

Growing Beyond

Funding the future

Access to finance for entrepreneurs in the G20

Produced for the G20 Young Entrepreneur Summit, June 2012



Welcome



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Welcome to *Funding the future* – a white paper from Ernst & Young that analyzes the opportunities and issues around access to finance for entrepreneurs in the G20 markets.

It has long been recognized that entrepreneurs play a crucial role in economic development.

By acting on previously unnoticed opportunities and developing innovative, new products, services or processes, entrepreneurs increase productivity, introduce new demand, stimulate competition and create new employment.

At a time when many developed economies are facing a weak economic outlook, the importance of nurturing entrepreneurial ventures is greater than ever. High-growth entrepreneurial companies will play a particularly important role in this rebalancing of the economy. Their rapid rate of expansion means that they have greater potential to create jobs at a time when many G20 countries are facing stubbornly high rates of unemployment. The creation of a stronger private sector requires a set of policies that will stimulate business activity, enabling companies to create employment and invest in profitable new opportunities.

Entrepreneurship is also vital to the future of rapid-growth markets. Although many of these economies have enjoyed high rates of GDP growth for the past decade, their strong performance has often depended on low-cost exports, a commodity price boom and large-scale investment in infrastructure. In the coming years, these markets must rebalance their economies towards greater domestic consumption, import demand and higher-value business activity. The creation of an environment in which entrepreneurship can flourish will be an important step in achieving these objectives.

Across every G20 country, a crucial factor that will determine the success of entrepreneurship is access to finance. Without the ability to secure funding, entrepreneurial companies will be unable to reach their growth potential and may not survive at all. One of the crucial requirements for an environment in which entrepreneurship can flourish is a financial system that supports entrepreneurs by expanding both traditional and innovative forms of lending. We believe that if governments can help promote a best-case scenario, in which new forms of lending expand rapidly and traditional lending grows faster than GDP, then by 2020 the financial system might be able to support double today's number of SMEs. Imagine how many more jobs there could be.

We have more than 30 years' experience working with the world's most dynamic growth businesses and with the governments that set the policy framework within which entrepreneurs operate. We believe that when the two work effectively together, they can change lives and change nations. We hope that this report and the perspectives it offers will be of use to entrepreneurs, governments, regulators and the investment community. We are happy to provide further insight on request.



Alberto Espinosa Desigaud
President
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Young Entrepreneurs
COPARMEX

Let us overcome the challenges to finance growth.

The environment for entrepreneurs is still not very optimistic for the rest of 2012; the signs tell us that our slow recovery in the global economy will continue.

According to the International Monetary Fund, it will take a decade for the Eurozone to get out of the crisis. In 2013, the economies with major problems in the region will hit bottom. This means that uncertain moments are ahead.

The fourth Global Summit of Young Entrepreneurs (G20 YES), to be held in Mexico City in June as part of the G20 meeting, is a convenient space to analyze and discuss solutions for the 20 attending countries' main challenges.

This white paper produced by Ernst & Young for the summit comes just at the right moment: the access to funding, which is one of today's major obstacles to the creation, survival and growth of enterprises, will be the main topic. This will be especially helpful for small and medium companies, which are the engine of our economies.

Young entrepreneurs have the great challenge of finding new paths and ways to get resources to achieve sustainable growth.

Information is power. In here, young entrepreneurs will be able to find a guide to lead and strengthen their projects, even in times like these, which are uncertain for the global environment and businesses.

Governments will have enough access to indicators that will help them improve their policies to design adequate financing schemes. With these, they can promote the development and multiplication of successful and sustainable business projects toward the creation of the jobs demanded by millions of people who join the labor market each year.

The main challenge is finding ways to improve the environment where young entrepreneurs work in each G20 country.

With this kind of initiative, Coparmex and its National Committee of Young Entrepreneurs seek to help entrepreneurs assume their leadership and become great agents of change who transform their country – starting with their families and businesses and participation in far-reaching initiatives, such as the fourth Global Summit of Young Entrepreneurs.

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Executive summary

Access to finance remains a critical barrier to the success of entrepreneurial businesses. Among the entrepreneurs surveyed, almost two-thirds say that they find access to finance difficult in their country. Despite intervention by a number of G20 governments, bank lending remains difficult to obtain, particularly in the early stages of growth. Risk aversion among institutional and other investors has also made it more difficult to obtain equity finance. Regulatory initiatives aimed at strengthening the financial system can exacerbate the challenges that entrepreneurs face.

In this report we assess the key funding challenges and provide recommendations for action that could be taken by entrepreneurs and governments at each of the four stages of entrepreneurial development:

- **Pre-seed and seed**
- **Start-up**
- **Emerging growth**
- **Expansion**

Our findings are based on research done by Ernst & Young in 2011 for our Entrepreneurship Barometer, *Entrepreneurs speak out: call to action for G20 governments*, an analysis of the G20 ecosystem. The building blocks for analysis include a perception survey of more than 1,000 entrepreneurs across the G20, approximately 20 interviews with entrepreneurs and funders, quantitative research into funding levels and our own analysis of G20 government leading practices.

Executive summary

Key findings

Access to funding remains difficult, though opportunities in rapid-growth markets have improved.

In the past five years, access to finance for entrepreneurs in rapid-growth markets has eased across most categories. By contrast, their peers in developed markets have seen a significant deterioration in most areas, although intervention by central banks and governments has helped. But despite the catch-up in financing availability across rapid-growth markets, current options remain limited, and most are starting from a low base. Tightening of credit in key rapid-growth markets, such as China, could have an adverse economic impact.

Access to finance at the seed and pre-seed stages remains extremely challenging.

As venture capital (VC) firms, banks and even business angels focus their attention on later-stage ventures that are perceived as lower risk, seed-stage companies face a shortage of viable funding options. Governments can play an important role in filling gaps in seed funding, through grants and other forms of public aid. But there are market solutions also emerging, such as crowdfunding, which could provide an important source of finance for entrepreneurs seeking early-stage finance.

Business angels are becoming a more important source of finance for promising start-ups.

At the start-up stage, business angels are filling some of the gap left by traditional VC, which now tends to focus on later-stage companies. This is a welcome development, but more needs to be done to formalize business angel networks and to connect investors with promising ideas. Government can support the development of business angels through tax policy or by matching finance through co-investment funds.

Credit guarantee schemes have emerged as an important way of keeping bank lending windows open.

Lending from banks is a vital source of funding to help growing businesses. But as the recent financial crisis has shown, entrepreneurs cannot rely on bank finance to be available at every stage of the business cycle. Governments can play an important role in supporting the availability of bank finance by putting in place credit guarantee schemes that give financial institutions greater confidence that funds will be reimbursed in the event of a default.

Corporate venturing could re-emerge as a powerful complement to traditional VC funding.

Many companies have emerged from the financial crisis in a cash-rich position and in need of innovative new ideas. This could set the scene for a new wave of corporate venturing as large organizations try to tap into the dynamism and innovation of entrepreneurial businesses.

In developed markets, regulatory change could help to unblock IPO markets.

Recent legislative changes in the US that allow certain emerging growth companies that have recently completed an IPO to obtain a deferral or relaxation of certain securities regulations have the potential to kick-start a new wave of listings from companies that have been previously deterred from going public. In turn, this could reinvigorate VC flows because investors will have more exit options. But companies must pay sufficient attention to due diligence and corporate governance to ensure that investor confidence is not undermined by unduly poor performance or the revelation of fraud.

In rapid-growth markets, private equity (PE) is becoming a viable financing option for smaller entrepreneurial businesses.

Many PE firms are starting to focus on smaller, mid-market deals to generate returns. In rapid-growth markets, PE is playing an important role in filling funding gaps. Local PE firms are becoming more commonplace, taking minority stakes in local companies and helping them grow through the provision of advice, management capabilities and operational improvements.

Governments should consider policies that target entrepreneurs with the greatest impact.

High-impact entrepreneurs, those that create companies with above-average impact in terms of job and wealth creation, represent a key target for government incentives because their rapid growth rates mean that they will contribute most to job creation and economic growth. But governments must be careful to balance this with an inclusive approach. Selective incentive programs could be perceived as discriminatory against companies that do not meet the criteria. At the same time, a universally available program may be regarded as a waste of government resources. Governments must strike a careful balance between the two and make use of non-financial incentives, as well as financial, to provide broader support.

Make it easier for corporations to spend mountains of cash.

In spite of the financial crisis, many companies have accumulated a large amount of cash on their balance sheets. Governments should encourage corporations to make more productive use of these funds, particularly through channels such as corporate venturing or support to entrepreneurs through procurement. By providing tax relief to corporations on investments in new ventures and entrepreneurial businesses, governments can nurture a new wave of innovation and growth.

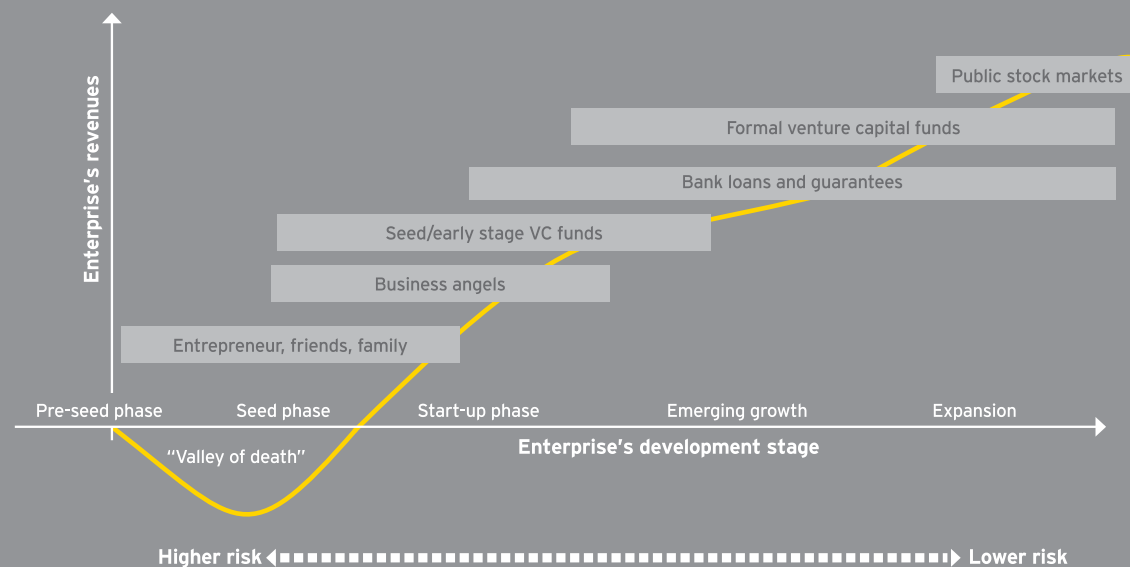
The financing landscape for entrepreneurs

Challenging financial conditions continue to pose a threat to the survival of entrepreneurial businesses. Although the supply of funds has been greater in rapid-growth markets, and although there has been some progress in new sources of funding, such as small-scale equity investments, in mature markets, the global situation for fund-raising remains considerably weaker than it was in 2007. To mobilize the latent energy of the small and medium enterprise (SME) sector, greater attention must be paid to strengthening the financial landscape.

An effective funding environment means that entrepreneurial companies must be able to access finance at every stage of their development. Traditional approaches to financing these businesses envisage series of funding stages, whereby companies move from pre-seed and seed, through to start-up, emerging growth and expansion. At each stage, there should be sources of finance available, and at least in theory, a smooth transition should be possible between forms of finance.

Of course, no two businesses are alike, and in reality, there is no idealized trajectory in which companies seamlessly move from one type of finance to another as they grow. Some may access certain types of funding and not others, and some may jump from one form of funding to another that is more typical of a later stage in the growth journey. But while no two companies are alike in how they access different forms of funding, there is clear evidence that large gaps have appeared along the funding escalator in the wake of the financial crisis. These gaps make it difficult for entrepreneurial companies to start up and grow and mean that they are unable to play the role that they should in enabling a sustained economic recovery.

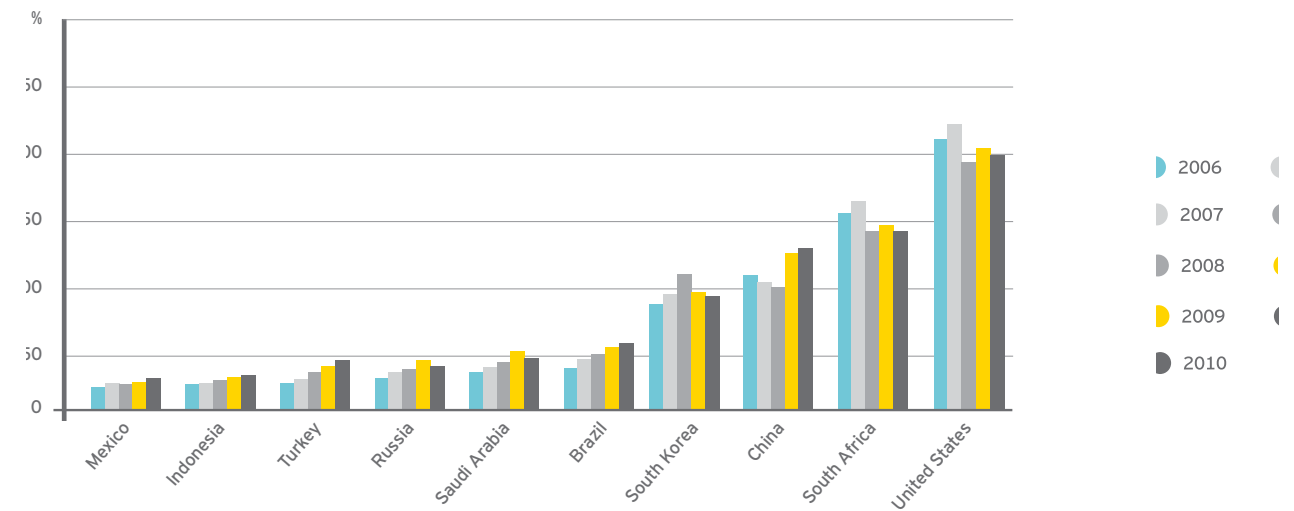
SME development and funding instruments



Source: Renda et al., (2006).

