

PRESS RELEASE

18 February 2005

SINGAPORE'S RANKING IN ENTREPRENEURIAL PROPENSITY RISE AMONG OECD AND EAST ASIAN COUNTRIES

Background on Global Entrepreneurship Monitor (GEM)

The Global Entrepreneurship Monitor (GEM) is an international comparative research project that seeks to benchmark the level of entrepreneurial activities across countries. GEM was initiated in 1999 by leading scholars from Babson College and the London Business School, with strong support from the Kauffman Center for Entrepreneurial Leadership at the Ewing Marion Kauffman Foundation. The programme has expanded from ten countries in 1999, to 34 countries in 2004.

Since 2000, the National University of Singapore's Entrepreneurship Centre (NEC) has been carrying out the Singapore country study for GEM. While the overall summary findings on all 34 countries covered in the GEM study in 2004 was released in London in January 2005, NEC will present their detailed findings on the GEM study done in Singapore in 2004. The detailed findings will be presented in comparison with findings for the other OECD and East Asian countries, using data from both the GEM surveys as well as other data compiled by the Singapore country research team at NEC.

Key GEM Singapore 2004 Findings

The level of entrepreneurial propensity in Singapore for year 2004, as measured by the Total Entrepreneurial Activity (TEA) rate, has risen to 5.7% compared to 5.0% in 2003. However, due to error bounds in estimating TEA based on survey data (95% confidence error bound for TEA rate in 2004 is between 5.0% and 6.4%), the actual trend may be one of only marginal

increase. Globally, TEA is unchanged between 2003 (7.8%) and 2004 (7.8%) for the 27 countries covered in both 2003 and 2004 studies. Singapore's relative ranking among the OECD and East Asian countries has improved slightly from 14th of 21 in 2003 to 11th of 21 in 2004.

The change in aggregate entrepreneurial propensity in Singapore between 2003 and 2004 is found to vary according to different constituent components, and can be attributed to an increase in new business prevalence rate from 2.3% in 2003 to 2.8% in 2004, with "nascent" business rate staying more or less constant at 3.0%. There was also an increase in "opportunity" entrepreneurship rate from 3.9% in 2003 to 5.0% in 2004, while there is a slight fall in "necessity" entrepreneurship rate from 1.0% in 2003 to 0.6% in 2004. In terms of gender, there was an increase in prevalence of male entrepreneurship rate from 6.5% in 2003 to 8.2% in 2004, while there is little change in the entrepreneurial propensity of females.

Apart from entrepreneurial propensity indicators, we used other GEM indicators in 2004 to benchmark the pattern of entrepreneurial activities in Singapore and globally.

- The indicator of "high growth potential" entrepreneurship is defined as new start-ups that indicated they intend to employ at least 20 people. Singapore's high employment growth potential TEA rate is 1.1% in 2004, slightly higher than 0.8% in 2003 and higher than the average of 0.6% for all 34 GEM countries in 2004. This ranked Singapore 4th of the 22 OECD and Advanced East Asian countries with available data in GEM 2004, improving from 12th position in 2003.
- The measure of entrepreneurial intention rate is defined as the proportion of adult population that has not yet engaged in any start-ups or new businesses but expect to start a new business in the next 3 years. The intention rate for Singapore in 2004 was found to be 13.5%, an improvement from 11.2% in 2003. This ranked Singapore 7th out of the 24 OECD and Advanced East Asian countries, rising from a ranking of 10th in 2003.
- The exit rate of businesses is defined as the proportion of adult population that has in the past 12 months discontinued any form of self-employment. The rate for Singapore in 2004 was found to be 2.2%, increasing slightly from 1.5% in 2003.

These additional indicators support the finding that entrepreneurial activity in Singapore has picked up pace in 2004, with increased interest in starting new ventures among Singaporeans, and only marginal increase in the rate of business discontinuance. Improvement in Singapore's rankings vis a vis OECD and East Asian countries further affirms this finding.

In tandem with the increase in entrepreneurial activities in 2004, Singapore's environment for raising capital for entrepreneurial ventures also appears to have improved compared to 2003. Singapore's business angel prevalence rate for 2004 is 2.7%, reversing the decline seen in 2003, when the business angel rate fell from 3.6% in 2002 to 1.6%.

Consistent with the above picture of improving entrepreneurial activities, the 36 expert informants comprising entrepreneurs, policy makers and venture capitalists that we interviewed this year rated Singapore's environment for entrepreneurship to be generally favourable in 2004. A number of dimensions registered improvement in experts' assessment; particularly, the effectiveness of R & D transfer, the availability of capital and government policy support. Across the different dimensions of the GEM framework, experts indicated that that Singapore performed best in terms of "access to physical infrastructure", "effectiveness of university, management education and training" and "government policy support". Areas in which Singapore was rated relatively lower were "effectiveness of primary and secondary education and training", "rapidity of change in markets" and "market accessibility". However, compared to the OECD and East Asian countries, Singapore's environment was rated higher on most of the dimensions of the GEM framework.

