centre Utrecht.*

Table 10 Regional differences in past, present and future entrepreneurial intentions

	<i>Oost- Groningen</i>	<i>Twente</i>	<i>Amsterdam</i>
Have you ever considered starting a business*	29%	29%	29%
Do you expect to start business**	6%	6%	9%
Is entrepreneurship realistic option in next ten years***	18%	20%	32%

* *Denominator: non-entrepreneurial adult population, also excluding ex-entrepreneurs.*

** *Denominator: adult population.*

*** *Denominator: non-entrepreneurial adult population.*

Source: *EIM/Urban and Regional research centre Utrecht.*

Moving on from intention to the next essential step in the entrepreneurial process i.e. actual involvement in entrepreneurial activity, Table 11 indicates differences in the stage pattern of entrepreneurial activity across the three Dutch regions. While established business ownership rates are quite similar, early-stage entrepreneurial activity is clearly highest in Amsterdam. The pattern observed is the same as the one derived from the most recent firm registration data shown earlier in figure 8. The pattern is very similar for both the phases distinguished in early-stage entrepreneurial activity i.e. nascent entrepreneurship and young business ownership.

Table 11 Regional differences in phases of entrepreneurship, 2007, percentage of the adult population (18-64 years)

	<i>Oost-Groningen</i>	<i>Twente</i>	<i>Amsterdam</i>
Early-stage entrepreneurial activity	4.5%	5.4%	7.2%
Nascent entrepreneurship	2.1%	2.5%	3.0%
Young business ownership	2.3%	3.0%	4.2%
Established business ownership	7.2%	7.4%	7.8%
Has set up a business in the past	7.5%	4.4%	7.6%

Source: EIM/Urban and Regional research centre Utrecht.

Table 12 looks at the ambitions of early-stage entrepreneurs regarding innovation orientation and job growth expectation. It shows that in Twente the early-stage entrepreneurs are more innovation oriented compared to those in Amsterdam. Twente also scores highest on job growth expectation but the differences are not statistically significant. However, for the combined measure of ambitious TEA the difference observed between Twente and Amsterdam is statistically significant. Thus, although *overall* early-stage entrepreneurial activity is highest in the Amsterdam region, the more promising type of entrepreneurial activity is found relatively often in the two other regions – and in Twente in particular.

Table 12 Regional differences in types of entrepreneurship, 2007

	<i>Oost-Groningen</i>	<i>Twente</i>	<i>Amsterdam</i>
Early-stage entrepreneurial activity, TEA, percentage of the adult population (18-64 years)	4.5%	5.4%	7.2%
<i>Percentage within TEA:</i>			
- Innovation oriented TEA	27%	28%	15%
- Job growth oriented TEA	11%	14%	9%
- Ambitious TEA: innovation and/or job oriented	33%	37%	21%

Source: EIM/Urban and Regional research centre Utrecht, 2008.

4.3 What explains regional differences: some preliminary findings

As it is interesting to know exactly what explains regional differences in entrepreneurial activity, we ran some (multinomial) logistic regressions on the regional GEM data presented in this chapter. As independent variables, we used age and education (human capital), household income (financial capital), and some variables related to networking (social capital). For more details of this analysis, we refer to Bosma, Schutjens and Suddle (2008).

The results show that human, social and financial capital are indeed important for explaining entrepreneurial perceptions and regional differences. Even though comparable levels of perceived skills and knowledge for starting a business are found at the regional level, the population of the region of Groningen appears to be relatively positive about its own skills and knowledge. The differences for perceived opportunities are significant in Table 9 and this continues to hold when

controlling for individual characteristics. This strengthens the assumption that there actually *are* regional differences in opportunities. Controlling for individual characteristics, there appears to be relatively little fear of failure when it comes to setting up a business in the region of Twente.

Furthermore, the observed regional differences in TEA rates can to large extent be explained by the characteristics of the adult population of the region. The only significant regional differences involve ex-entrepreneurs. In Twente there are relatively fewer ex-entrepreneurs. This finding can be related to the industrial nature of Twente some decades ago. The existence of large manufacturing plants meant that the prevalence of business owners was then fairly small. It appears that Twente recovered fairly well (in terms of entrepreneurial activity) from the problems that arose after the serious decline of the manufacturing sector in Twente. For innovation oriented TEA, the significant indicators at the individual level are education (university degree), being inspired by another entrepreneur and being born in the Netherlands. Growth oriented entrepreneurs are relatively often male and part of team start-ups.

To summarise: Regional differences in start up rates can be explained quite simply by considering the basic characteristics of the inhabitants. The results also underline the importance of role models. Having a member of the direct family involved in entrepreneurship dramatically increases the odds of becoming involved with entrepreneurship, at some phase. Innovation oriented entrepreneurs are often inspired by other entrepreneurs most of whom reside in the same region.

4.4 Summary

In this chapter entrepreneurial attitudes and entrepreneurial activity in the Netherlands are compared for three different regions Amsterdam, Twente and Oost-Groningen. Significant differences are observed regarding perceived opportunities and regarding the extent to which people know someone who started a business. The Amsterdam area scores highest for both these items. In addition, early-stage entrepreneurial activity, present intentions and future considerations of entrepreneurship are also highest in Amsterdam. However, the early-stage entrepreneurs in Twente are more innovation oriented compared to Amsterdam.

This chapter also seeks to explain the factors that explain such regional differences. One major explanation of regional differences in startup rates is found in fairly basic characteristics of the inhabitants. In addition, the results also underline the differences in perceived opportunities and the importance of role models. Having a member of the direct family involved in entrepreneurship dramatically increases the odds of becoming involved with entrepreneurship. Finally, it appears that innovation oriented entrepreneurs are often inspired by other entrepreneurs of whom most reside in the same region.

5 Innovation

In this chapter the focus is on innovation activity in the Netherlands in general, as well as on consumer attitudes towards innovation and on innovative entrepreneurship. After a general description of innovation activity in the Netherlands, consumer attitudes towards innovation will be discussed. An evaluation will be made of the answers to the three questions that were included in the GEM 2007 survey, about the extent to which consumers (intend to) use innovative products and how this affects their lives. Finally, we focus on innovative entrepreneurship by presenting an assessment of early-stage entrepreneurs' perception of the extent to which they make use of new technologies, introduce new products or services and face competitors.

5.1 Innovation activity in the Netherlands

According to Carey (2006) the Netherlands has an excellent record in knowledge *creation* but a *mediocre* record in innovation activity. This implies that there is a gap between knowledge creation and innovation activity. The European Innovation Scoreboard (EIS) Summary Innovation Index can be used to explain this mediocre record for innovation activity in the Netherlands. This index brings together 22 indicators considered to reflect innovation activity. The following key innovation indicators appear to be relatively weak for the Netherlands:

- Business R&D intensity;
- Proportion of the population with tertiary education;
- Introduction of new processes and products;
- Use of non-technological changes.