The financing landscape for entrepreneurs

All bank lending (stock as % GDP)



Source: World Bank, Thomson Reuters, Oxford Analytica.

Access to funding continues to be one of the most significant challenges for the creation, growth and survival of SMEs, particularly innovative ones. According to a survey of 1,001 entrepreneurs conducted by Ernst & Young in 2011, almost two-thirds of respondents reported that it is difficult for entrepreneurs to access funding. Young entrepreneurs however, face even greater challenges, and countries burgeoning with youth unemployment need entrepreneurship to stimulate job creation.

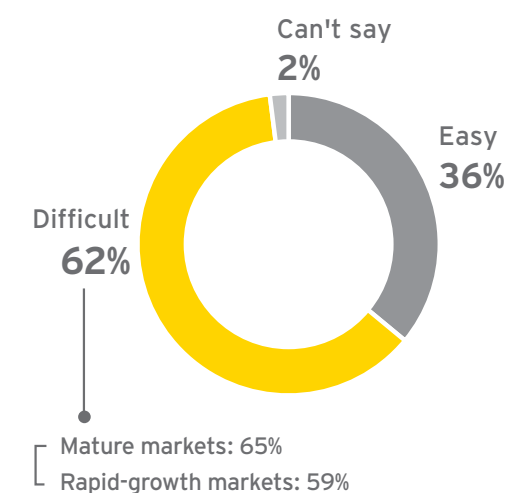
But beneath this headline figure, perceptions across the G20 vary widely from country to country. At the more positive end, almost three-quarters of respondents from Saudi Arabia think that access to funding for local entrepreneurs is easy, while almost two-thirds from China hold a similar view. In recent years, the Kingdom of Saudi Arabia has undertaken numerous initiatives to ease the regulatory burden for new businesses and facilitate bank lending to entrepreneurs, albeit from a low base. China, meanwhile, has benefited from a booming VC industry, a high IPO rate and a combination of policies designed to boost entrepreneurship.

At the other end of the spectrum, few respondents from Russia, France or South Africa regard the funding situation as straightforward for entrepreneurs. The challenges that entrepreneurs face in these countries range from high levels of bureaucracy to shortages of credit in markets where dependence on bank funding is high. The bank lending chart above shows that some countries have very low bases for bank lending, measured as a share of GDP, suggesting that banks in these countries remain at an early stage of development.

In general, however, there is a marked divergence between rapid-growth markets, where respondents say that access to funding has improved compared with five years ago, and developed economies, where entrepreneurs have found it increasingly difficult to finance start-ups and growth since 2008. Respondents from rapid-growth markets say that they have seen an improvement in access to finance across all funding instruments, whereas entrepreneurs from mature markets point to deterioration across the board, with the exception of business angel investments.

While it is clear that the situation in rapid-growth markets has improved, one should not forget that the availability of funding is coming from a low base, as certain forms of finance have only recently become available. This means that, in absolute terms, it may still be harder for entrepreneurs to access certain forms of finance than in developed markets, where there is more established infrastructure. But nevertheless, there are clear signs that funding availability is catching up with more mature markets across a variety of channels, including VC, PE and IPOs. This could mean that the competitiveness of developed markets starts to erode.

Do you think that access to funding for young entrepreneurs is easy in your country?

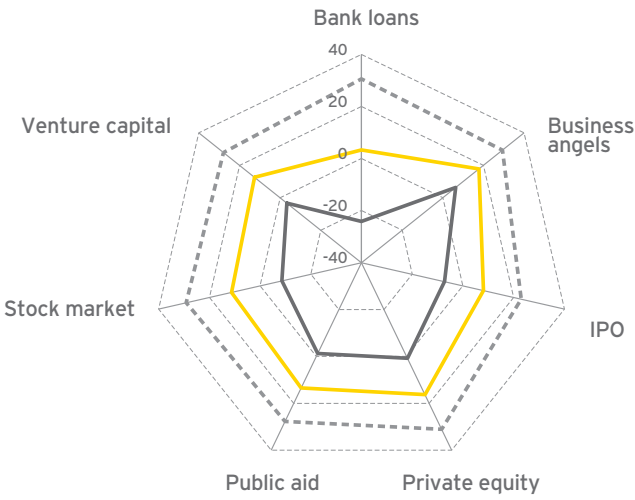


Source: The Nice Côte d'Azur 2011 Entrepreneurship Barometer by Ernst & Young.

Improvements of access to funding

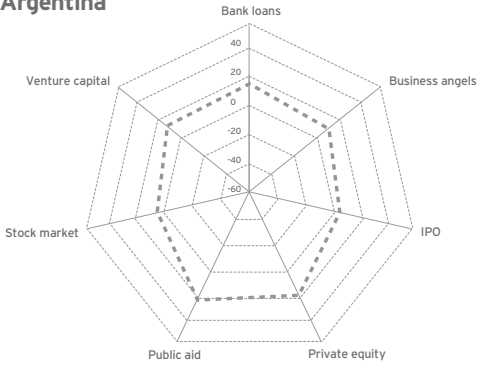
For each of the following funding instruments, do you think that access to funding for entrepreneurs has improved in the past five years in your country?

