

Global job hot spots

Help wanted

A global survey of Ernst & Young Entrepreneur Of The Year® Award winners
June 2012





We all love entrepreneurs for the gifts they give us. What would our world be without the bravado that Richard Branson brought to everything from travel to music? Or the humanity and warmth that Oprah Winfrey gave to the media we consume? Or a home of our own on the web created by Mark Zuckerberg? Our lives would be less rich.

But the truth is, we owe entrepreneurs for more than just their fantastic products and services. Each time their inspiration or idea becomes a reality, they raise standards of living by creating good jobs. And as the world struggles to pull itself out of a disheartening economic downturn, entrepreneurs provide a crucial resource in painfully short supply: optimism. Sheer priceless optimism.

We know this because of a recent survey we sent out to thousands of our Ernst & Young Entrepreneur Of The Year Award® winners. Since this is the world's most prestigious award for entrepreneurs, it is safe to say that we were talking to some of the most resourceful businesspeople on the planet. We learned that while other businesses struggled to create jobs, these entrepreneurs expanded their workforces by an average of 16% in 2011, that many of them expect to keep on hiring in 2012 and that most of them are creating good jobs that require university degrees or experience.

We also learned that the most important factor influencing their hiring plans, both at home and abroad, is growth in the markets for their products and services. In that sense, our entrepreneurs may well be the first businesspeople to spy land after a long choppy ocean voyage: they sense economic expansion ahead and they are sailing toward it.

Of course, successful entrepreneurs are often hard-bitten realists as well as visionaries. In Ireland, the US, the UK and Australia, the entrepreneurs we surveyed express little confidence in the overall direction of their country's economy. And less than a tenth of our go-getters worldwide are satisfied with the quality of their local workforce. Not to worry. These entrepreneurs are nonetheless doing what entrepreneurs do. They are overcoming the obstacles, starting new businesses and expanding their current ones, and, oh yes, boosting the global economy in their wake.

At Ernst & Young, we say, full steam ahead! Entrepreneurs give us confidence that we are motoring into a much brighter future.

Let's go!

Maria Pinelli
Global Vice Chair, Strategic Growth Markets

Executive summary

Good news



In the spring of 2012, Ernst & Young asked over 8,000 Entrepreneur Of The Year winners from 35 countries about job creation. Seventy-eight percent of the respondents had founded their companies, which had a median revenue in 2011 of between US\$25 million and US\$49.9 million.

Here is what we learned:

- ▶ **Entrepreneurs are creating jobs**, expanding their total workforce an average of 16% in 2011. In the US alone, where overall job growth has been slow, survey respondents grew their headcounts an impressive 18% in 2011.
- ▶ **They anticipate creating more jobs in 2012.** Sixty-eight percent expect to expand their workforce in the country where they are headquartered, and 44% expect to expand outside.
- ▶ **Many of the jobs they are creating are high-quality.** We asked the entrepreneurs to name the top two categories in which they'd done the most hiring in 2011. More of them hired more experienced non-management employees and entry-level employees with university degrees than they did administrative employees or entry-level workers without university degrees.
- ▶ **They expect to hire because they anticipate growth.** Asked to name the top three factors, both positive and negative, affecting their hiring plans in their headquarters country, "growth in our product/service markets" was by far the most important positive factor, followed by "technological/innovation improvements." Similarly, when the entrepreneurs who expect to hire outside their headquarters country in 2012 were asked why, 74% named "entering a new market" as one of the most important factors.
- ▶ **When hiring abroad, they are seeking growth opportunities, not to arbitrage labor costs or regulatory burdens.** Only 14% named "taking advantage of lower labor costs" and just 8% named "better government regulations, policies, and incentives" as important reasons to hire outside their headquarters country.
- ▶ **On the other hand, they believe that the public sector in their headquarters country could do better.** When the entrepreneurs surveyed were asked to name the negative factors affecting their 2012 hiring plans, government policies in areas such as education and fiscal balance were the most significant damper on hiring, followed by the regulatory climate.
- ▶ **In some regions, entrepreneurs lack confidence in the overall economic direction of their country.** Entrepreneurs in Ireland, the US, the UK and Australia are gloomy about their country's overall economy, while entrepreneurs in Latin America, Asia and, interestingly enough, the rest of Europe tend to be much more confident.
- ▶ **Entrepreneurs are on the whole not satisfied with the quality of their local workforces.** In choosing their top three positive and negative factors affecting their 2012 hiring plans, only 9% included the quality of the local workforce as a positive, whereas 13% indicated the local workforce as a negative factor.

However, even when the entrepreneurs we surveyed are not entirely satisfied with the context in which they are doing business, **they remain a positive force as individuals.** Since they founded their companies, over half have started a new business and 83% have created a new business within the company. And when they see a problem such as the quality of the labor force, many of them take steps to solve it: one in four survey respondents has created, endowed or served as the primary sponsor of an educational program.