Business R&D intensity

Business R&D intensity in the Netherlands was 1.0% of GDP in 2003, which was low in comparison with both the EU-15 average (1.3% of GDP) and the OECD-average (1.5% of GDP) and far behind the leaders. Moreover, while R&D intensity increased markedly in most OECD-countries over the last two decades, especially in a number of other small European countries, R&D spending in the Netherlands has been *stable*, remaining at its low starting point. About 60% of the shortfall compared with the OECD-average is related to the *industry structure* (Erken and Ruiters, 2005). In the Netherlands the R&D extensive sectors are relatively large. As low business R&D expenditure is attributable to specialisation in sectors that are R&D extensive, there is not much that can be done about it in the near future. However, in the longer-term, success in innovation and related policies could contribute to shifting the Netherlands' competitive advantage towards more R&D intensive sectors.

The remaining shortfall can be attributed mainly to *lower inward R&D investments* by foreign firms in the Netherlands in relation to total R&D. In 2001, approximately one-quarter of total private R&D expenditure in the Netherlands came from foreign firms.

Proportion of the population with tertiary education

The share of tertiary graduates in the Dutch population (25-64) is the same as the OECD average in 2003, but ranks 12th amongst the 20 high-income countries included in the European Innovation Scoreboard. This relatively unfavourable position for a high income country is likely to deteriorate as the proportion of tertiary graduates in the population aged 25-34 years is below the OECD-average. At the same time the increase in tertiary attainment as younger cohorts replace older ones will be lower than is average in OECD-countries. The below-average proportion of tertiary graduates among the young is, to a considerable extent, explained by the *absence of differentiation* in the supply of tertiary education. Although the enrolment of students in tertiary (mainly theoretical programmes preparing for research and high-skill professions) programmes is at about the OECD-average, the absence of shorter (two or three-years) tertiary vocational programmes explains low enrolment in such programmes and reduces total average enrolment. The low degree of differentiation in the supply of tertiary education is also evident from fixed tuition fees, the relatively long duration of programmes and high entry barriers for new suppliers of tertiary education.

Introduction of new processes and products

The Netherlands ranks poorly on the set of innovation indicators characterised as representing the application of new knowledge. Relatively few SMEs (small and medium-sized enterprises) report introducing new products or processes either developed internally or in collaboration with other firms. Moreover, for all enterprises, sales of products new to the firm but not to the market represent a relatively *low share* of turnover. In addition, total innovation expenditures as a share of turnover, including expenditures not only on R&D but also on aspects related to applying new knowledge commercially (machinery and equipment linked to product and process innovation, acquisition of patents and licenses, industrial design, training and the marketing of innovations) is relatively low. Increasing product market competition, notably through lower barriers to entrepreneurship, and making social institutions such as labour-market regulation more compatible with non-technological change, could help to strengthen this aspect of innovation activity (Carey, 2006).

Competition intensity in the Netherlands seems to be moderate by international comparison. The Netherlands has a high degree of openness and the entry rate of firms (start-ups and new firms) is comparable to other OECD countries. On the other hand, exits are relatively low, which may be an indication of weak competitive forces. Although the entry rate is comparable, the number of people setting-up or owning a young enterprise is below the international average. This might indicate that a large share of entrants are off-springs of existing firms.

Use of non-technological changes

In the Netherlands there is a *lack of non-technological innovation*, in particular a lack of social innovation, which involves organisational change and competence management. This is seen as an important barrier to organisations adapting new technologies and introducing new working practices to increase productivity. The lack of non-technological innovation in the Netherlands can be accounted for partly by the institutionalisation of product and labour markets. In general, strong employment protection and seniority pay scales typical of centralised wage bargaining systems act as incentives for firms to resort to internal work-

place reorganisation and upgrading the skills of their workforce, a strategy that may be of particular relevance for incremental innovation (Carey, 2006).

5.2 Consumer attitudes towards innovation

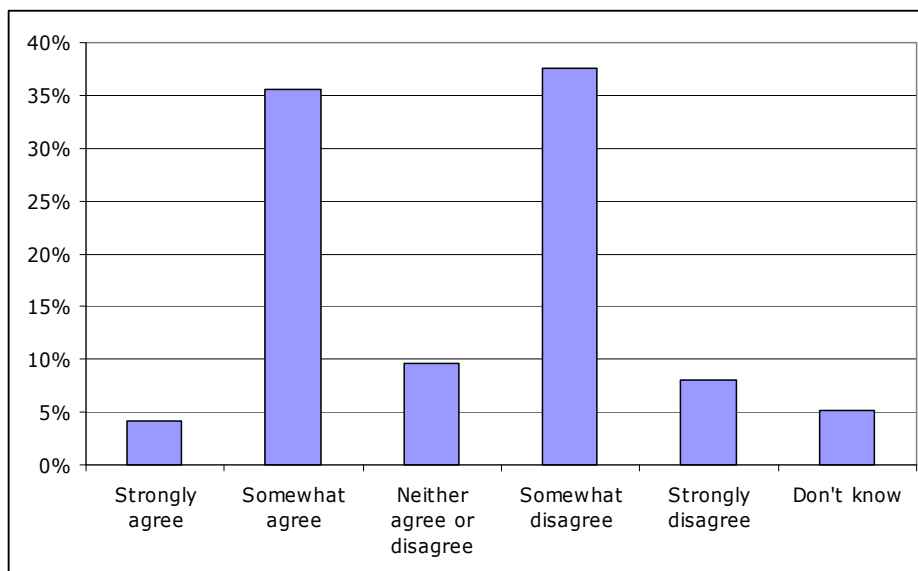
Bhidé (2006) suggested that one reason for the relative economic success of the United States compared with Europe was the reception by American citizens of innovations. This proposition helped spur the creation of an international Innovation Confidence Index, developed by the Institute for Innovation and Information Productivity (IIIP) in association with GERA (Global Entrepreneurship Research Association). In 2007 twelve GEM nations participated in the first cross-country measurement of national innovation confidence.

More than 2,000 adult inhabitants (18-64 years) of the Netherlands were approached by EIM and requested to answer questions about their attitude towards innovation. These persons answered the following three questions:

- 1 In the next six months are you likely to buy products or services that are new to the market?
- 2 In the next six months are you likely to try products or services that use new technologies for the first time?
- 3 In the next six months will new products or services improve your life?

When answering the first question about 38% of the respondents chose *somewhat disagree*, about 36% replied *somewhat agree* with this proposition. Only 4% strongly believe they will buy new products or services in the next six months. On the other hand about 8% do *not* believe they will buy products or services that are new to the market.