G20 countries

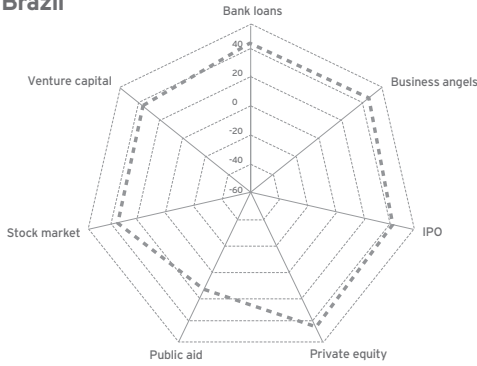


- Mature markets
- - - Rapid-growth markets
- G20

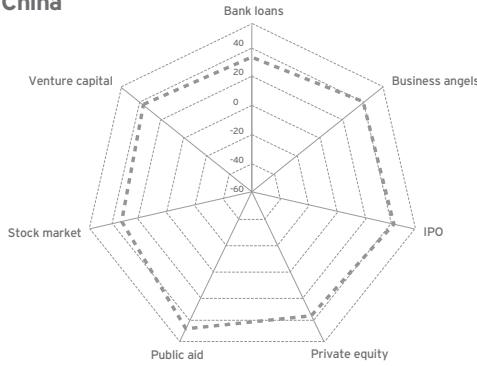
Argentina



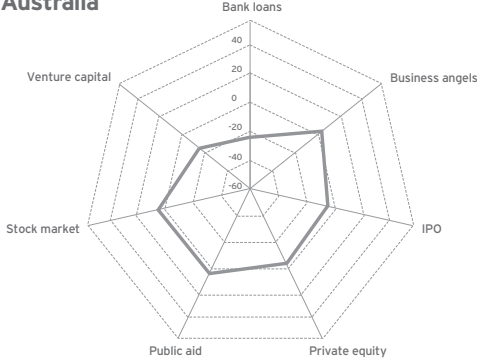
Brazil



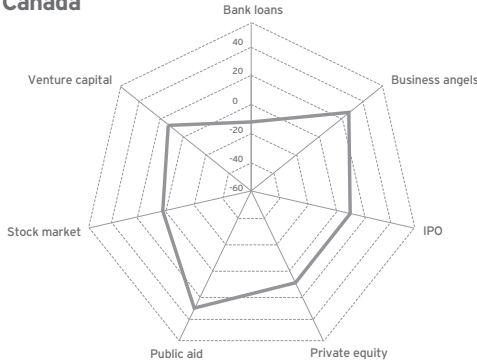
China



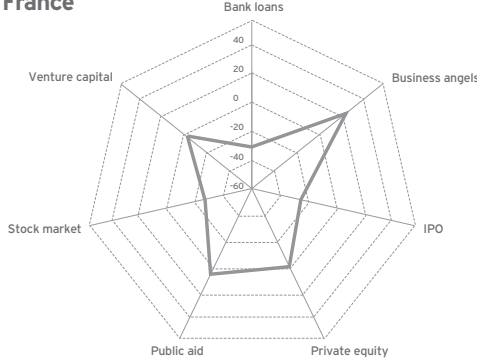
Australia



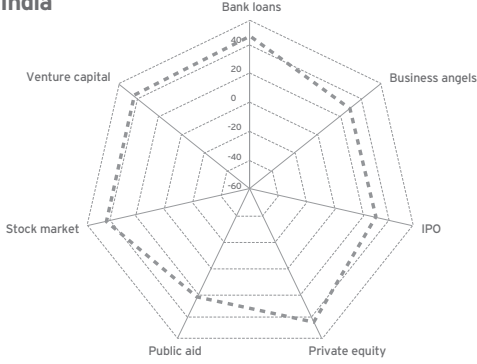
Canada



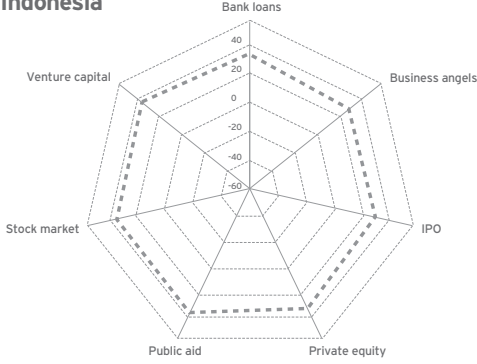
France



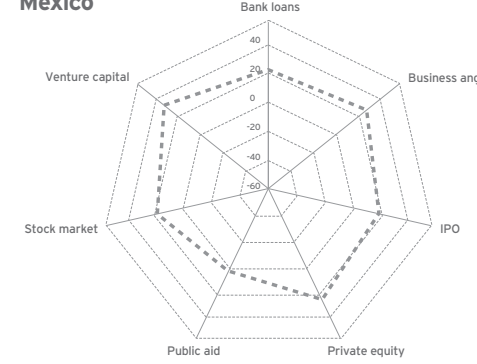
India



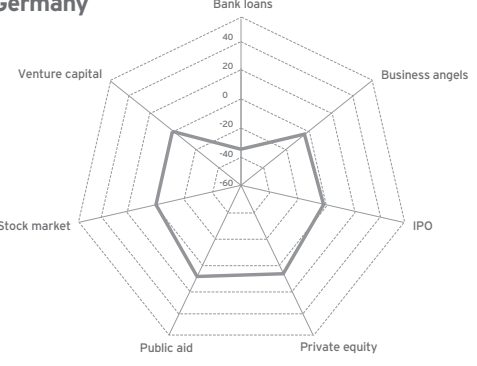
Indonesia



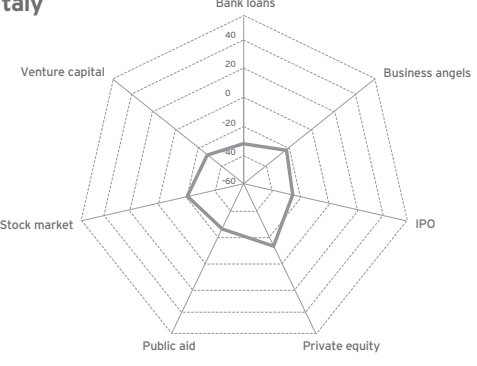
Mexico



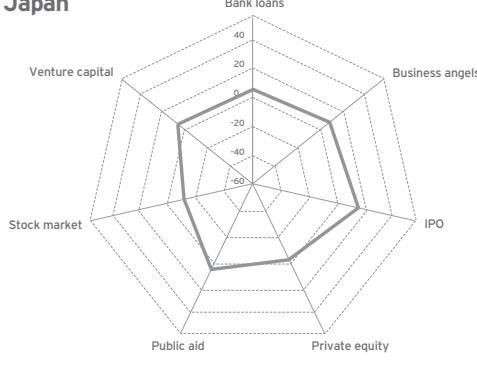
Germany



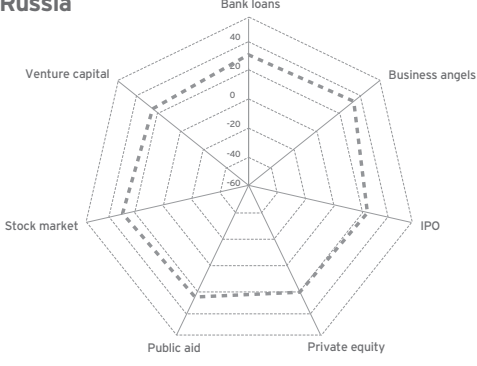
Italy



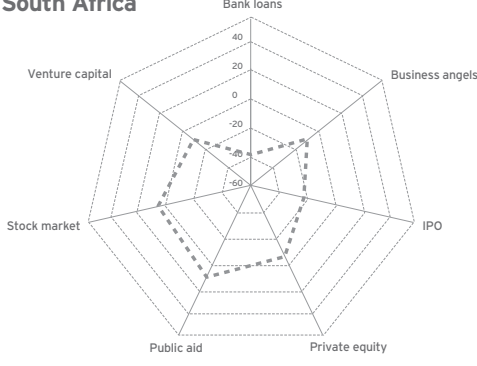
Japan



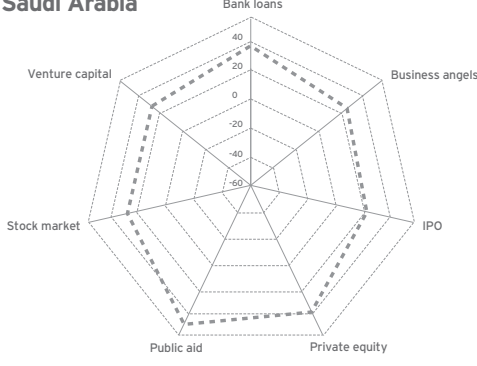
Russia



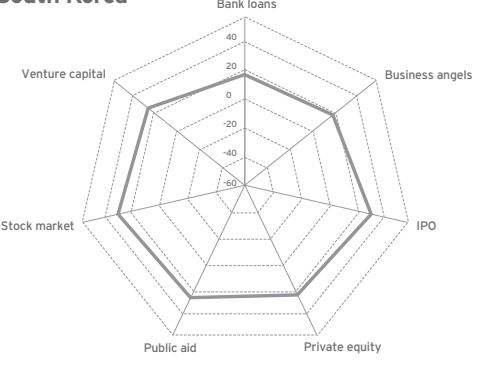
South Africa



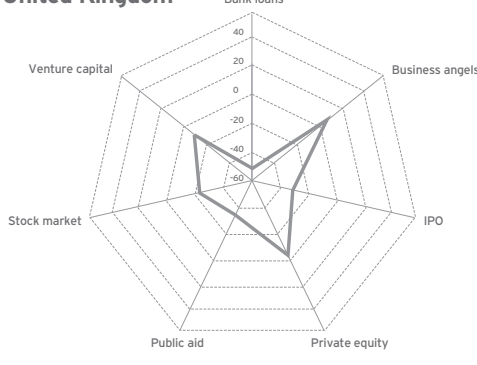
Saudi Arabia



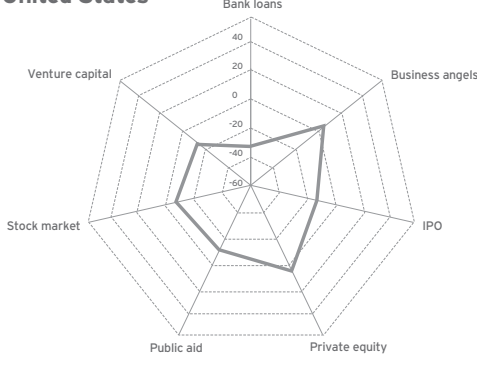
South Korea



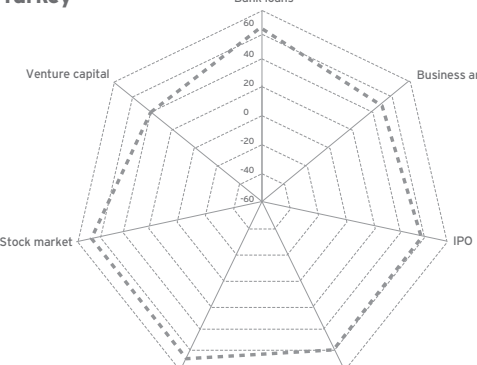
United Kingdom



United States



Turkey

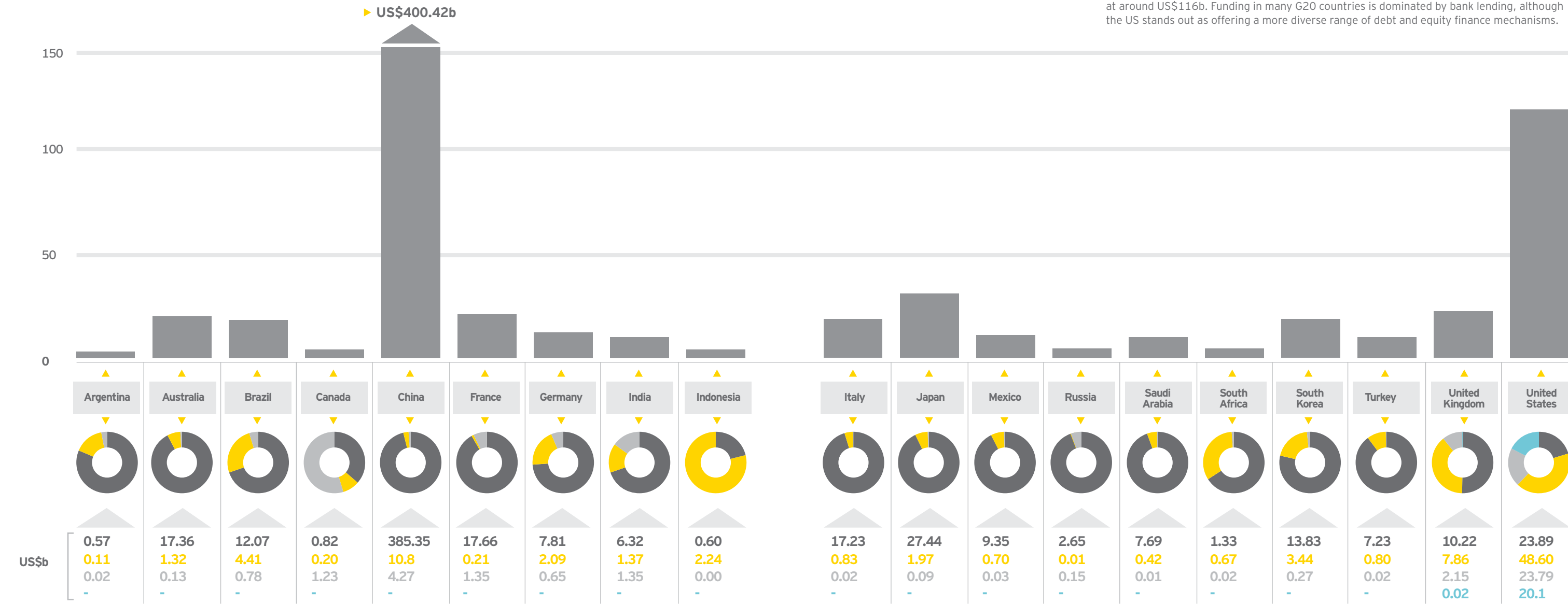


This set of charts shows how perceptions of the availability of funding for entrepreneurs have changed over the past five years across the G20 countries. A positive rating denotes a perceived improvement in the availability of that funding mechanism,s while a negative figure denotes a deterioration.

One general theme that can be observed is the significant difference between developed and rapid-growth markets. For the most part, respondents from developed markets say that the availability of finance across most types has either stayed the same or deteriorated. One notable exception is South Korea, where most entrepreneurs point to an improvement in availability. In rapid-growth markets, however, the overall theme is one of an improvement, although again there are exceptions, such as South Africa. It should also be remembered that, in most-rapid growth markets, the availability of funding is starting from a relatively low base.

The SME funding picture in G20 countries

National breakdown for SME investment



Despite being key engines of economic growth, SMEs attract just a tiny proportion of overall investment for 2010 in the G20 countries. Not all SMEs are entrepreneurial, but they provide the best approximation for international comparisons of entrepreneurial funding. Overall investment in SMEs across the G20 stands at US\$714b. 6.2% of the total US\$11,507b spend for all other forms of investment. By far the biggest share of this comes from bank lending, at US\$569b.

Looking at the funding picture in individual countries, China dominates with investment in SMEs of just over US\$400b, of which US\$385b is bank lending. The United States follows at around US\$116b. Funding in many G20 countries is dominated by bank lending, although the US stands out as offering a more diverse range of debt and equity finance mechanisms.

G20 annual SME investment



Pre-seed and seed stage

Companies at the very earliest stage of their development continue to face challenges in securing access to funding, but innovative new channels have the potential to improve the situation.

At the pre-seed and seed stage of growth, the entrepreneurial business is just being established. It is likely to be focusing on research and development to determine its product or service, or working on a prototype model to assess the viability of the venture. In many cases, financing needs will still be reasonably small and are possibly even lower than they were a few years ago, thanks to the reduced cost of technology and new innovations, such as cloud computing.

At this stage, the cost of development can often be covered by the entrepreneur's own savings, government grants, R&D tax credits, or the intervention of friends and family. New technologies, such as Facebook, Twitter and other social media, can extend the opportunities to acquire finance from friends and family because they broaden the entrepreneur's network.

Most formal investors, such as VC firms, are unwilling to make equity investments at the seed stage. Seed investments are high risk and are likely to take many years before generating a return. They are also very difficult to value because the revenue potential remains uncertain. Even business angels are typically reluctant to invest at the seed stage. According to some estimates, only between 2% and 3% of business angel investments are allocated to companies at the seed stage.¹

Microfinance service intermediary

TANG Ning

Founder and CEO, CreditEase



CreditEase is China's inclusive finance and wealth management services company. Set up in 2006 by TANG Ning, Founder and CEO, the company utilizes innovative models such as support group and peer-to-peer lending for risk control and funding, in urban and rural areas of China where there is a dearth of available finance. Today it has a 200,000-strong customer base, across 50 Chinese cities and 20 rural locations, with expansion in a number of new cities expected in the coming months.

The company's target market is micro-entrepreneurs who cannot access traditional sources of finance due to a lack of collateral. Ning estimates there are between 50 million and 100 million micro-entrepreneurs in Chinese cities, with a further 100 million to 200 million in rural areas, all looking for credit.

CreditEase has developed its proprietary credit-scoring system, which assesses an applicant's creditworthiness and makes a recommendation in terms of the amount, duration and interest rate. Lenders receive a rate of 8% to 12%, while borrowers pay a total cost averaging about 20%, once additional charges and CreditEase fees are added. The average loan duration is two years, with losses of about 2%. CreditEase has attracted a number of world leading private equity investors.

Pre-seed and seed stage

“One way to mitigate risk is to ensure strong mentorship ecosystems are developed. Money without mentorship for new innovators, especially young entrepreneurs, is not a formula for return on investment.”

Randall L. Tavierne, Partner, Global Strategic Growth Markets, Ernst & Young LLP

Crowdfunding: a promising idea

With seed capital increasingly difficult for entrepreneurs to source, a number of alternative funding mechanisms are emerging that could help to fill the gap. In rapid-growth markets, microfinance has become established as a way of lending to small-scale entrepreneurs in a way that bypasses traditional lending channels. Peer-to-peer lending is also emerging as a feasible route to meeting demand that cannot be filled by the traditional banking sector.

These peer-to-peer channels are not unique to rapid-growth markets. One particularly interesting approach that is emerging in more developed G20 countries is crowdfunding, which is a way of attracting small amounts of funding or donations directly from multiple investors using social media and internet channels. In the past few years, crowdfunding has become increasingly popular, particularly in creative industries, such as film and publishing, and in social enterprises. It is typically a form of debt finance, rather than equity, as there may be restrictions in some countries on providing equity stakes through crowdfunding mechanisms.



¹ C M Mason, "The informal venture capital market in the United Kingdom: adding the time dimension," in J E Butler et al., *Venture Capital and the Changing World of Entrepreneurship* (Information Age Publishing, 2006), pp. 137-171.

Currently an estimated



crowdfunding platforms exist around the world²

The sector is still at an early stage of development, but it does show potential to fill some of the gap left by the decline in availability of traditional seed capital. It has strong political momentum behind it, with US President Barack Obama describing it as a key part of “the backbone of an America built to last.” The JumpStart our Business Startups (JOBS) Act, which consists of measures to support small businesses seeking capital, included provisions to expand the use of crowdfunding. Under the Act, entrepreneurs would be able to accept and pool donations although these would be limited to the lesser of either US\$10,000 or 10% of the investor’s income and a maximum of US\$1m in a 12-month period.

There are barriers, however. Although the JOBS Act has now been signed into law, there were concerns raised that more needs to be done to protect investors in crowdfunding schemes from fraudulent operators. Some entrepreneurs are also reluctant to use crowdfunding because they fear that the level of disclosure required could compromise confidential intellectual property. But with the right regulation and the right business model behind it, crowdfunding could grow significantly and help entrepreneurs overcome the barriers of obtaining funding at the seed stage.

Crowd-sourced funding platform for entrepreneurs

Crowdcube plc.

Launched in February 2011, Crowdcube is a UK-based online funding platform that allows companies to raise equity funding directly from members of the public. To date, 15 small businesses have raised some £2.8m via the Crowdcube platform – including the company itself, which recently raised £300,000 from 162 investors.

At its core, Crowdcube seeks to match entrepreneurs with investors. Entrepreneurs create an online pitch and then promote it to people who might want to invest in their business – from traditional funders such as friends and family, to colleagues,

customers and suppliers. The site also allows companies to spread the word about a pitch using social networking tools, such as Facebook and Twitter.

Entrepreneurs can define their funding target and how long pitches should last and offer different levels of non-financial rewards to incentivize investors. Crowdcube operates an all-or-nothing funding model so that, if entrepreneurs do not reach their funding target, investors get their money back. It now has almost 6,000 registered members looking for investment opportunities in growing and innovative British companies.

² Crowdsourcing.org, *Crowdfunding Industry Report: Market Trends, Composition and Crowdfunding Platforms* (Crowdsourcing LLC, 2012), p. 16.

Recommendations for ...

► Entrepreneurs

Manage cash carefully to minimize need for external finance in the early stages.