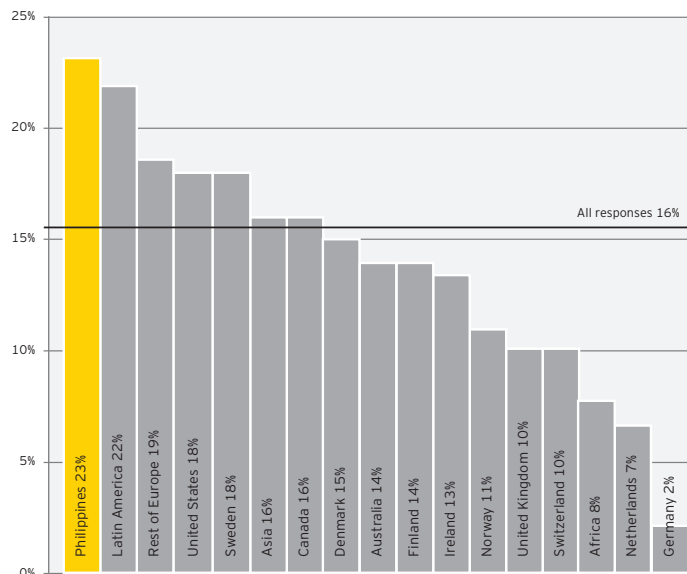


Got jobs?

In 2011, survey respondents increased their workforce substantially. Hiring by companies headquartered in Latin America was particularly strong. However, even in Europe – which is struggling with a sovereign debt crisis, the aftermath of the global recession and high unemployment in some countries – the entrepreneurs surveyed were creating jobs.

Sixty-eight percent of the entrepreneurs surveyed also anticipate increasing their workforce in the country where their company is headquartered in 2012. Forty-four percent expect to increase their workforce outside of their headquarters country.

When survey respondents were asked to name the countries outside of their headquarters country where they'd created the most jobs – the US, China, the UK and India were the top hot spots for foreign entrepreneurial companies.



Total workforce growth across all company operations 2011

Rest of Europe = Czech Republic, Estonia, France, Italy, Luxembourg, Poland, Russia and Slovakia
 Latin America = Brazil, Chile, Colombia and Mexico
 Asia = India, Indonesia, Japan, Malaysia, Saudi Arabia, Singapore and Syria
 Africa = Mozambique and South Africa

Experience counts

Many of the jobs that survey respondents create contribute to a higher standard of living. With the exception of Latin America, relatively few respondents hired mostly administrative workers in 2011.

Survey respondents describe their largest group of new hires

Respondents indicating they have hired:	US	Asia	Ireland	Canada	Australia	UK	Switzerland	Rest of Europe	Latin America
Experienced personnel	91%	87%	86%	83%	80%	75%	73%	60%	20%
Entry level personnel (with degree)	48%	48%	57%	26%	37%	47%	55%	56%	83%
Entry level personnel (no degree)	29%	35%	29%	22%	29%	42%	18%	23%	17%
Administrative personnel	14%	17%	7%	30%	23%	16%	27%	26%	50%

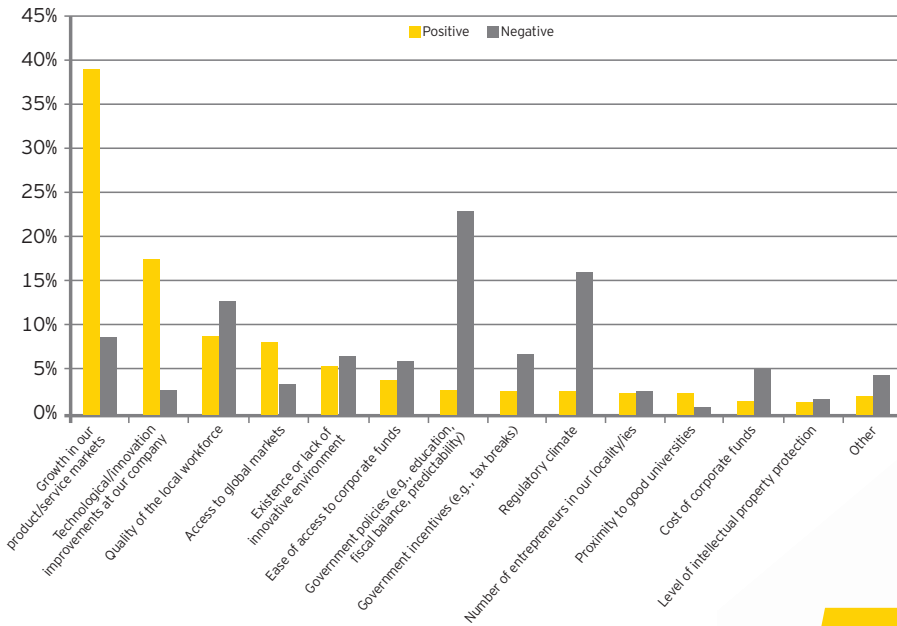
Full speed ahead

When survey respondents were asked which factors were affecting their 2012 hiring plans in their headquarters country, the most significant positive factor by far was growth in the market for their products and services. A desire to improve their technology or innovation came in second. The “not so much” reasons for encouraging growth include: an innovative environment (i.e., the “entrepreneurial cluster” theory), proximity to other entrepreneurs and good universities, and intellectual property protection. These were all considered less important by the survey respondents as a group.