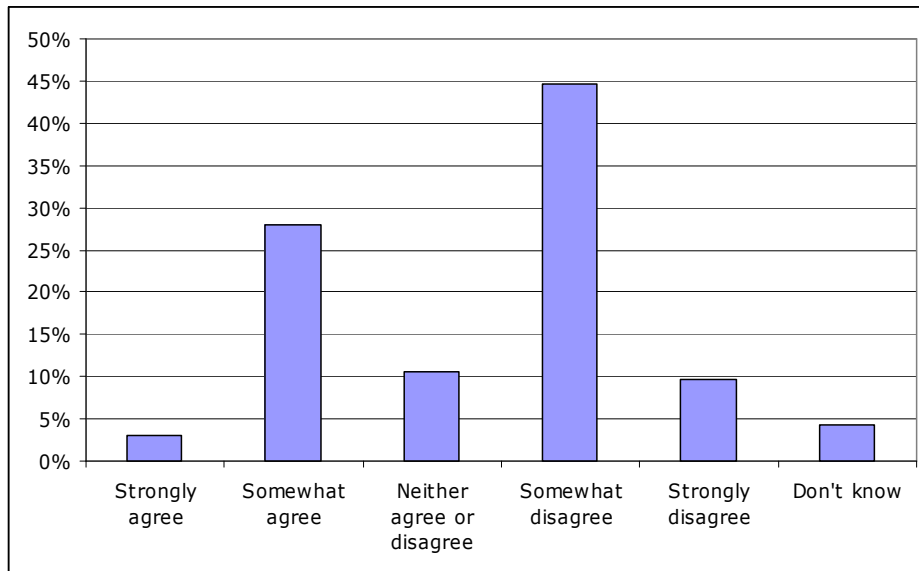
Figure 12 In the next six months are you likely to buy products that are new to the market?, 2007, percentage of sample (18-64 years)



Source: EIM/GEM.

For the second question it appeared that the majority of the respondents is probably not likely, in the next six months, to try new products or services involving new technologies used for the first time. Almost 10% is not likely to try these products or services at all. On the other hand almost 28% expect to try products or services that use new technologies for the first time and 3% certainly do so will.

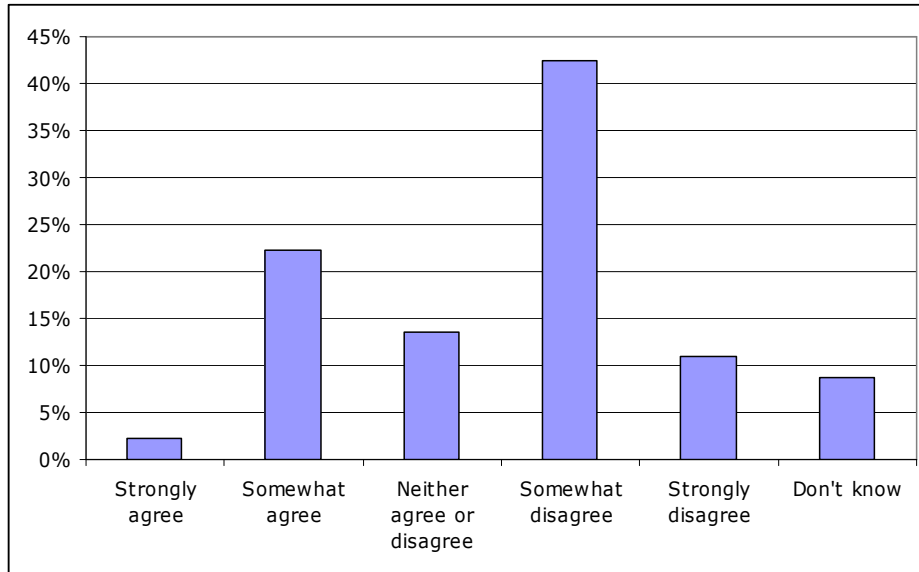
Figure 13 In the next six months are you likely to try products or services that use new technologies for the first time?, 2007, percentage of sample (18-64 years)



Source: EIM/GEM.

Finally a majority *somewhat disagrees* with the proposition that new products or services will improve their life in the next six months. Almost 11% *strongly disagree* with this proposition. However, more than 20% believe that new products or services might improve their life. Only about 2% is convinced that their life will be improved in the next six months.

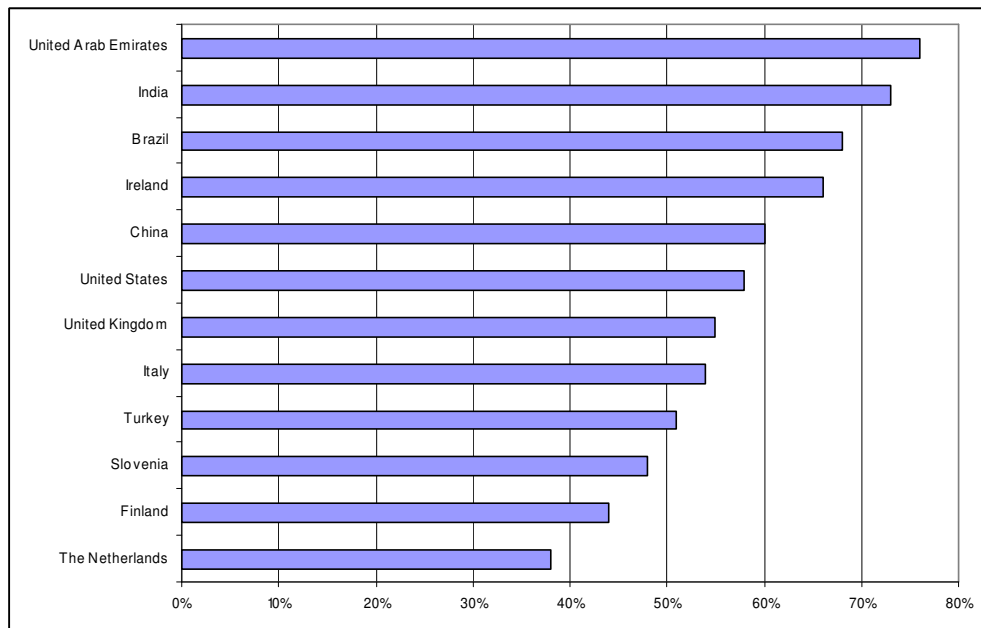
Figure 14 In the next six months will new products or services improve your life?, 2007, percentage of sample (18-64 years)



Source: EIM/GEM.

Based on the three items presented above (willingness to buy new products or services, willingness to try new products or services and assessment of the extent to which new products or services improve one's life) an index for consumer confidence in innovation was developed. A cross-country comparison was made based on this index (see Figure 15). The results show that compared with the other eleven participating GEM nations, consumers in the Netherlands have least confidence in the value of innovation. Innovation confidence appears to vary dramatically between nations, but both middle- and low-income countries and high-income countries can have high levels of innovation confidence. Although, on the whole, Bhidé's hypothesis about the United States and Europe is supported, this is not the full picture. The United States lies in the second quartile of the sample of 12 nations, behind the United Arab Emirates, India, Brazil, Ireland and China. It appears that countries with relatively fast-growing economies tend to exhibit higher innovation confidence than countries undergoing slower growth rates.

Figure 15 Innovation Confidence Index, 2007, percentage of country samples (18-64 years)



Source: GEM/Bosma, Jones, Autio and Levie, 2007.

5.3 Innovative entrepreneurship

Schumpeter (1934), who is considered to be among the first to analyze the process of innovation, described innovation as the creation and implementation of *new combinations*. These new combinations can be related to new products, services, work processes and markets. Innovation has been redefined many times since Schumpeter. Authors generally emphasize the element of *newness*, including anything perceived to be new by the people doing it or as something different for the organization into which it is introduced. In addition to an innovation apparently being 'something new', definitions have other aspects in common.