Although external finance is important for ventures at the pre-seed and seed stage, entrepreneurs can maximize their chances of success at this stage by building flexibility into planning and operations to avoid critical funding problems. Costs should be kept to a minimum, working capital should be maximized by extending supplier terms where possible, obtaining customer advances on orders, and capital expenditure should be avoided unless essential. New, flexible and scalable technologies, such as cloud computing and software as a service, can help to reduce capital investments. Entrepreneurs should also take advantage of access to low-cost, “contract-light” office rentals that have emerged since the financial crisis.

Assess whether innovative funding models, such as peer-to-peer lending or crowdfunding, are right for your business.

Very few VC firms will be willing to invest at the pre-seed stage because the risks are too high and the business model and management team remain unproven. But there are funding mechanisms that are available. Micro-entrepreneurs may want to consider microfinance and peer-to-peer lending channels, which could give them a way of accessing credit that would otherwise be difficult to source from banks. Crowdfunding is also becoming more popular. There may also be government grants and incubators available.

► Governments

Put in place appropriate regulatory frameworks that can enable innovative funding mechanisms to flourish.

Innovative new funding mechanisms, such as crowdfunding, are still relatively immature but could be a valuable way for entrepreneurs to access the finance they need to kick-start their business. At the same time, however, investors need protection, and crowdfunding must not become a channel through which fraudsters can extract money from unsuspecting participants. It is, therefore, important for governments to consider the regulatory dimension of crowdfunding and put in place appropriate safeguards without stifling the potential of these new channels.

Ensure that investors in pre-seed companies can benefit from tax advantages.

Entrepreneurs often need an initial investment from friends, families or employees to get their business off the ground. By making it easier for these investors to benefit from tax advantages, such as deductions on capital gains taxes from investments in new ventures, governments can ensure that promising ideas get past the drawing board and have the opportunity to reach their potential.

Help the companies that help start-ups.

A robust infrastructure to support small businesses can be a vital ingredient in fostering a climate for entrepreneurship. Governments should consider easing rules for office rentals and leases and reducing the complexity of tax and new business registration. They could also offer tax breaks on start-up costs, including equipment purchases and other capital expenditure.

Start-up stage

The focus of VC firms on later-stage companies has opened up opportunities for business angels to invest in start-up businesses.

At the start-up stage, an entrepreneur begins the process of demonstrating the commercial viability of their business. The goal will be to earn initial revenues, identify sales and distribution channels, and build awareness of the business. Financing needs often increase at the start-up stage because entrepreneurs must recruit employees, invest in infrastructure and put business plans into action. Yet, for many investors, the start-up stage is still considered high-risk because the management team and business model remain unproven. This means that many of the issues facing companies at the start-up stage will be similar to those at the pre-seed and seed stage. There will continue to be a reliance on bootstrapping and friends and family, although some business angels may start to be interested.

Business angels fill the start-up gap

Recent years have seen a shift in the characteristics of early-stage investment. Formal VC firms have become less active in funding start-ups and are channeling their investments towards later-stage ventures, where the risks are lower and the returns more certain. VC firms also need investments that will have a quicker time to exit as they are nearing the end of their lifespan, which is typically 7-10 years with the possibility of two-year extensions.

Estimates of the angel market and comparisons with venture capital (US\$m)

	Visible angel market size (share of total market) in 2009	Estimated size of angel market in 2009	Total VC market in 2009
United States	469 (3%)	17,700	18,275
Europe	383 (7%)	5,557	5,309
United Kingdom	74 (12%)	624	1,087
Canada	34 (9%)	388	393

Source: *Financing High-Growth Firms: The Role of Angel Investors*, OECD.

As this gap has widened, angel investors have stepped in, although only in some G20 countries that already have strong equity cultures. A recent report from the OECD found that, in the UK and US, angel investment has been consistently larger than early-stage VC investment over the past 10 years.³ And in our survey of entrepreneurs, business angels are the only category where respondents have seen a more or less steady improvement in the past five years. It should be noted, however, that in many G20 countries, business angel funding is starting from a very low base and still represents only a tiny fraction of early-stage financing for entrepreneurs.

³ Organisation for Economic Co-operation and Development, *Financing High-Growth Firms: The Role of Angel Investors* (OECD Publishing, 2011).

Start-up stage

62%

perceive that it is difficult for young entrepreneurs to access financing.

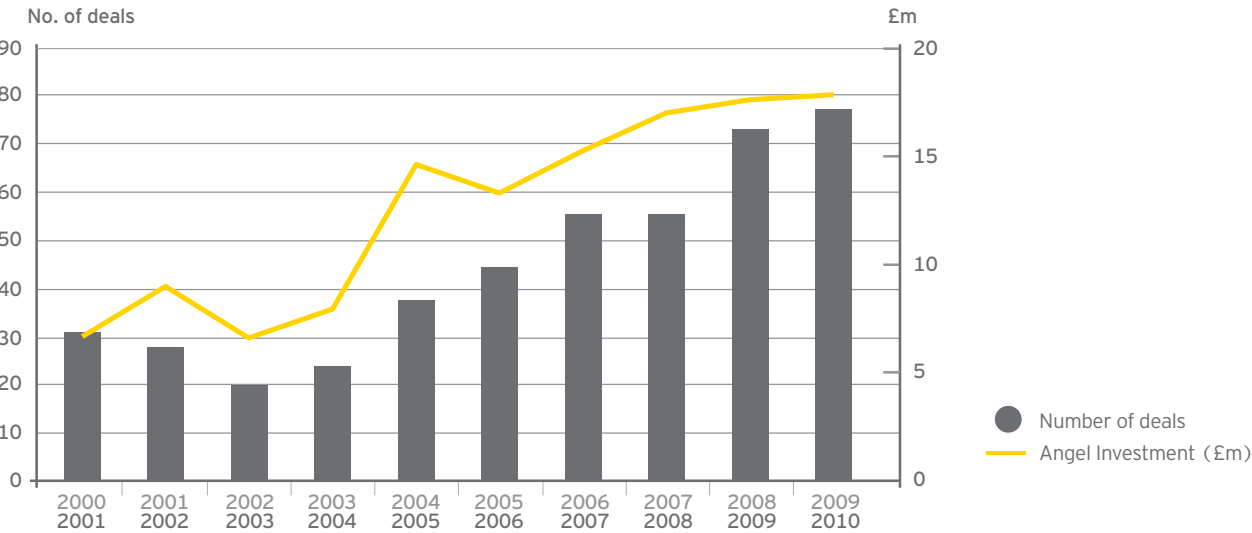
Although business angels have been established in developed markets, including the US, UK and Canada, for the longest period, they are also starting to become more active in rapid-growth markets. In China, Turkey and Russia, almost two-thirds of respondents say that the environment for business angels has improved, and more than half hold a similar view in Indonesia. As entrepreneurs in these countries have successful exits through M&A and IPO, many of them will choose to reinvest a portion of the proceeds from their liquidity event into new angel investments.

The increased involvement of business angels in early-stage investments around the world suggests that they may be able pass the funding baton on to VC firms once a business has reached a certain size. Yet, this transition is far from certain, partly because of a contraction in the VC industry and partly because VC funds now seek to make investments that are larger than the follow-on investment required by angel-backed firms. In some countries, there has been an increased focus on earlier exits, with angel investors seeking to sell their investment stake in the absence of follow-on investment from VC funds.

Larger-scale angel funding should help improve liquidity of investment trading schemes but will take time to develop. This means that, despite the rise of angel investment, there is still a funding gap for early-stage ventures. Companies seeking investment of between US\$25,000 and US\$500,000 are fairly well served by the business angel community, and companies seeking finance in excess of US\$3m can approach VC firms. But companies seeking investment of between US\$500,000 and US\$3m may find that they fall between two stools.⁴

Certain sectors may be better suited to funding from business angels than others. Highly capital-intensive sectors, such as biotechnology or cleantech, may find it more difficult to attract this kind of funding. This is because the business angels may worry that the high rates of investment required may put off VC firms at the all-important follow-on investment stage.

UK angel investment



Source: *Financing High-Growth Firms: The Role of Angel Investors*, OECD.

⁴ Organisation for Economic Co-operation and Development, *Financing High-Growth Firms: The Role of Angel Investors* (OECD Publishing, 2011).

There is a strong argument for governments to address angel investment from a policy perspective.

Over time, the angel investor community has become more formalized, with groups and networks becoming established in many countries. By pooling resources and capabilities in this way, angel investor groups have been able to increase their deal sizes and become more visible to the entrepreneurial community. Yet despite this trend, it still remains difficult for many entrepreneurs to find angel investors – and for angels to locate appropriate businesses in which to invest. A significant proportion of angel investment is still delivered privately and through informal channels.

Some G20 countries have started to see the emergence of “super angels” – ultra-high-net-worth individuals who create a highly formalized and professional infrastructure to facilitate serial investments in entrepreneurial companies. The lines between super angels and VC funds are somewhat blurred, however. For example, super angels may attract capital from third-party investors, have full-time managers, and take a management fee and proportion of profits. They are also more likely than traditional business angels to invest outside the local region, including cross-border investments in some cases. This means that, in many respects, they operate more like formal VC funds than traditional business angels.

There is a strong argument for governments to address angel investment from a policy perspective. Helpful policies could include tax incentives to promote angel investment, support for business angel networks and co-investment funds that pool funding from angel investors and government agencies. In Japan, for example, the Japanese Angel Taxation Exemption is a tax incentive that applies a special tax regime to funds invested in certain small companies. If an investor purchases stock in a small company, the purchase price of the shares is deductible from the investor’s capital gains on those shares in the same year. Any recognized loss can also be deducted from the investor’s capital gains.



Providing working capital against invoices

Anil Stocker
Co-Founder, MarketInvoice Ltd.

MarketInvoice is an online marketplace that allows small and medium-sized companies to raise capital by auctioning their invoices to investors. To date, it has advanced £13m to more than 85 businesses, and it is growing quickly. In March 2012, it issued £3.5m, despite only having been set up in February 2011.

The firm’s aim is to create a marketplace for what is traditionally a captive relationship between the factoring company and the client. “We wanted to make this process more price-transparent, competitive and flexible,” says founder Anil Stocker.

Companies using the MarketInvoice platform choose the invoices they wish to auction, the term, the minimum advance they require, and the maximum fees they are willing to pay. Buyers then bid on invoices. Sellers pay a monthly discount fee of between 0.5% and 2.5% of the invoice face value. MarketInvoice takes a fee of around 0.5% from both sides of the transaction but does not charge any

arrangement fees, minimum service fees, late payment fees, funds fees or extension fees, and there is no contractual lock-in. Stocker believes that its total costs compare favorably with traditional factoring, which can involve a 25% to 35% effective interest rate when all costs are included.

There are other advantages as well. After companies have set up an account, they can raise working capital in just a few days or even hours – effectively the time it takes for an auction to complete. Companies are not locked in long-term contracts. Also, company directors do not need to provide personal guarantees, unlike with invoice discounting and factoring.

All this gives small businesses access to a new pool of funds. In turn, institutional investors can buy into a new asset class, with the potential for yields that compare very favorably with blue-chip corporate bonds.

Recommendations for ...

► Entrepreneurs

Explore options for managing working capital, such as invoice finance.

Cash flow problems cause the untimely demise of many entrepreneurial companies, no matter how strong the concept and management team. Although not suitable for every company, working capital solutions, such as invoice factoring and discounting, can help to overcome some of these challenges. Entrepreneurs should choose carefully, however. Invoice discounting can be expensive, so they should be prepared to shop around for a service that is flexible and transparent.

Tap into networks of business angels.

With VC firms increasingly focusing on later-stage ventures, business angels are becoming a more important source of funding for start-ups in some sectors. They should seek out business angel networks, which are becoming more commonplace as a means of bringing entrepreneurs and investors together. Although angel investors will consider companies at an earlier stage than most VC firms, they will still expect to see a business plan that is convincing and promising. Entrepreneurs should seek out angels who are active in their sector and deal size. This may include current customers of the business.

► Governments

Facilitate the formation of business angel networks.

Beyond facilitating the funding itself, governments have an important role to play in helping entrepreneurs establish networks of relevant contacts and gain insight into how to access angel funds. Such support can take the form of government-funded networking venues for entrepreneurs and investors. An example is StartUp Britain, a project established by entrepreneurs for entrepreneurs to support small businesses in the UK. The program is fully supported by the UK’s Prime Minister, the Chancellor and the Government and is designed to celebrate, inspire and accelerate enterprise.

Support business angels through tax policy.

Tax incentives that promote angel investment can be a valuable tool for promoting this valuable sector. Mechanisms that enable investments in entrepreneurial companies to be deducted from capital gains on those shares are one approach. Some countries have introduced R&D tax credits, which provide a deduction on expenditure in R&D. Governments can also consider enabling investors to deduct any recognized losses from capital gains or provide other tax advantages to invest in innovative new companies. The Japanese Angel Taxation Exemption and the Fonds Commun de Placement dans l’Innovation (FCPI) in France are two schemes that have adopted approaches of this nature.

Make it easier for corporations to spend mountains of cash.

In spite of the financial crisis many companies have accumulated large quantities of cash on their balance sheets. Governments should encourage corporations to make more productive use of these funds, particularly through channels such as corporate venturing or support to entrepreneurs through procurement. By providing tax relief to corporations on investments in new ventures and entrepreneurial businesses, governments can nurture a new wave of innovation and growth.

Emerging growth stage

This stage is a critical time in a company's life cycle. Rebalancing growth with the additional cost of building infrastructure must be closely managed to ensure market leadership stay in business.

Contractions in bank lending growth and VC flows in some G20 countries are making it difficult for companies to grow beyond the start-up stage, but mechanisms are emerging that may help address the funding shortage.

Once an entrepreneur has been able to demonstrate a market for their product or service, the venture enters the emerging growth stage. The company will be earning revenues but is unlikely to be sufficiently profitable to fund its own expansion. This means that external finance will be needed to hire employees, move to bigger premises and invest in new infrastructure.