Among the negative factors influencing hiring plans, government policies and the regulatory climate ranked first and second. Clearly, there is room for governments to take action to encourage job growth at entrepreneurial companies, or perhaps stay out of their way.

When survey respondents were asked to name the two reasons they were planning to hire outside their headquarters country in 2012, again, the growth opportunity attached to entering a new market was overwhelmingly the most important, cited by 74% of respondents. Just 14% cited lower labor costs and just 8% chose a more favorable regulatory climate, contradicting the conventional wisdom that these are the most important reasons why businesses create jobs in new jurisdictions.

Positive/negative factors affecting 2012 hiring plan



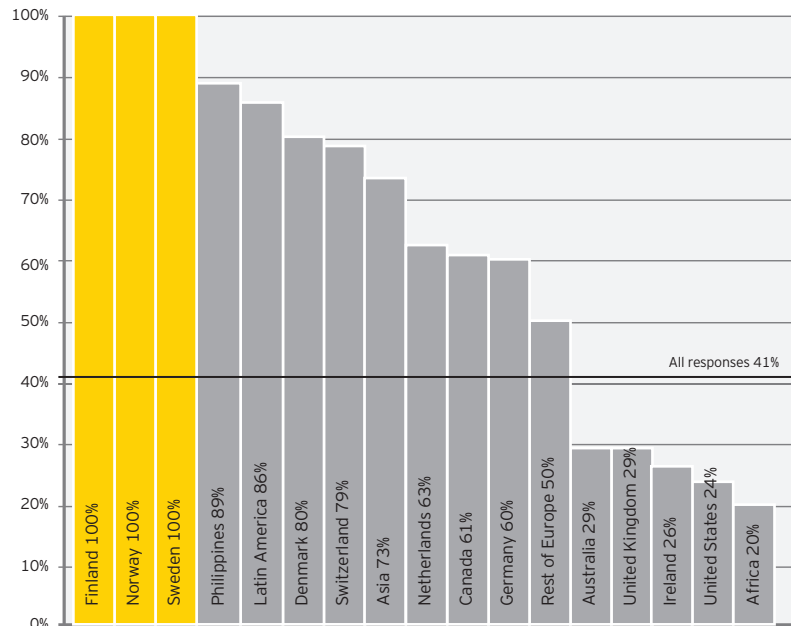
Help us keep this conversation going.

Feeling good?

There are wide differences by region in the degree of confidence survey respondents feel about their country's overall economic direction. Our Latin American entrepreneurs are overwhelmingly confident, as are entrepreneurs in Asia and Europe, except for Ireland and the UK. One reason for these exceptions could be that entrepreneurs in the UK and Ireland were battered by the recent financial crisis and thus not registering as terribly confident.

By sector, we learned that entrepreneurs in transportation, travel and tourism and financial services are the least confident about their country's economic direction.

Entrepreneurs in agriculture and agribusiness and education are the most confident about their country's overall economic direction.



Confidence about the economic direction of your country

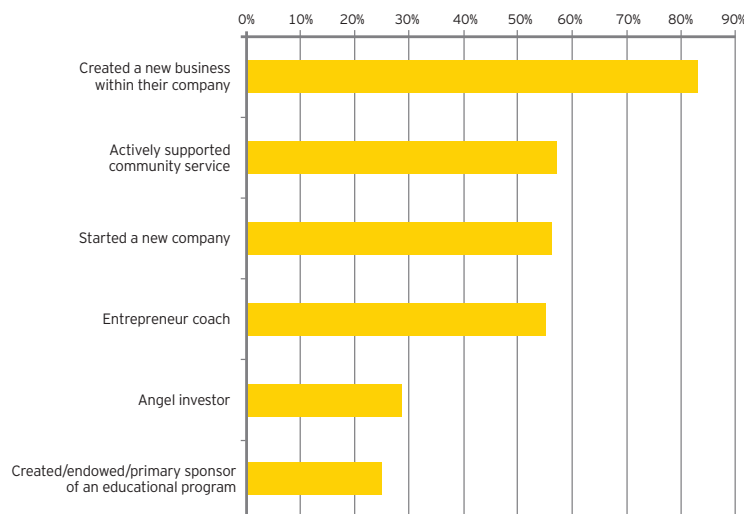
Can you imagine?

The true creative power of entrepreneurs was revealed when we asked survey respondents about other activities besides hiring. It seems that one good idea often gives life to another. Since founding their company, 83% had created a new business within its borders, and 56% had started a new company.

Our survey respondents are also giving back to their communities. Fifty-seven percent had actively supported community service, and 25% had created or funded an educational program.

Finally, many survey respondents are benefitting their economies by actively creating new entrepreneurs. Fifty-five percent had served as a coach for other entrepreneurs and 29% had acted as an angel investor for another start-up.

80% of respondents are not only their company founders but have contributed in these other ways:



We would like to add your opinion to our survey results the next time. Please contact Nancy Clark, World Entrepreneur Of The Year Program Director at nancy.clark@ey.com.

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