King and Anderson (2002) define innovation as:

- something new to the social setting within which it is introduced, although not necessarily new to the person(s) introducing it;
- based on an idea;
- aimed at producing some kind of benefit;
- intentional rather than accidental;
- not a routine change.

As stated above, an innovation aims to produce some kind of *benefit*. Apart from financial gains, possible benefits might be personal growth, increased satisfaction, improved cohesiveness or better interpersonal communication. Technological innovation is frequently seen as an important source of economic growth. Furthermore the importance of innovation for society is considerable, because innovation has a positive impact on national competitiveness. In the past the government has stimulated entrepreneurship and starting entrepreneurs in general, but recently the emphasis has been on fast-growing innovative companies. Economic theories indicate that technological development contributes to long

term productivity growth. New technologies, especially information and communication technology, have contributed considerably to the increased productivity of companies (De Jong, 2006).

The significance of entrepreneurship in realizing innovations and technological development is being increasingly recognized (Audretsch and Thurik, 2000; Acs and Varga, 2005; Dolfsma and Van der Panne, 2006). This is mainly a consequence of developments such as globalization, deregulation, outsourcing, technological renewals and the transition from a *'managed economy'* to an *'entrepreneurial economy'* in developed countries since 1970 (Audretsch and Thurik, 2001, 2004). In the managed economy, economic growth is achieved by economies of scale and the diffusion of innovations for improvement by large companies. In the entrepreneurial economy the competitive advantage is achieved focusing on new knowledge or on knowledge based economic activities (Audretsch, 2004). Large companies lose their competitive advantages due to globalization and technological developments. Small and medium sized firms are required to examine new ideas and to develop new products. Due to the fact that innovation activities develop better in a non-bureaucratic environment, these firms seem to have a favourable position (Link and Bozeman, 1991).

The GEM-questionnaire contains some questions, that provide insight into the degree of innovativeness among early-stage or new entrepreneurs within a certain country. In particular, the new entrepreneurs are asked whether they are making use new technologies, to what extent other businesses are offering the same products or services and how they perceive customers would assess the novelty of their products or services. The table below shows the questions that are incorporated in the GEM-questionnaire and what information they ask for, expressed in a specific Total Entrepreneurial Activity (TEA) Index.

Table 13 Questions in the GEM-questionnaire concerning innovation

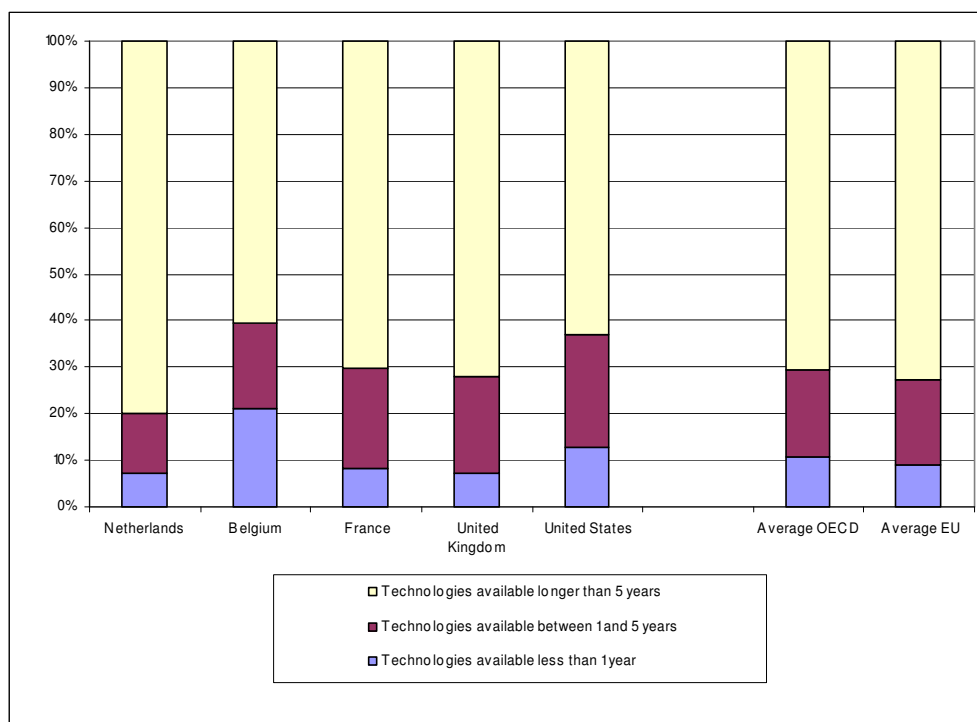
<i>Question in the GEM-questionnaire</i>
How long have the technologies or methods necessary for this product or service been available? Is this less than one year, between one and five years or longer than five years?
At this moment are there many, few or no competitors who offer the same products or services to your potential customers?
Do all/some/none of your potential customers perceive this product or this service as being new?

Source: EIM/GEM.

Figure 16 shows to what extent starting companies use new technologies. This is shown for the Netherlands, Belgium, France, the United Kingdom and the United States¹. EU- and OECD-averages are also shown.

¹ Belgium, France and the United Kingdom are chosen as benchmark countries, because these countries are close to the Netherlands. The United States is interesting, because this benchmark country has a high proportion of (new) entrepreneurs.

Figure 16 Assessment of novelty of technologies used, 2007, percentage within early-stage entrepreneurial activity (TEA)

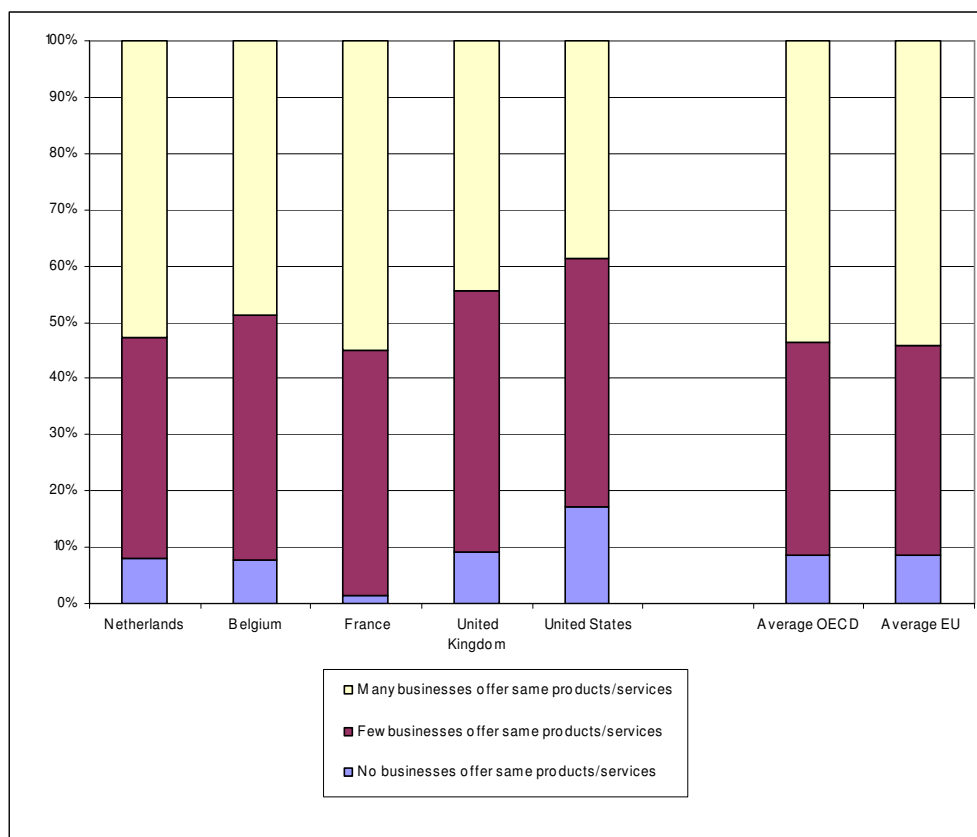


Source: EIM/GEM.