With a track record now behind it and a management team that has demonstrated its competence, it becomes somewhat easier for companies at this stage to access finance, and the range of options broaden. VC firms may start to show an interest, provided the company meets their criteria, and bank finance should be easier to access because collateral can be provided.

But despite this improved access, there are several trends that are hampering the ability of companies at this stage of growth to secure the funding they need. The financial crisis has made banks and VC firms more risk averse and limited the funds that they have available to lend or invest. This means companies at the emerging growth stage face a highly competitive funding environment, and many will find that their growth prospects are constrained by a failure to secure the financing they need.

Bank finance

Entrepreneurial businesses are heavily dependent on bank finance to fund operations and enable their growth. Their level of reliance varies from market to market across the G20. In countries with well-developed equity markets and VC firms, bank lending may be slightly less important in the funding mix. But in markets where these forms of finance are at a relatively early stage, companies may have few options but to borrow from banks.

Bank finance can be very difficult for SMEs to access in any market and at any stage of their development. Key reasons for this include the perceived risk of lending to SMEs, a shortage of suitable collateral, the high administrative costs of serving SMEs relative to the size of the loan, and difficulties obtaining valid credit information on borrowers.

The financial crisis has greatly exacerbated the difficulties that SMEs face in accessing bank finance. In the wake of the crisis, credit conditions tightened dramatically in many countries. SMEs were disproportionately affected as they were more reliant than large companies on bank credit and because banks became even more risk averse and constrained by their own funding problems. Many entrepreneurs found that they were paying higher interest rates at shorter maturities and had an increased need for collateral. Others found that they could no longer borrow at all.

Emerging growth stage

80%

More than 80% are expecting bank loans, VC and PE to have a medium or high impact on their growth over the next three years.

There is also evidence in many countries that demand for bank lending has fallen as companies have delayed investments in response to weak trading conditions, especially in developed markets. Rather than investing, many companies have focused on reining in costs and scaling back plans for expansion.

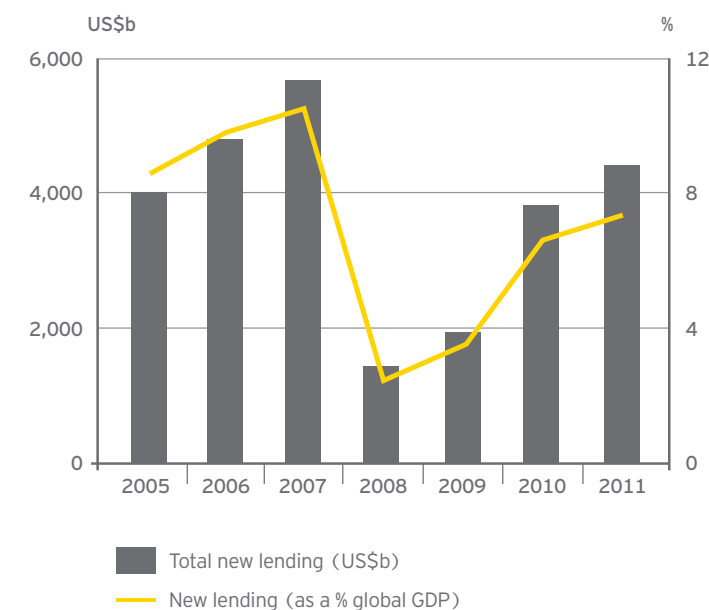
The extent to which entrepreneurs have been affected by a slowdown in bank lending varies from market to market. The majority of mature market entrepreneurs report a decline in credit availability over the past five years, and just 38% think that bank lending would have a positive impact on their growth. Since 2008, there has been a modest improvement in global bank lending conditions, but despite this positive trend, credit growth rates remain very low.

Regulatory change could further restrict bank lending to entrepreneurs. Under the new Basel III requirements, financial institutions must increase their capital and liquidity buffers to become more resilient to future shocks. With most lending to SMEs generally perceived as relatively high risk, this will result in a higher cost of capital for banks when lending to these businesses. Banks will either have to reduce their reliance on SME lending or pass on the increased cost of capital in the form of higher interest rates. The crackdown by governments on proprietary trading has been another factor, causing some banks to increase the interest rate margin and fees they charge to compensate for the lost revenues.

In rapid-growth markets, entrepreneurs generally report an improvement in access to bank lending over the past five years. They are also more likely to consider bank lending to be an enabler of growth, with 53% thinking that it will have a positive impact on their growth. Despite this positive trend, credit availability in some rapid-growth markets is starting from a low base, and most loan amounts are relatively small. In general, banks in rapid-growth markets are less exposed in their lending to SMEs than their peers in mature markets and tend to provide a smaller share of loans and charge higher fees.⁵

Structural factors can also hamper lending in rapid-growth markets. There may be a lack of formal credit bureaus to guide lending decisions. In some markets, such as China, interest rates are capped centrally, which means that banks apply the same cost of funding to a large corporation and an SME. This can make it difficult for SMEs to access finance because banks will tend to favor larger companies, particularly state-owned ones, when making lending decisions. Bank funding has become even more constrained in China following recent efforts by policy-makers to reduce credit to slow inflation and curb a property boom.

Global bank lending conditions (G20 countries)



⁵ T Beck et al., *Bank Financing for SMEs around the World: Drivers, Obstacles, Business Models, and Lending Practices* (The World Bank Development Research Group Finance and Private Sector Team, 2008).

Source: World Bank, Thomson Reuters, Oxford Analytica.

Credit guarantee schemes fill the gap

Although the causes may vary from market to market, it is clear that there is still a gap between supply and demand for lending to entrepreneurs in both developed and rapid-growth markets. One way in which governments are helping to address this shortfall is through the use of credit guarantee schemes. These essentially involve underwriting the risk of lending to SMEs so that banks can be reimbursed, either in whole or in part, in the event of a default on a loan. Some schemes also offer borrowers advice to help them with securing finance or other aspects of their business.

Publicly funded credit guarantee schemes exist across developed and rapid-growth economies. Although recent data on the number of credit guarantee schemes is scarce, a report from 2003 estimated that there were more than 2,250 schemes in almost 100 countries around the world.⁶ Measured by the size of outstanding loan guarantees, schemes in developed markets are almost three times as large as those in rapid-growth economies. But if outstanding guarantees are measured relative to GDP, then schemes in rapid-growth markets are larger, with a median of 0.3% compared with 0.21% in developed markets.⁷

Although loan guarantee schemes have been in place for many years, some governments have made greater use of them since the financial crisis to ease credit conditions for SMEs. For example, the European Commission has eased the rules in member countries so that governments can increase the proportion of loans that they guarantee. In France, for example, this change in the rules has enabled the government to guarantee up to 90% of the risks, compared with between 50% and 60% before.⁸

Rapid-growth markets have also introduced guarantee schemes. In Indonesia, for example, the government launched Kredit Usaha Rakyat in 2007. The program offers credit facilities guaranteed by the government in cooperation with several local banks. It aims to accelerate the development of primary sectors and to empower small-scale businesses by improving access to credit and creating new job opportunities.

In addition to enhancing credit guarantee schemes, a number of governments have also introduced monitoring and mediation entities with a remit to assess lending levels to SMEs and intervene if these are perceived as being too low. Banks that recapitalized using public funds in the wake of the financial crisis have been a particular target for these mediation schemes.

Specialist bank for entrepreneurs and venture capitalists

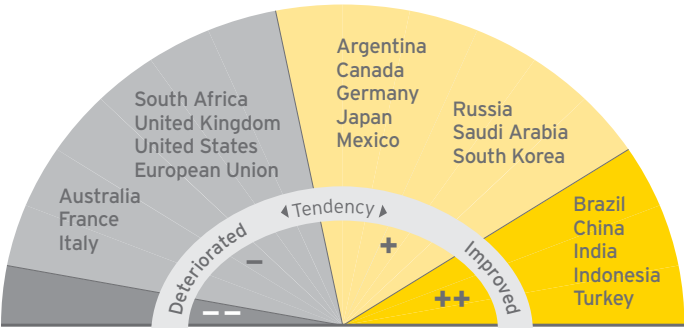
Susan Casey
Founder & EVP, Chief Credit Officer, Square 1 Bank

Square 1 Bank is a full-service bank dedicated to serving the financial needs of the venture capital community and entrepreneurs. Founded in August 2005, the firm raised US\$105m of initial funding and opened with six offices in the US. This has since expanded to 10 offices and US\$1.6b in assets today. The bank serves companies across all stages of growth and expansion, including pre-revenue start-ups and expansion stage businesses. It aims to build relationships with businesses at the earliest stage of their development and is one of only a handful of banks in the US that will provide debt finance to pre-revenue companies.

Square 1 Bank has a credit philosophy that revolves around knowing its partners. “We’re a relationship bank, and this is a very unique industry requiring a hands-on partner at every level,” says Susan Casey, founder and chief credit officer. “We spend a

lot of time getting to know the equity investor, and we focus on our partnership with them and the relationship they have with individual companies.”

Square 1 Bank provides companies with a full suite of banking services, including revolving and term lines of credit, treasury management products such as credit cards and ACH, foreign exchange services and letters of credit. Square 1 Bank does not provide equity financing to its clients but often receives warrants, or rights to purchase equity, in connection with extending lines of credit to clients. Square 1 Bank also aims to be a partner with its clients, and often collaborates with the client on its business plan, and may also facilitate introductions to equity partners. “We consider ourselves to be our clients’ financial partner,” says Casey.



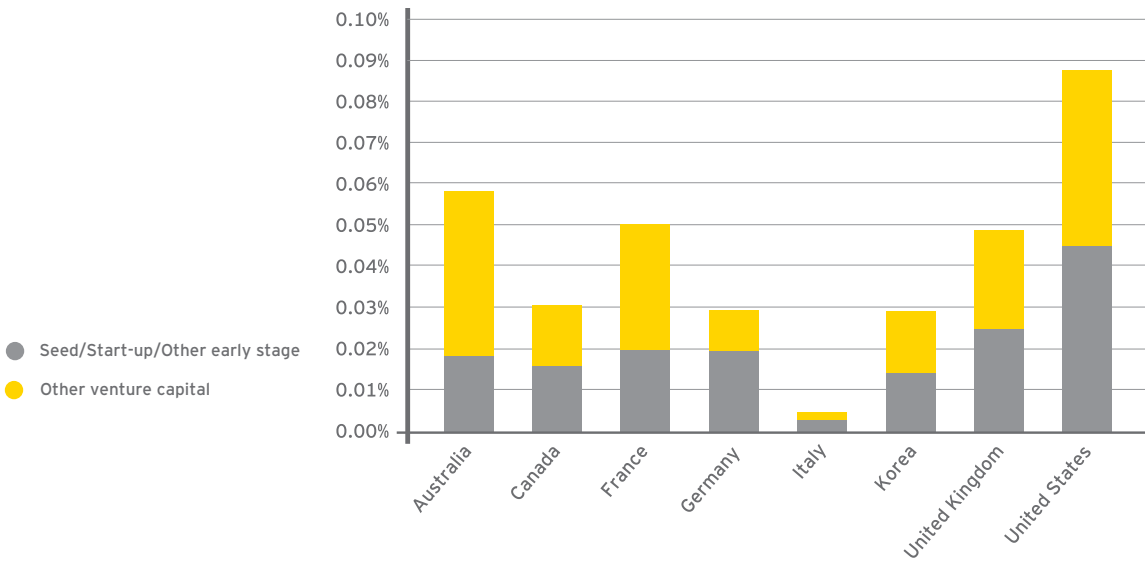
Access to Venture Capital equity: progress of last five years
Source: The Nice Côte d’Azur 2011 Entrepreneurship Barometer by Ernst & Young.

Venture capital

Companies at the emerging growth stage often need relatively large injections of finance to consolidate their position and enable a promising idea to be scaled. VC has traditionally been an important means by which these funds can be made available.

In many G20 countries, the VC industry predominantly finances later-stage companies to help them commercialize their business and accelerate growth from a sales and marketing standpoint. Only in the US is there more of a balance between early-stage capital and later stage investment. This focus on later-stage companies can be positive for ventures that have reached the emerging growth stage of their journey because there is less focus on companies at the seed or start-up stage. But there has also been a consolidation of VC firms, which has reduced opportunities, and increased competition for available funding.

Venture capital in 2009 (% of GDP)



Source: Financing High-Growth Firms: The Role of Angel Investors, OECD.

⁶ A Green, *Credit Guarantee Schemes for Small Enterprises: An Effective Instrument to Promote Private Sector-Led Growth?* (United Nations Industrial Development Organization, 2003).

⁷ T Beck et al., *The Typology of Partial Credit Guarantee Funds around the World* (World Bank, 2008). Figures are based on 27 schemes for which data was studied.

⁸ Organisation for Economic Co-operation and Development, *The Impact of the Global Crisis on SME and Entrepreneurship Financing and Policy Responses* (OECD Publishing, 2009).

Since the financial crisis, the level of investments made by VC firms in developed markets has fallen markedly. Overall, entrepreneurs from developed markets including Australia, France, Italy, the UK and the US point to deterioration in the access to VC over the past five years. In 2011, venture capitalists put US\$6.1b into 1,012 deals for European companies, down from US\$6.7b into 1,253 deals in 2010.⁹ This represents the lowest annual deal count in Europe since 2000.

Concerned by this trend, European regulators are exploring ways of introducing an internal market for VC firms that will allow them to offer shares in funds throughout the EU rather than needing to register funds in every country where they want to operate. By opening up the market in this way and creating a “passport” system for European funds, regulators hope that they can stimulate investor interest in VC, enable greater competition, and facilitate the creation of larger or more specialized funds.