Notwithstanding the favourable evaluation of Singapore's entrepreneurship environment by expert informants, the survey of adult Singaporeans surfaced several key measures in which Singapore is relatively weaker than other countries. These are:

- Skills perception: The proportion of adults who perceive himself/ herself to have the skills to start a business was only 26.1% in Singapore, compared to the global average of 46.2%.
- Perception of opportunity: The proportion who perceives good start-up opportunities in the next 6 months was 16.3%, much lower than the global average of 37%.

- Social and Cultural-related measures: A number of indicators, including several newly introduced ones, highlight social and cultural barriers as being an issue of great concern in the context of Singapore. The proportion of Singaporeans who personally know an entrepreneur (25.8% compared to 40.8% globally) and who indicated fear of failure is not a deterrent (62.3% compared to 63.3%) are both below the GEM global averages. Additionally, two new indicators show that cultural attitudes towards entrepreneurship are less favourable in Singapore. Only 49.1% of Singaporeans felt that starting a business is a good career choice, compared to an average of 59.5% in the OECD and East Asian countries. This ranked Singapore a lowly 22 of 24 countries. Furthermore, only a slight majority of Singaporeans (53.1%) believe that new business success is accorded with high status in this country. This compares with an average of 67.4% in the OECD and East Asian countries, ranking Singapore last of the 24 countries.

In summary, new business start-up propensity in Singapore appears to have increased slightly in 2004 compared to 2003. It is heartening to note that this increase is likely to be due to an increase in opportunity-driven entrepreneurship, while necessity-driven entrepreneurial activities in fact declined slightly in 2004. This could be attributed to the recovery from the adverse impact of SARS, stronger economic growth in 2004, and the government's consistent encouragement for entrepreneurship. Notwithstanding the success of existing measures, new GEM indicators have drawn attention to issues of cultural mindset and attitudes towards entrepreneurship in Singapore.

Policy Implications for Singapore

As pointed in last year's GEM Singapore report, it is not TEA in general, but high-growth potential entrepreneurial ventures that contribute significantly to economic growth. Thus, while policy measures to encourage entrepreneurship in general should be continued, we continue to advocate that more attention should be paid to the promotion of innovation-driven start-ups with high-growth potential. Successful models of measures to support innovation and IP exploitation in start-ups are found in the SBIR and STTR schemes administered by the Small Business Administration in the USA. Therefore, we strongly recommend that the Singapore government adapts some version of these schemes for pilot implementation in Singapore.

We have also pointed out last year that an important environmental factor to enhance high growth potential entrepreneurial propensity is informal capital. The prevalence of business angels in Singapore rose in 2004, due in part to the effectiveness of government schemes such as SEEDS. It is therefore essential that such schemes be continued.

Most importantly, the findings from this year's GEM study highlight the need to change the mindset of Singaporeans towards entrepreneurship. Social norms and cultural values in Singapore do not accord high status to successful entrepreneurs, nor is entrepreneurial activity regarded as a good career choice. Although cultural values and mindsets often take a long time to change, our study highlights the urgent need to start addressing this culture issue in order for entrepreneurship in Singapore to be raised to higher levels in the long run.

ABOUT NUS ENTREPRENEURSHIP CENTRE

In line with the strategic vision of National University of Singapore (NUS) to become a global knowledge enterprise, the NUS Entrepreneurship Centre has been established with the mission to nurture the spirit of entrepreneurship and innovation among the NUS community through education and outreach activities, and to advance knowledge of technology venturing practice through research. A university level centre and a unit of NUS Enterprise, the centre integrates its three main functions -- entrepreneurship education, research and outreach -- in a synergistic manner to inject an entrepreneurial dimension to NUS education, to mentor technology spin-offs by NUS professors, researchers and students, and to provide entrepreneurial thought leadership to the venture community of Singapore and beyond.

More information on the centre's activities can be found at: <http://www.nus.edu.sg/nec>

ABOUT NUS ENTERPRISE

In support of the University's drive towards being a leading entrepreneurial university, the NUS Enterprise Cluster was set up to inject an enterprise dimension to NUS teaching and research involving NUS students, staff and alumni. NUS Enterprise is also the University's Free Enterprise Zone where innovation and creativity are freed from traditional rules, allowing greater flexibility and faster response.

NUS Enterprise aims to provide entrepreneurship education and nurture talents with a global mindset; identify, protect and commercialize intellectual property; nurture NUS spin-offs and start-ups; foster industrial collaboration; and facilitate the dissemination of NUS knowledge to the external community. The units of the NUS Enterprise Cluster are the NUS Overseas Colleges, NUS Entrepreneurship Centre, NUS Industry & Technology Relations Office, NUS Venture Support, NUS Consulting, NUS Extension and NUS Publishing.

For more information about NUS Enterprise, please visit: <http://www.enterprise.nus.edu.sg>

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