On average 10.8% of the new entrepreneurs in the participating OECD-countries mention making use of the newest technologies that have been available for less than one year. The use of the newest technologies by new entrepreneurs in Belgium amounts to 21%, in other words new companies in Belgium frequently make use of new technologies. In contrast about 8.4% of the new entrepreneurs in France mention using a technology which has only recently become available. Use of the newest technologies by new entrepreneurs in the Netherlands amounts to 7.3% and to 7.2% in the United Kingdom. The percentage for the Netherlands in the previous year amounted to 4.4. The use of technologies that became available between one and five years ago amounts to 12.8% in the Netherlands and this percentage is the lowest compared to the rest of the benchmark countries and the EU- and OECD-averages.

The extent to which the products or services offered are unique is shown in figure 17.

Figure 17 Assessment of extent to which other businesses offer similar products or services, 2007, percentage within early-stage entrepreneurial activity (TEA)

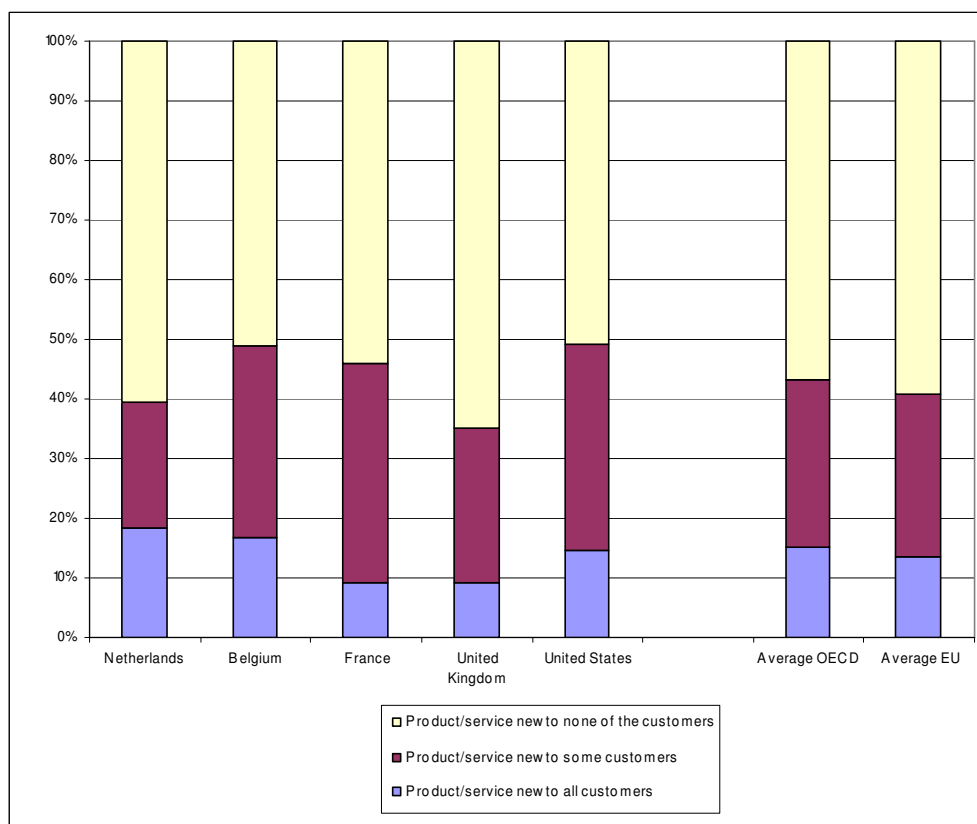


Source: EIM/GEM.

About 47.4% of the new entrepreneurs in the Netherlands indicate providing products or services that are offered by few or no other businesses. On average 46.3% of the new entrepreneurs in the OECD-countries provide products or services which are offered by few or no other businesses. The EU-average amounts to 45.8%, almost equal to the previous year. For the United Kingdom the percentage amounts to 55.6% and for the United States it is as high as 61.3%. The lowest percentage is 44.9% for France.

Finally figure 18 provides insight in the extent to which (potential) customers are expected to perceive the product or service offered as being new.

Figure 18 Assessment of extent to which products or services are perceived as novel by customers, 2007, percentage within early-stage entrepreneurial activity (TEA)



Source: EIM/GEM.

About 60.4% of the new entrepreneurs in the Netherlands state that none of their (potential) customers perceive the offered product or service as being new. In relation to the EU- and OECD-countries the Netherlands' score is fairly average.

The average position of the Netherlands is confirmed in table 13. In this overview all 42 countries that participated in the GEM project in 2007 are represented in this interview. GEM evaluates the countries using an index that combines the two measures of innovation, namely product novelty and the degree of competition. In essence this index measures the percentage of new entrepreneurs with novel product-market combinations. These entrepreneurs offer a product or service they believe is new to some or all customers, and they also believe that there are few or no businesses offering the same product.

Table 14 Proportion of early-stage entrepreneurs with a new product-market combination, 2007, percentage within early-stage entrepreneurial activity (TEA)

<i>Score</i>	<i>Country</i>	<i>Proportion (%)</i>
1	Uruguay	37,20
2	Puerto Rico	31,73
3	Austria	31,68
4	Belgium	30,47
5	Slovenia	29,18
6	Denmark	29,12
7	Iceland	29,07
8	Peru	26,54
9	Ireland	26,40
10	United States	25,95
11	Israel	25,54
12	Chile	25,33
13	Italy	25,20
14	Argentina	24,09
15	Portugal	22,64
16	Greece	21,74
17	Finland	21,38
18	France	19,77
19	United Kingdom	18,87
20	Colombia	18,34
21	Netherlands	17,66
22	Switzerland	17,64
23	Spain	17,56
24	United Arab Emirates	17,45
25	Hong Kong	17,08
26	Croatia	15,46
27	Dominican Republic	15,23
28	Norway	15,07
29	Sweden	14,55
30	Romania	14,54
31	Serbia	14,46
32	Japan	12,05
33	Latvia	11,14
34	Venezuela	10,31
35	Turkey	9,99
36	Thailand	9,79
37	Russia	9,39

<i>Score</i>	<i>Country</i>	<i>Proportion (%)</i>
38	India	9,08
39	China	8,87
40	Kazakhstan	7,39
41	Hungary	6,83
42	Brazil	3,12
	OECD-average	20,68
	EU-average	21,10
	GEM-average	18,93

Source: EIM/GEM.