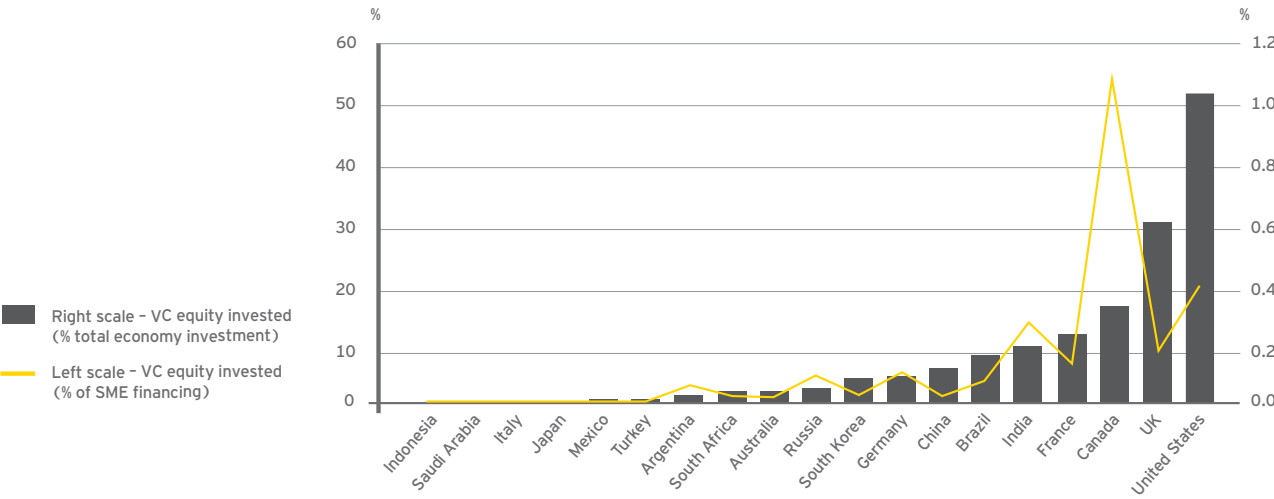
Even the US, which has traditionally been the leading global center for VC with a share of almost 70%, has shown signs of stress and, some would argue, long-term decline. The number of funds that reached their funding levels in 2011 fell by 38% compared with one year ago, as more and more firms struggle to attract new investors.

A key problem is a lack of exits. Since 2001, the venture-backed IPO market has been in decline and this means that the potential to realize successful IPO and M&A exits of their portfolio has fallen. Many VC firms are now fully invested and will need to successfully complete exits before they can raise more money. Tax and regulatory barriers are frequently cited as obstacles to exits, as well as more cautious investor sentiment that is both depressing valuations and slowing the process of raising new capital in some markets.

In rapid-growth markets, however, the picture is very different, with most entrepreneurs reporting an improvement in access to VC. The Chinese VC market, for example, is growing rapidly. In 2011, US\$5.9b was raised in 323 rounds, compared with just US\$1.1b in 2005. Furthermore, the first half 2011 saw 73 new funds raise a record US\$8.1b for investments in Chinese VC-backed companies (13% more than was raised in 2010). Twenty of the new funds raised US\$100m or more.

In India, the growth in VC has also been impressive. Between 2005 and 2011, VC investment in India has increased five-fold from US\$300m to US\$1.5b. The next few years should be an exciting time for India's VC investors as new innovations in areas such as e-commerce, mobile applications, health care delivery, medical devices and technology, financial inclusion, clean technology and IT come to market. There are concerns, however, that the growing number of VC firms is driving up valuations, which could lead to some poor-performing investments and, over time, a decline in investor appetites.

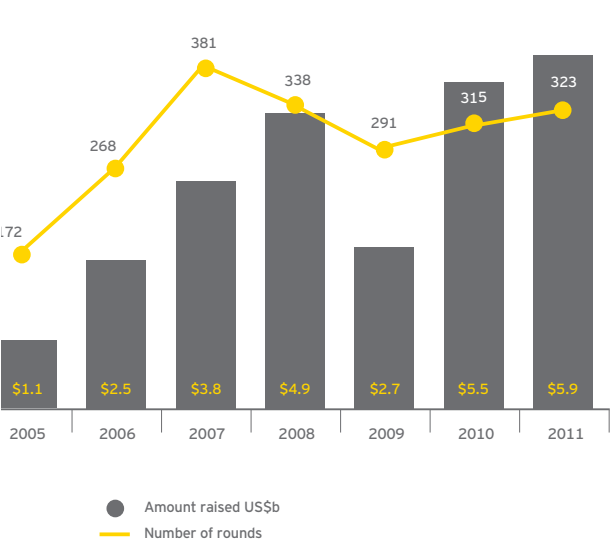
Venture capital invested in 2010



Source: IMF, Thompson Reuters, Oxford Analytica

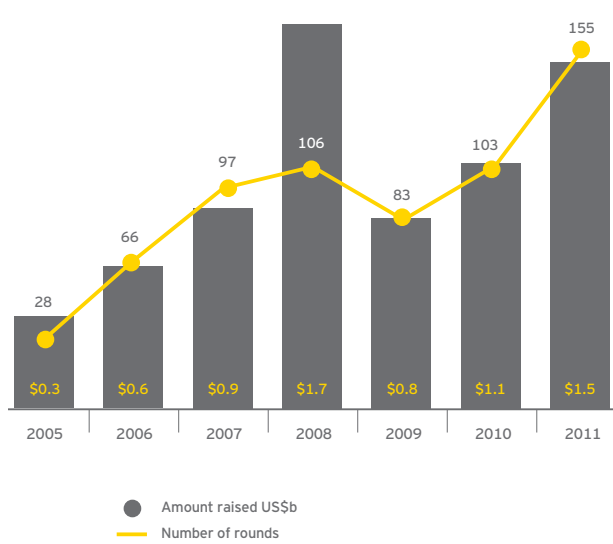
⁹ Ernst & Young, *Globalizing venture capital: Global venture capital insights and trends report 2011* (Ernst & Young Global Limited, 2011)

China venture capital investment



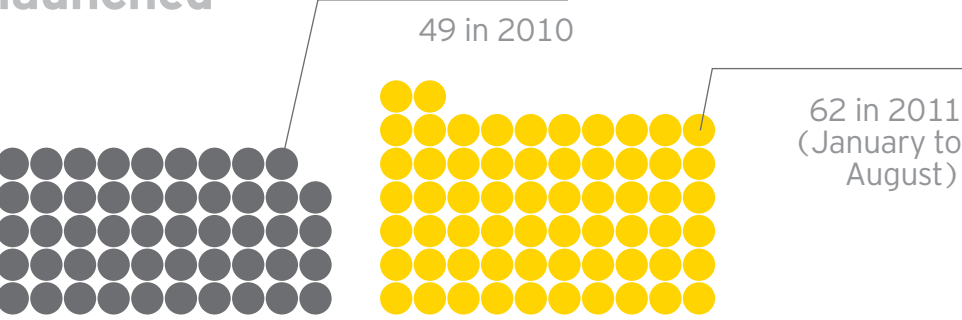
Source: Dow Jones VentureSource, 2012

India venture capital investment



Source: Dow Jones VentureSource, 2012

New corporate venturing units launched



Partnerships with government and corporate venturing

The withdrawal of many formal VC firms from early-stage investment has encouraged the formation of “hybrid funds” and co-investment funds, which combine public and private investment to reduce the risk for financial investors of investing in entrepreneurial ventures. In the US, for example, the Small Business Investment Companies (SBIC) scheme has been in operation since the 1950s and is widely regarded as a model for other, similar schemes.

At the end of 2011, SBIC had over more than US\$8.2b invested in 299 funds alongside private capital of approximately US\$8.8b.¹⁰ Other G20 countries with active hybrid schemes include the UK, which has designed seven schemes since 1999 that have invested a total equity capital of £378m in more than 900 UK companies, and Australia, which has committed about AU\$644m since 1997.¹¹

Tax policy can be a powerful lever to encourage greater investment in early-stage ventures. If investors know that they can benefit from a more favorable tax treatment on gains from higher-risk ventures, then they will be more likely to allocate funds in their portfolio to these investments. In France, for example, tax incentives for individuals investing in funds dedicated to financing innovation – Fonds Commun de Placement dans l’Innovation (FCPI) – brought more than €500m into the VC industry in 2009.

But not all tax policy is favorable to entrepreneurs. In its 2012 Budget, the Indian Government announced plans to tax gains from angel investments as ordinary income, which means that they will be subject to a tax of 30%. These measures have been designed to curb corruption, but many entrepreneurs and investors in India worry that they will have a severe impact on a fast-growing entrepreneurial cultures.

In many G20 countries, pension funds and other institutional investors have traditionally been important investors in VC. Policies and regulation that ease their ability to invest a portion of their assets in entrepreneurial businesses, and especially in VC funds run by professional asset managers, have been an important channel for finance to reach these ventures. But new regulation in Europe poses a threat to these allocations. Under the Solvency II framework, insurers are required to calibrate their capital requirements to the levels of risk in their portfolio. With PE and VC assets being assigned a high-risk weighting under the directive, many pension funds will be forced to decrease their allocation to these investments to reduce the amount of capital they are required to hold. But this development could be offset by a wider range of investors seeking to access VC and PE, including pension funds in rapid-growth markets.

In the corporate world, investment in new ventures has long been a crucial way of securing access to new innovation and growth and has historically accounted for around 6% to 10% of all VC investment globally. With many companies sitting on a still-growing cash mountain, and more hungry than ever for new ideas to enable growth, this form of investment could become even more important in the coming years. In 2010, there were 49 new corporate venturing units launched, and in the first eight months of 2011, there were 62.

Recent examples of new corporate ventures include Google, which founded a US\$100m VC unit in 2009 and General Motors, which founded a US\$100m VC subsidiary in 2010.¹² Corporate venturing is also becoming widespread in rapid-growth markets. In China and India, large local corporations, such as ZTE and Tata, are also launching funds that will challenge the local VCs and their foreign Corporate VC colleagues.

¹⁰ “FAQs,” *U.S. Small Business Administration website*, www.sba.gov/inv/earlystage/faqs, accessed 18 March 2012.

¹¹ G Murray et al., *Government co-financed ‘Hybrid’ Venture Capital programmes: generalizing developed economy experience and its relevance to emerging nations* (Kauffman International Research and Policy Roundtable, 2012).

¹² C Bryant, “In Search of Outside Inspiration,” *Financial Times*, (12 March 2012).

Recommendations for ...

► Entrepreneurs

Have a credible plan to take to banks.

In order to lend to entrepreneurs, banks want assurances that their loans will be repaid. Entrepreneurs who have a robust business plan, who have facts and figures at their fingertips, and who can demonstrate how their business will grow, along with the key risks, will find it easier to access bank lending than those without this information. Keeping rigorous management accounts also helps to build confidence with banks.

Seek out specialist or community banks that may have a stronger link with your business.

Large national or international banks may have strong balance sheets, but they do not always have a strong understanding of the entrepreneur’s business. Specialty banks that target entrepreneurs,

or local banks with strong links to the community, can offer a more sensitive ear to the growing business, and may be more willing to lend because they understand more about what the company is trying to achieve.

Explore the potential for corporate venturing.

VC firms are not the only source of equity for companies at the emerging growth stage. Many corporations are sitting on large amounts of cash, and are seeking innovative new ideas as a means of securing long-term growth. In recent years, a number of these companies have established funds aimed at nurturing new ventures. They recognize that not all of the best ideas emerge from corporate R&D labs; they can also come from small start-ups, which are more likely to have the skills and agility that are required to create breakthrough innovations.

► Governments

Explore credit guarantees.

With the global economy likely to remain fragile over the forthcoming years, governments need to reinforce measures that give financial institutions the confidence to lend to SMEs. One key measure, which already exists in most mature markets and several rapid-growth ones, is credit guarantees. Governments can take steps, including eliminating fees associated with credit guarantees, raising the proportion of credit that is guaranteed or raising the overall value of that credit. These measures are likely to have an especially high impact in rapid-growth markets, where the proportion of banks’ loan portfolios allocated to the SME sector is much smaller than in mature markets.

Introduce monitoring and mediation entities.

Governments can also provide support to SMEs by forming monitoring entities that track levels of bank lending and intervene if these are perceived as being too low. Banks that were recapitalized using public funds in the wake of the financial crisis have been a particular target for these mediation schemes. For example, the UK has established an SME Lending Monitoring Panel, while the US monitors credit activities of rescued banks on a monthly basis and requires all banks to provide information on SME lending in their quarterly reports.

Make it easier for VC firms to make cross-border investments.

The increasingly globalized nature of financial flows creates opportunities for those markets that have the most open policies toward foreign capital inflows. In Europe, for example, regulators are exploring ways of introducing an internal market for VC firms that will allow them to offer shares in funds throughout the EU, rather than needing to register funds in every country where they want to operate. Other G20 countries may want to consider a similar approach, as this will create a more open, and international, market for VC funding.

Co-invest with the private sector.

Co-investment schemes, which match government funding with capital from VC firms, can be a powerful tool for increasing the funding that is available to entrepreneurs. Governments should look to successful models, such as the SBIC scheme in the US and see if they can create a similar model in their own country. These partnerships between the private and public sector draw on the strengths of both parties. Investors can apply their skills and experience with making investment decisions and allocating capital, while governments can draw on their knowledge of providing and designing incentive programs and distributing benefits.

Expansion stage

Companies seeking scale can face challenges tapping public markets, but junior exchanges and a changing focus for PE are helping to create new opportunities.