The conclusion for the Netherlands is that new entrepreneurs make use mainly of technologies that are already available on the market. The products and services offered by these new entrepreneurs are, in almost half the cases, offered by few or no other businesses. Almost 40% of these new entrepreneurs mention that all or some of their customers perceive the product or service offered as being new. Based on the data above, the new entrepreneurs in the Netherlands can be labeled as moderately innovative in international perspective.

5.4 Summary

There is a gap between knowledge creation and innovation activity in the Netherlands. Based on the European Innovation Scoreboard (EIS) it appears that the following key innovation indicators are relatively weak for the Netherlands: business R&D intensity, proportion of the population with tertiary education, introduction of new processes and products and the use of non-technological changes.

Receptiveness of consumers towards innovation may also play a role in explaining national differences in innovative activity. In 2007 twelve GEM countries participated in a special topic on consumer confidence in the value of innovation. A cross-country comparison was made using an index for consumer confidence in innovation. This index consists of the following elements: willingness to buy new products or services, willingness to try new products or services and assessment of the extent to which new products or services improve one's life. The results show that innovation confidence varies dramatically between the twelve nations participating in this special topic. It appears that countries with relatively fast-growing economies tend to exhibit higher innovation confidence than countries undergoing slower growth rates. Compared with the other participating GEM nations, consumers in the Netherlands have least confidence in innovation.

Based on the GEM survey it is possible to obtain insight in the degree of innovativeness among new entrepreneurs. It appears that Dutch new entrepreneurs can be labelled as moderately innovative in an international perspective. New entrepreneurs in the Netherlands make use mainly of technologies that are already available on the market. The products and services offered by these new entrepreneurs are, in almost half of the cases, offered by few or no other businesses. Almost 40% of these new entrepreneurs mention that all or some of their customers perceive the offered product or service as new.

6 Following up nascent entrepreneurs

Entrepreneurship starts with nascent entrepreneurs or those actively involved in setting up their own business. Every year, some time after the individuals have been identified as nascent entrepreneurs in the GEM Adult Population Survey, a follow up telephone survey is conducted in the Netherlands among those nascent entrepreneurs to find out how the start-up process has proceeded. Mid 2007 a follow up telephone survey was held among individuals that were identified as nascent entrepreneurs in the GEM Adult Population Survey of 2006. This follow up survey contained questions about various issues relating to the start-up process such as the current status of the business, the extent to which some activities related to starting a business had already been conducted, perceived barriers in the start-up process and the actors from whom nascent entrepreneurs sought advice. The current chapter presents the results of the 2007 follow up survey.

6.1 Process characteristics

93 people were identified as nascent entrepreneurs in the GEM Adult Population Survey mid 2006. Sixty-seven of them agreed to allow us to contact them again for further information. However, when we held our follow up survey mid 2007 it was not possible to reach all these individuals (e.g. we got no further than their answering machine, because they refused to cooperate or because their address was no longer up to date). Eventually we were able to complete full interviews with 33 individuals.

Not all people who are actively involved in starting up a business actually end up by starting the firm. Table 15 shows the development status of the firm for the 33 nascent entrepreneurs that participated in the 2007 follow up survey. About two thirds of them indicated that their business was already up and running. This is a remarkably high share as previous research in the Netherlands found that half (47%) of the nascent entrepreneurs actually started their firm one year after initial screening (van Gelderen, Bosma and Thurik, 2001). Possibly, the results of the follow up survey are impacted by a non-response-bias, since it is very well possible that in particular those that did not participate in the follow up survey have abandoned their attempts to start a business.

Table 15 Development status of the firm, percentage of nascent entrepreneurs (n=33)

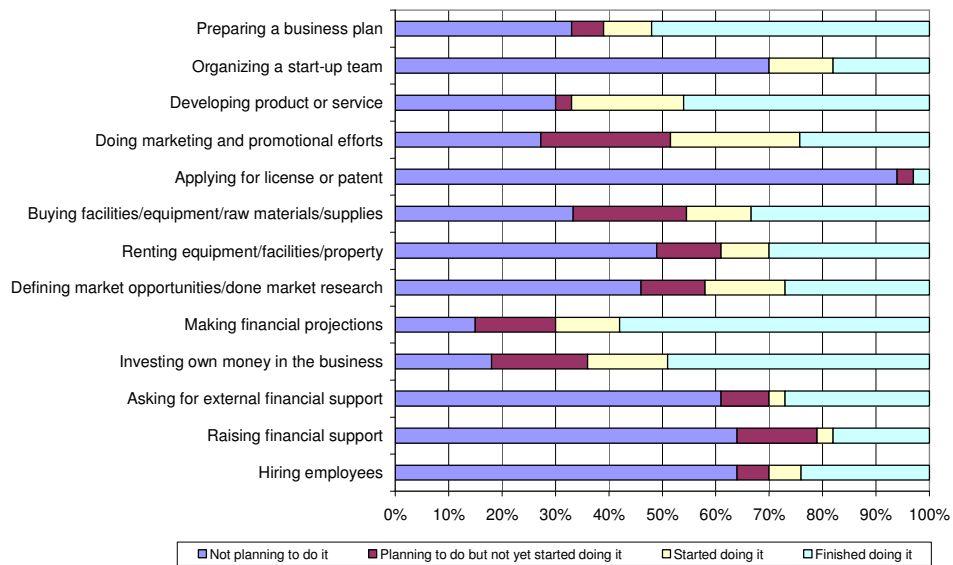
<i>Status business</i>	<i>%</i>
Still working on putting the business in place	9
No intention to set up the business anymore	12
Founding postponed, but planning to set up the business later	12
The business is now up and running	67
Total	100

Source: EIM, 2007 Follow up survey among nascent entrepreneurs.

Some researchers attempted to chart the start-up process by making a distinction between several gestation activities such as developing a business plan, searching for financial support and deciding on a location for the business. Liao and Welsch (2002) proposed that firm gestation is a process where developmental stages are hardly identifiable. Focusing solely on the characteristics of the process itself, however, Lichtenstein, Carter, Dooley and Gartner (2004) found that compared to discontinued start-up efforts, successful attempts were characterized by a slower pace of start-up activities over a longer period of time and a flurry of punctuated activity at the origin or near the conclusion of the effort. Based on these findings the authors hold that nascent entrepreneurs can improve their chances of success by bringing several start-up activities close to fruition and then completing them simultaneously, thus creating a 'tipping point' that drives the momentum of their efforts (Lichtenstein, Carter, Dooley and Gartner, 2004). Delmar and Shane (2003) investigated whether the order of start-up activities matters for success in business founding. They find that the more organizing activities the firm founders undertake the more adverse is the effect of undertaking activities out of the recommended sequence. These authors suggest there is indeed a 'best sequence' or normatively recommendable order of organizing activities. Similarly they show that undertaking 'legitimizing' activities (business planning and registering a legal entity) early in the process makes it less likely that the start-up effort will be abandoned. Further they argue that planning should be undertaken before marketing efforts begin and that business planning leads to favourable results in the business creation process (Delmar and Shane, 2003).

The nascent entrepreneurs were asked in the follow up survey to indicate whether a large number of start-up activities for their business had already taken place (been carried out either by themselves or by their business partner(s)). The results are presented in the next figure. The figure reveals that a relatively high share of the respondents had already made financial projections, invested their own money in the business, developed a product or service and prepared a business plan.

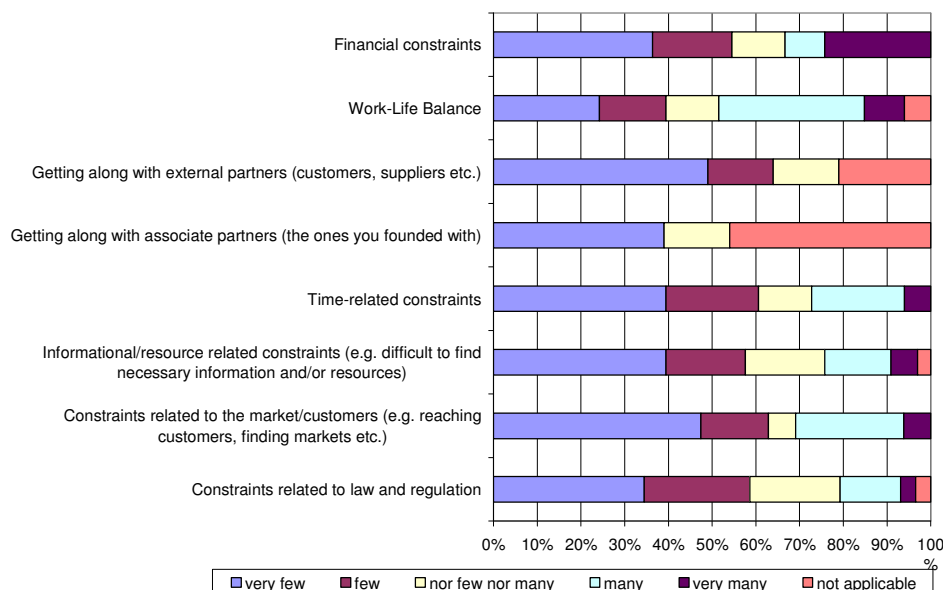
Figure 19 Extent to which various start-up activities have been carried out, percentage of nascent entrepreneurs (n=33)



Source: EIM, 2007 Follow up survey among nascent entrepreneurs.

It is possible that entrepreneurs will experience various constraints while attempting to start up a business and these may affect the success or failure of the start-up process. Lack of funding, for example, might be a reason for nascent entrepreneurs to abandon the start-up attempt (Blanchflower and Oswald, 1998). Figure 20 presents an overview of the extent to which the nascent entrepreneurs that participated in the 2007 follow up survey encountered various constraints. A relatively high share of respondents indicated having encountered financial limitations, constraints relating to work-life balance, constraints relating to the market/customers and time-related constraints.

Figure 20 Extent to which various constraints are encountered during start-up process, percentage of nascent entrepreneurs (n=33)



Source: EIM, 2007 Follow up survey among nascent entrepreneurs.

6.2 Business characteristics

Table 16 provides an overview of the sectors in which the respondents of the follow up survey attempt(ed) to start their businesses. The table reveals that half of the nascent attempt(ed) to start their business in consumer oriented sectors, and more than one third try(tried) to start up a firm in the business services sector.

Table 16 Sectors in which respondents attempt(ed) to start their business, percentage of nascent entrepreneurs (n=33)

Sector	%
Extraction: agriculture, forestry, fishing, and mining (i.e. extraction of products from the natural environment)	3
Transformation: construction, manufacturing, transportation, and wholesale distribution (physical transformation or relocation of goods and people)	15
Business services: the primary customer is another business	36
Consumer oriented: the primary customer is a physical person (e.g. retail, restaurants and bars, lodging, health, education, social services, recreation)	46
Total	100

Source: EIM, 2007 Follow up survey among nascent entrepreneurs.

In addition, respondents were also asked how they would categorize the growth of the industry in which they attempt(ed) to start their business. More than half

of the respondents indicated the growth of this industry to be better than the average growth in the economy (see Table 17).

Table 17 Categorization of growth of the industry as assessed by respondents, percentage of nascent entrepreneurs (n=33)

<i>Categorization of industry</i>	<i>%</i>
Declining industry: growth in industrial sales is negative	0
Slow growth industry: growth is slower than growth in the economy	12
Average growth: growth is same as growth in the economy	33
Better than average	52
Don't know/no answer	3
Total	100

Source: EIM, 2007 Follow up survey among nascent entrepreneurs.

Furthermore, participants of the follow up survey were also asked to assess the type of strategy that was most important for the business they attempt(ed) to start if they were to be an effective competitor. The results are displayed in Table 18. More than half of the respondents marked "quality of products/services" (58%) as being the most important strategy.

Table 18 Most important strategy for nascent business to be an effective competitor, percentage of nascent entrepreneurs (n=33)

<i>Competitive strategy</i>	<i>%</i>
Lower prices	9
Quality of products/services	58
Serving those missed by others	6
Being the first to market new products/services	9
More contemporary, attractive products	3
Technical expertise (developing new or advanced product technology or process technology for creating goods and services)	6
Other	3
Total	100

Source: EIM, 2007 Follow up survey among nascent entrepreneurs.

6.3 Human capital

Human capital describes an individual's investment in skills and knowledge (Becker, 1964). Human capital relates to the intrinsic qualities of individuals and is considered to have a positive influence on the success of starting a business. Human capital includes knowledge, education, skills and experience (Deakins and Whittam, 2000) and these aspects are likely to influence the development of a business idea and the organization of resources. There is considerable evidence that higher levels of relevant human capital, as indicated by education, experience and self-reported skill increases individuals' propensity to engage in venture start-up processes (Davidsson, 2006). Furthermore, having previous self-employment experience or prior experience of starting an own business tends to relate positively to becoming a nascent entrepreneur. Prior management experience seems to have a weak or uncertain influence on the propensity to become a nascent entrepreneur. Wagner (2004) reports that the amount of work experience in young and small firms has a positive effect on becoming a nascent entrepreneur. Industrial experience is found to be a determining factor for a successful completion of the start-up process (van Gelderen, Bosma and Thurik, 2001).

A number of the questions that were asked in the follow up survey provide insight into the human capital levels of the nascent entrepreneurs and their businesses. Thirty –nine percent of the respondents in the follow up survey indicated having prior experience in starting a business. Furthermore, 42% reported that one or more of their parents had been self-employed. About two thirds of the respondents would describe themselves more as an all-rounder, while about one third would describe themselves more as a specialist of some kind. The amount of the respondents' overall work experience and their experience in the industry in which they attempt(ed) to set up their business is presented in Table 19.

Table 19 Number of years worked and industrial experience, percentage of nascent entrepreneurs (n=33)

<i>Number of years</i>	<i>Overall work experience</i> %	<i>Same industrial experience</i> %
0 years	0	9
1-5 years	9	33
6-10 years	12	30
10-20 years	42	20
>20 years	37	7
Total	100	100

Source: EIM, 2007 Follow up survey among nascent entrepreneurs.