The final stage of the entrepreneurial growth journey is expansion. By this point, the company has proven that its business model is effective and the focus shifts to rapidly scaling up the venture to capitalize on the growth opportunity.

The company will already be profitable in most cases, or at least have free cash flows that can be channeled into investments that will facilitate growth, but these are unlikely to be enough to achieve the pace of expansion that is desired. At this point, the entrepreneur may decide to seek additional equity funding, either through follow-on VC, PE or through an initial public offering. Debt finance may also be sought via private placements, or via quasi-debt instruments such as mezzanine finance.

Building the private equity in Mexico

Luis Antonio Márquez Heine

CEO, Asociación Mexicana de Capital Privado A.C.



AMEXCAP is the Mexican Association of Private Capital, a nonprofit organization founded in 2003 that promotes both PE and VC within the market.

“The private finance industry is at a very nascent stage within Mexico today. About 45 firms participate as fund managers within AMEXCAP. Of these, about seven operate as VC, with the rest in PE. It’s a very new industry here, which relates to the fact that local investors are very risk averse.

“Right now the Government is the major investor in entrepreneurs, and has set up a number of incubators and accelerators. It remains the overwhelming driver here, given limited private sector participation. This in turn has stalled the market for exits, as it’s taking firms much longer than anticipated to get up to a scale that makes them interesting to a bank or PE firm because the sources of funding from Government aren’t sufficiently diverse or deep.. We are lobbying for Government to co-invest with VC firms, which could improve the efficiency of their investments, while helping grow local funds.

“More recently, some VC firms from the US have started to look into local universities and incubators to increase their pipelines, so we’re seeing more interest from there. But what is totally different here is the absence of any investing into early research or patents, such as new technologies being developed within universities. Instead, the focus is on established companies or laboratories that are already selling something. As such, another item we’re lobbying on is for Government to help create a fund of funds with an express aim of supporting earlier stage start-ups, who are not served at the moment.”

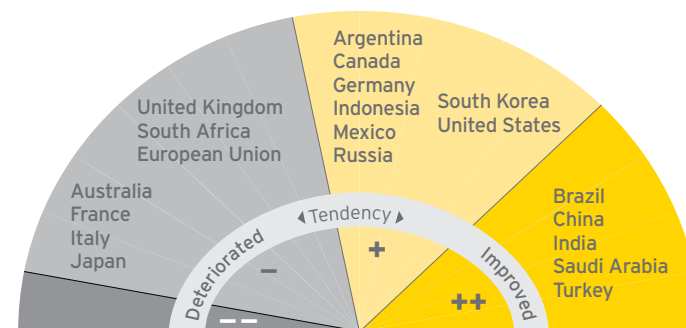
Expansion stage

53%

have seen improvement in PE funding over the last five years.

Access to private equity : progress of last five years

Source: *The Nice Côte d'Azur 2011 Entrepreneurship Barometer* by Ernst & Young.



Private equity

Since 2005, a higher proportion of PE invested has come from outside the US and rapid-growth economies remain a particular bright spot. Large majorities of surveyed entrepreneurs from these markets say that access to PE for SMEs has improved in the past five years, with only South Africa reporting no change or deterioration.

In many of these countries, there is only limited access to VC, and this means that PE firms are stepping in to fill the funding gap, taking minority stakes to help companies grow by extending their management team, supporting operational improvements and revamping strategy.

PE activity in rapid-growth markets is dominated by China and India, although Brazil has become an increasingly important destination. A recent survey conducted by EMPEA and Collier Capital found that limited partners that are active in emerging markets are planning to increase their allocations to 16% to 20% from their current 11% to 15% over the next two years. Many global PE firms, have established a strong presence in rapid-growth markets, where they now compete against an increasingly confident local PE industry. Recent years have also seen the emergence of a new generation of local PE firms in these markets, which are taking minority stakes in local companies and helping them to grow.

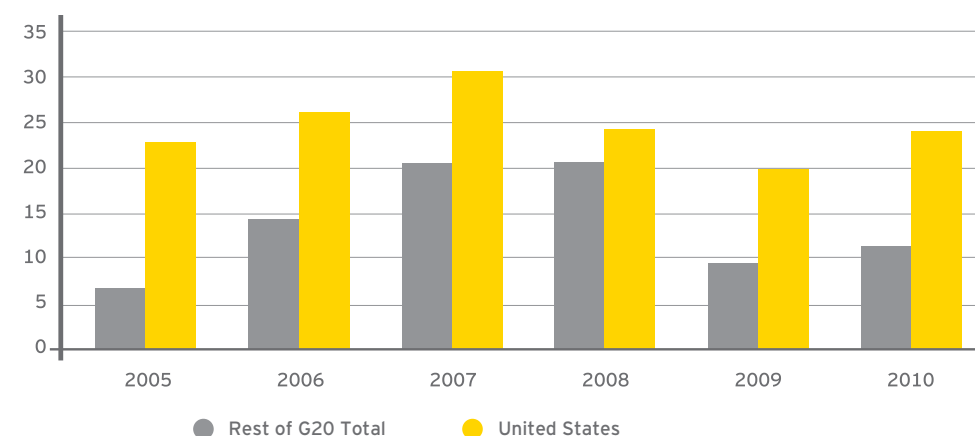
In developed markets, PE firms continue to find it difficult to raise finance for large leveraged deals, so their focus has shifted both to mid-size and smaller deals and to generating returns through operational improvements. PE backing provides entrepreneurial businesses with more disciplined corporate governance and a more structured institutional framework for running a business. This kind of stability can be an important lever for growing a company at the expansion stage.

Overall deal volumes for 2011 stood at US\$217.6b in 2011, a 7% decline in value from 2010. Yet despite the decline in PE activity, valuations moved higher in 2011 as the operating environment for most companies normalized. Over 2011, the average purchase price multiple was 8.4 times EBITDA, up from 8.1 times in 2010.

One trend that could increase the tendency for PE firms to target SMEs is the growing popularity of bolt-on acquisitions. Over the past three years, around 45% of all buyouts have been add-ons to existing portfolio companies.¹³ Some PE firms are also using the “buy-and-build” strategy, which involves a PE investor buying a relatively small company then integrating it with a series of other acquired business to create a larger entity that can benefit from economies of scale. This can be an especially useful approach in rapid-growth markets, where there may be a shortage of larger companies to acquire. It can also be easier to access finance for a series of smaller deals than one large one because investors perceive this as being less risky.

Private equity invested

(United States and rest of G20)



Source: Dealogic

¹³ Bain & Company, *Global Private Equity Report 2012* (Bain & Company, 2012).

Uncertainty in the IPO markets

Initial public offerings play a vital role in helping growing companies access capital and are also crucial for job creation and economic growth. In the US, a Treasury task force that convened to assess the state of public stock markets estimated that, of all the jobs created by public companies since the 1970s, 92% came after an IPO.¹⁴

Since the dot-com bubble burst in 2001, there has been a significant decline in public offerings in the US. In 1996, there were 791 IPOs, but between 2001 and 2008, the average fell to just 157 per year. Since then, the numbers have rebounded slightly, but they still remain below historic norms.¹⁵

There are numerous factors driving the challenges facing IPO markets in developed markets. The financial crisis has forced many companies to rein in capital-raising plans until they see greater confidence among institutional investors. Some market participants also blame the poor quality of some recent IPOs, where listings have failed to live up to their promise, leaving investors nursing losses. Regulation also plays a role, particularly in the US, where the cost and complexity involved with certain securities regulation is often cited as a consideration in the decision of whether and when to go public. This has led to the

recent passage of the JOBS Act which, among other things, will enable companies that have recently completed an IPO to defer some of the requirements of the Sarbanes-Oxley Act for five years or until certain revenue and market cap tests are achieved.

IPO activity may be subdued in North America and Europe, but in rapid-growth markets the mood is more buoyant. With the exception of Argentina, Mexico and South Africa, entrepreneurs across rapid-growth markets perceive that access to funding through IPO and the public stock markets has improved in the past five years. In the first quarter of 2012, Asia-Pacific represented 59% of IPOs by number of deals and 43% by capital raised.¹⁶ China remains the leading center for IPO activity, with capital raised approaching 35% of total investment. This robust activity reflects both strong economic fundamentals and global investor sentiment, with many international institutional investors continuing to increase the allocation of their total portfolio to Chinese assets.

Outside China, there is also a steady deal flow in other Asian markets, including India, Indonesia and Malaysia, although the number and size of deals are much lower than in China. Key factors driving this trend include the privatization of state-owned assets, plans to modernize infrastructure and healthy corporate earnings.



The luxury of going public

Ernesto Greco
CFO, Salvatore Ferragamo S.p.A.

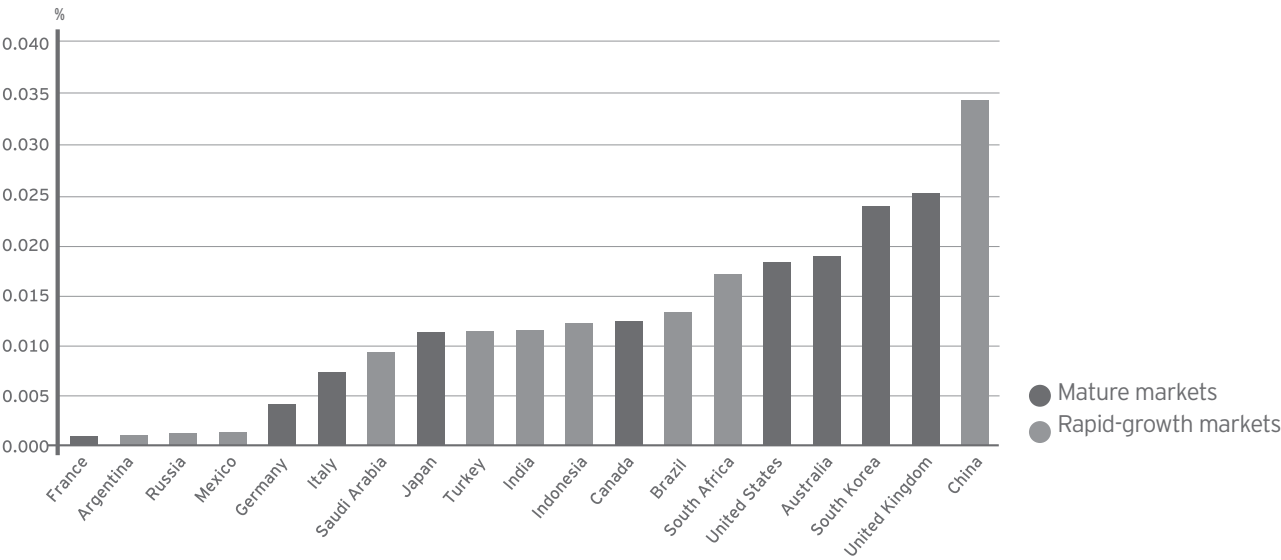
Salvatore Ferragamo, the Florence-based luxury goods company, first started to think about going public in 2008. With the collapse of Lehman, and the subsequent financial crisis, it would be three years before the company would realize its vision to become a public company, floating on the Borsa Italiana in Milan in June 2011, in a transaction that was oversubscribed by investors. After 10 months, at the end of April 2012, the share price had increased by about 90% since flotation.

Unlike many other companies that seek to conduct an IPO, Salvatore Ferragamo's primary motivation was not to raise funds for the business (it is well-financed). Rather, the owners wanted to establish a market for the shares for the company, to increase visibility and to attract talent to work there, according to Ernesto Greco, the company's CFO.

The company considered floating on the Hong Kong stock exchange. Valuations were higher, and it has a closer connection to the emerging markets. But management concluded that Milan would be more suitable. The Hong Kong market was more volatile, and they respected the European stock analysts more. "We also felt that Milan was a better fit for an Italian company with a supplier base that is 100% Italian," says Greco.

Greco believes that the pressure of the markets can help public companies become more disciplined, professional and operate more efficiently. But he warns that the markets can be too short-term oriented, which conflicts with long-term strategic approach. "The best combination may well be a family-owned public business with a long-term orientation and a management with good operational skills in the sector of business and the experience to communicate with external shareholders," he explains.

IPO capital raised in G20 (% of total investment)



Source: Dealogic, IMF, Oxford Analytica

Corporate bonds for small businesses

Will King
Founder and CEO, The King of Shaves Company Ltd.



When Will King, founder of men's grooming company King of Shaves, wanted to raise money for his business in 2008, he was faced with a problem well known to many entrepreneurs: limited bank interest. Even though the company had a five-year track record and plenty of intellectual property assets, it had few fixed assets. To overcome this, King came up with the idea of selling retail bonds to some of his customers.

In June 2009, the company launched its "shaving bonds." In return for a £1,000 investment over three years, customers were offered an annual return of 6% and shaving products worth between £30 and £60 each year. The company raised £627,000, far less than the £5m it hoped for, but a pioneering transaction nonetheless.

Since then, several other businesses have followed suit. These bonds tend to be considerably shorter than conventional ones and have to be held to term without any trading, as they are not listed. Some offer cash returns, while others offer actual goods or a mixture of the two. In general, the sums raised are usually less than £5m, barring a few exceptions. But the absence of a secondary market reduces issuers' legal, advisory and documentation costs, which King estimates at about £100,000.

For entrepreneurs, using junior markets as an alternative source of funding can create a competitive advantage.

The role of junior markets

Not every company will be able to make the step from private company to full-fledged member of the main stock market. Junior exchanges can play an important role in bridging the gap, helping companies that may be too small for main stock exchanges to access much-needed capital through public markets. These junior exchanges, such as AIM in the UK, have been very successful in attracting listings and investors despite a very challenging period in the wake of the dot-com bubble. But not every junior market has been successful. Although 14 countries in the G20 have already launched junior market exchanges, only a handful have achieved critical mass. Common problems include a lack of listings, insufficient liquidity and a tendency for the most successful companies on junior markets to migrate to main exchanges, leaving the weaker companies behind.