The majority of the nascents that participated in the follow up survey (about two thirds) were working for another business at the moment of the initial screening mid 2006 (see Table 20). At the moment of the follow-up survey 73% of those reported that they were still working for this business.

Table 20 Professional status of the nascent entrepreneur mid 2006 when starting the new business, percentage of nascent entrepreneur (n=33)

<i>Professional status nascent</i>	<i>%</i>
Working for another business	67
Self-employed	21
Unemployed	3
In education	3
Other	6
Total	100

Source: EIM, 2007 Follow up survey among nascent entrepreneurs.

The amount of human capital available to a business is also reflected in the number of partners involved in the business. About half (46%) of the respondents indicated in the follow up survey that they plan(ned) to set up the business together with (a) partner(s). For the majority (67%) this involved only one partner. This is in line with Aldrich, Carter and Ruef (2004) who note that most start-up teams consist of only two members. Ruef, Aldrich and Carter (2003) found using US PSED (Panel Studies on Entrepreneurial Dynamics) data that teams are mostly made up of people who are similar in terms of gender, ethnicity and occupational background (Ruef, Aldrich and Carter, 2003). A number of studies investigated the impact of team composition on performance. Aldrich, Carter, Ruef and Kim (2003), for instance, investigated how nascent entrepreneur team composition relates to outcomes. They found that team start-ups were significantly more likely to become 'up and running' firms than were solo efforts (Aldrich, Carter, Ruef and Kim, 2003). Kim and Aldrich (2004) looked at the effect of changes in the team over time on business outcomes. They found that teams with stable ownership structures were more likely to be actually operating rather than still being in an active start-up phase. Further, for teams with more than two members the change in team composition was low both for firms achieving operating status and those remaining in an active start-up phase. They also found operating start-ups to be less likely to have changes in racial composition. These results led the authors to speculate that team stability is conducive to achieving operating status (Kim and Aldrich, 2004). Chandler, Honig and Wiklund (2005) also investigated effects of team (in)stability. Their research question concerned whether team size and heterogeneity affect the occurrence of changes in team composition and whether the latter in turn influences performance in terms of reaching profitability. They found that larger teams were more likely to add new members, but not more likely to drop members. Further, teams that added members were less likely to have reached profitability (Chandler, Honig and Wiklund, 2005).

6.4 Social capital

Social capital is "the sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit" (Nahapiet and Ghoshal, 1998, p. 243). The fundamental proposition of social capital theory is that network ties provide individuals or organizations with access to resources including knowledge (Bourdieu, 1986; Nahapiet and Ghoshal, 1998). Aldrich (1999) expected successful nascent entrepreneurs to have diverse network ties. Davidsson (2006) reported that analyses of GEM data suggest that those who know others who are self-employed are more than twice as likely to become nascent entrepreneurs themselves.

Social capital captures an individual's network with other individuals or organizations and the resources which can be drawn from these relationships. Table 20 records the various types of people and organizations from which respondents in the follow up survey had sought advice on starting their business, and this provides an indication of their social capital networks. In total 64% of the respondents (n=21) indicated that they asked advice from others on starting their business. Apparently 36% of the respondents (attempt(ed) to) start up an enterprise without asking for any formal or informal advice whatsoever. It was found in an earlier study among nascent entrepreneurs in the Netherlands that 25% makes no use of information and guidance (van Gelderen, Bosma and Thurik, 2001). Those in the follow up survey who did indicate having asked for advice said that friends were the most important sources of advice. Other sources of advice that were frequently mentioned are family, bank advisors/lawyers/accountants and previous colleagues (Table 21).

Table 21 Sources of advice (more than one answer allowed), percentage of nascent entrepreneurs that indicated having asked others for advice on starting the business (n=21)

<i>Source of advice</i>	<i>%</i>
Friends	81
Family	57
A bank advisor, a lawyer/accountant or similar	48
Previous colleagues	43
Current colleagues	29
Your employer	24
A possible investor	24
Kind of public agency	24
Kind of private agency	19
A previous employer	19
Others	5

Source: EIM, 2007 Follow up survey among nascent entrepreneurs.

As indicated above social capital also captures the resources that can be drawn from network relationships. When attempting to set up a business people need to acquire or access resources and in this respect current or former employers may play an important role. The following table indicates to what extent the respon-

dents taking part in the follow up survey were able to use resources from a current or former employer. Thirty –nine percent reported benefiting from the knowledge and/or expertise which they are able to use from or have built up by current or former employers; 36% said they received active cooperation from a former or current employer in terms of capital, equipment/accommodation or through orders.

Table 22 Use of resources from current or former employer (more than one answer allowed), percentage of nascent entrepreneurs (n=33)

<i>Type of resource</i>	<i>%</i>
<i>Knowledge and expertise</i>	39
Technical expertise	18
Knowledge about products	30
Knowledge about organizing and managing the work	27
Knowledge about customers and markets	18
Knowledge about suppliers	12
<i>Practical Assistance</i>	36
Capital	21
Equipment and/or accommodation	24
Assistance through orders	15
Other	27
Don't know/no answer	27

Source: EIM, 2007 Follow up survey among nascent entrepreneurs.

6.5 Summary

The current chapter provides insight into the start-up process, as well as into the characteristics of nascent entrepreneurs and their businesses one year after they were identified as nascent entrepreneurs in the GEM Adult Population Survey mid 2006.

About two third of those identified as nascent entrepreneurs in 2006 and who were contacted again mid 2007 indicated that their business was up and running, while 9% was still working on putting the business in place, 12% postponed founding and another 12% no longer had any intention to set up the business.

People may undertake various activities as part of the start-up process. A relatively high share of the nascent entrepreneurs that took part in the follow up survey had already made financial projections, invested their own money in the business, developed a product or service and prepared a business plan.

Entrepreneurs may experience various types of constraints during the start-up process. Constraints that are quite commonly encountered by participants in the follow up survey are financial constraints, constraints relating to work-life balance, constraints relating to the market/customers and time-related constraints.

Most of the interviewed nascent (attempt(ed) to) start their business in industries that are characterized by a better than average growth or average growth. By far the most popular competitive strategy is the quality of products and/or services.

About two thirds of the participants described themselves more as an all-rounder, while one third saw themselves more as a specialist of some kind. Also about two thirds were working for another business at the moment of initial contact mid 2006 and almost three quarters of them were still working for this business at the moment of the follow-up survey.

Sixty-four percent sought advice from others about starting their business. Friends were most frequently mentioned as sources of advice while family, bank advisors/lawyers/accountants and previous colleagues were also rather frequently consulted. Remarkably, 36% attempt(ed) to start up a firm without asking for any advice.

Current or former employers can be important for mobilizing resources, 39% of the nascent entrepreneurs participating in the follow up survey benefited from knowledge and/or expertise that they were able to use from or have build up through experiences with current or former employers. Thirty – six percent received active support from a current or former employer in terms of capital, use of equipment and/or accommodation and assistance through orders.

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