The strong pipeline in VC activity in China has been closely associated with the development of ChiNext, a junior market along the lines of AIM in the UK that was launched by the Shenzhen Stock Exchange in 2009. ChiNext has been an important channel for local companies to access finance, and it has reduced the flight of companies to overseas exchanges. It has also helped to attract VC money to China because investments can be channeled into backing candidates that have an increased chance of an IPO offering.

But although ChiNext has been active, there have been concerns about the quality of some IPOs. Performance of companies that have recently completed offerings has been highly volatile, and this has encouraged some major investment banks to stay away from Chinese IPOs altogether.¹⁷



Secondary exchange for private company stock

Barry Silbert
Founder and CEO, SecondMarket

For companies looking to scale, while also compensating shareholders and staff for their efforts in growing the business, most look to the public markets. However, an initial public offering also requires various trade-offs, including greater oversight, public disclosure and regulatory requirements. For firms not yet ready to take that step, SecondMarket aims to provide a bridging option. Launched in 2005, its overall aim is to link institutional investors with new kinds of asset classes. It has since handled more than US\$20b in transactions, across six previously illiquid asset classes, from restricted stock through to bankruptcy claims.

But what has captured the most attention has been its ability to serve as a bridge for companies moving from VC backing through

to the public markets. Both Facebook and Twitter, among others, have used the platform to allow early shareholders to trade their stock, with about US\$1.2b traded so far.

Ultimately, as CEO Barry Silbert explains, the firm aims to redefine the distinction between public and private companies. Whereas some will use the NYSE or LSE to trade stock, others will do so via secondary exchanges. To get there, SecondMarket is steadily scaling its platform and its pool of registered investors, which now number over 100,000. It is also actively lobbying for certain regulatory changes, such as in how professional investors are defined.

Recommendations for ...

► Entrepreneurs

Use junior stock markets as a source of funding.

The success of several junior stock markets around the world illustrates the value of having an alternative source of liquidity for “small-cap” companies. For entrepreneurs, using junior markets as an alternative source of funding can create a competitive advantage. It is likely to be worth investing resources to understand the regulatory and fee benefits of junior markets, compared with main stock markets, and to become fully aware of any potential early mover advantages associated with the government’s likely role in promoting the junior market in its earlier years, when a small turnover in volumes traded may deter some entrepreneurs from listing. Entrepreneurs often use junior markets as a springboard to the main stock exchanges.

Open up to international markets as opportunities arise.

Entrepreneurs whose companies have reached the requisite size should take a keen interest in cross-border IPOs as a potential

important source of funding. This should involve monitoring the policies of foreign governments and exchanges that are implementing attractive cross-border listing legislation. This is part of a more general lesson for entrepreneurs: the most accessible funding sources may sometimes lie outside the home market.

Explore PE.

The dynamics within the PE industry are shifting. With many firms finding it more difficult to raise finance for larger leveraged deals, their focus has shifted to smaller deals and to generating returns through operational improvements, rather than through financial engineering. In rapid-growth markets, PE firms are playing an important role in filling the funding gap, helping companies grow and providing them with advice, resources and management capabilities to take them to the next level of growth.

► Governments

Avoid stifling PE activity with more regulations.

Regulatory tightening around the world has made it more difficult for institutional investors to allocate capital to investments that are perceived as more risky, such as PE. For example, requirements for European insurers, coming into force in 2013 will require companies to allocate significantly more capital and reserves against their PE holdings. Against this background, governments need to guard against the risk of regulatory overreach, which could stifle PE activity in the SME sector. Going beyond this, G20 governments could offer inducements to institutional investors to increase PE investments up to the permitted thresholds.

Ensure that regulation does not block the growth trajectory of entrepreneurs.

An IPO is a critical stage in the growth trajectory of the entrepreneurial business. This highlights the importance of having a regulatory framework that does not deter companies with the right potential to consider a public listing. In the US, the cost of regulatory compliance and litigation are often cited as a contributing factor to

the slowdown in IPO volumes. Other G20 countries should likewise ensure that their own securities legislation strikes the right balance between protecting investors while enabling entrepreneurs to grow their business.

Learn from successful junior markets and replicate their approach.

In recent decades, many governments have tried to implement junior markets as a stepping stone to major exchanges, but only a few have been successful at attracting listings. Common problems include a lack of listings, insufficient liquidity and the “adverse selection” problem, whereby the most successful companies on junior markets migrate to main exchanges, leaving the weaker companies behind. Governments should learn from the mistakes of the past and consider whether they can launch their own versions of junior markets. Attracting overseas and local listings can be one way of overcoming the challenges of liquidity and a lack of potential candidates.

¹⁷ S Rabinovitch, “Chinese ‘hoops’ hold back foreign banks,” *Financial Times*, (18 December 2011).

Government incentives

Government incentives targeting the development and growth of new businesses are an essential part of the financing mix.

Government has a vital part to play in facilitating and encouraging entrepreneurial development. Among the entrepreneurs surveyed by Ernst & Young for Entrepreneurs speak out: A call to action for G20 governments, 80% felt that governments had a central role to play in developing such opportunities.

Because business development is not a single stage process, government incentive programs need to recognize the life cycle of entrepreneurial companies. The combination of multiple stages of business development and multiple funding sources available at each stage creates a complex group of touch points where incentives could impact the funding ecosystem. Government's role is to stimulate that funding ecosystem and provide comprehensive support within what is a very complex space.

A holistic approach to stimulating a given industry or sector may provide additional impact beyond what can be achieved through programs targeting individual players. In many countries, different types of programs that would make up this holistic approach already exist, but combining them into a coherent system of comprehensive support is the next step. By filling funding gaps and correcting market failures that occur along the way, governments can ensure that there is a healthy entrepreneurial ecosystem that maximizes growth opportunities and creates a more dynamic, competitive and innovative economy.

There is a huge diversity of incentive programs across the G20 that target different stages of the entrepreneurial journey, but these can essentially be broken down into two categories: direct and indirect. The list below represents some of the common incentive strategies currently in use or potentially available to stimulate entrepreneurship and the funding of entrepreneurship:

Capital Semilla

Program for Young Entrepreneurs Development in Argentina

Offered by the Argentine Ministry of Industry, the Capital Semilla program is designed to support the development of ventures led by young entrepreneurs in Argentina who are between the ages of 18 and 35. The program is structured as an annual competition that awards grant funds to the winning applicants. Applicants can access three funding levels depending on the current phase of business development. For entrepreneurs in the Project Idea phase, ARS15,000 is available to help them complete research necessary to start their business. The second phase is the Start Up phase, in which winners can receive up to ARS30,000 as seed money to make their first investments. Consolidation is the final business phase in the program, offering up to ARS60,000. Funds are distributed once the necessary agreements are signed between the government and the entrepreneurs.

► Value

This program clearly provides impactful value to its intended target group and in pursuit of its goals. By providing a source of funding to entrepreneurs at multiple stages of business development, the program has the potential to support entrepreneurs through a progression of critical phases. The volume of funding provided is not substantial compared with investments such as VC, but entrepreneurs successful in receiving funds might be viewed as more worthy of additional investment.

► Availability

For entrepreneurs in general, the program has a limited availability. Only those between the ages of 18 and 35 can access the funds, although targeting this group may result in a higher impact than a more broadly available program.

► Stability

For entrepreneurs successful in applying and winning grant funds through the program, there will be very high stability as funds are distributed upon the signing of the necessary agreements with the government. Therefore, the funding provided will be available to include in any budgeting or planning processes that may take into consideration the external support available to the companies.

► Type

The benefit provided by this program is in the form of a cash grant. Given that the program targets entrepreneurs and new ventures, which will likely not yet be in a taxable position, the cash grant format can ensure a positive impact of the funds. Cash benefits represent the most flexible and broadly applicable type of benefit available through incentive programs.

Government incentives

80%

are convinced that governments should facilitate access to funding for young entrepreneurs.

Government funding ...

Direct funding

- Government grants to businesses in all phases of development
- Low interest start-up loans sponsored by governments
- Partnerships between investment funds and governments to provide funding via multiple stakeholders
- Grants for specific business activities such as technical development, research and development, or job creation

Indirect funding

- Preferential tax treatment for companies and individuals investing in new business ventures
- Tax deductions or exemptions for companies performing certain activities or at a certain stage of development
- Grants available to investment companies researching the viability of initiating investments in SMEs and new ventures
- Grants designated for specific non-business or advisory functions such as hiring development consultants or executive advisors

Approaches to government incentives

The approach that governments take to incentives varies according to the maturity of the economy. In low-growth developed markets, policy-makers are likely to prioritize incentives that will ignite potential high-growth sectors or encourage specific business activities with plentiful underutilized resources.

But with many developed economies under pressure to reduce deficits and spending, policy-makers will face a difficult balancing act in determining which incentives to prioritize. Many will be taking steps to review the effectiveness of current and planned incentive programs. This will ensure that their limited resources are being directed towards those programs that have the biggest impact.

The importance of innovation to economic growth means that many governments across the G20 will continue to prioritize incentives that promote the commercialization of innovative products and services. In the UK, the R&D super-deduction for SMEs increased to 200% on 1 April 2011, and an additional increase to 225% is pending parliamentary approval (planned to take effect 1 April 2012).¹⁸ It is likely that the availability of these programs will continue to expand and that both large businesses and entrepreneurs will continue to see opportunities to subsidize the cost of innovative start-ups and research and development expenses.

Incentive policies in rapid-growth markets differ from those in more mature economies. Many are aimed at attracting international investment that can play a new or expanded role in economic development. Turkey, like many other countries, has targeted the development of high technology investments by establishing Technology Development Zones, or Technoparks, that offer a generous package of tax incentives to companies making qualifying investments.¹⁹

Thinking out of the box

While funding is essential to promoting the establishment of a thriving set of entrepreneurial businesses at every stage of development, it is not the only driver of growth. There is a strong argument that linking comprehensive business development support to funding can increase funding impact.

When developing a business idea, entrepreneurs will also need to seek out other resources including expert management advice, legal counsel, and the skills of marketing consultants. Government programs that target funding could increase their impact by combining access to other resources to support the funding they provide. Whether it is through the provision of specific advisory resources, or categories of funding designated for particular tasks, the ability to access comprehensive business development support will allow entrepreneurs to leverage the additional assistance they may need to succeed in developing a business.

The balance between selective and universal availability

Not every new business venture is a success, and not every start-up will lead to massive job creation, if any. According to a survey of entrepreneurs and their companies completed by Endeavor Insight, approximately 4% of new ventures are responsible for nearly 40% of job creation arising from the entire group of surveyed entrepreneurs.²⁰ These so-called high-impact entrepreneurs represent a prime target for government incentives. But governments must balance the desired outcome of targeting high-growth businesses with the need for an inclusive approach.

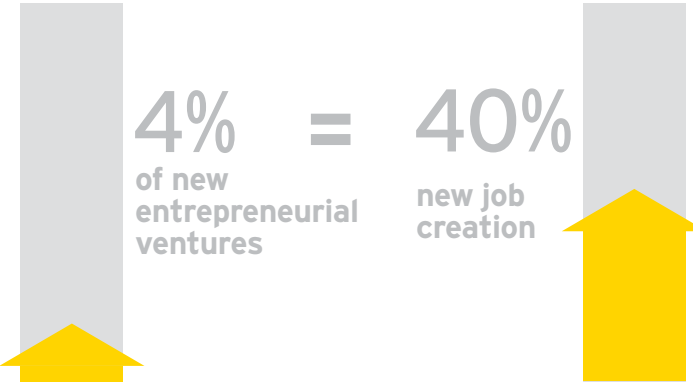
Selective incentive programs could be regarded as discriminatory against those companies that are not successful in securing funds or are deemed ineligible at a particular point in time. Conversely, a universally available program may be viewed as a waste of government resources. In considering new incentives programs that maximize economic impact, policy-makers will need to weigh these conflicting ideals carefully. The scarcity of funds

means that some selectivity will be necessary during the development of any incentives program, and governments should not shy away from purposefully targeting activities or segments they believe will have the highest impact on the economy. Even so, when defining eligibility, lawmakers should be sure to make incentive programs accessible to as many participants as possible within the program's target group.

The difficulty of achieving this balance emphasizes the importance of clearly defining program goals and the target group at the outset of the development process. In targeting early stage companies, a tiered approach to funding may be helpful. In the same way that companies seeking private investment must demonstrate regular growth to secure progressively larger infusions of funds, governments could implement a structured funding growth platform that would advance in conjunction with a company's growth.

Complexity can be a barrier to success

One drawback to creating a balanced offer through a combination of multiple selective and general programs, is the increased compliance burden this poses on companies and the difficulty of promoting awareness of all the opportunities. Because incentive programs are diverse and quite prevalent, it can be difficult to keep track of all the programs available to a given company. Governments could help entrepreneurs and investors avoid compliance issues by creating a dedicated one-stop-shop for funding programs aimed at entrepreneurship. Such a single source could provide all necessary compliance steps and information in a consolidated manner. Some governments have already begun to take steps toward achieving such a platform. Two good examples are the business websites of the governments of the UK and Australia: www.bis.gov.uk and business.gov.au respectively.



¹⁸ At the time this publication went to print this legislation was still pending approval.

¹⁹ "Special Investment Zones: Technology Development Zones – Technoparks," *Invest in Turkey website*, www.invest.gov.tr/en-US/investmentguide, accessed 30 March 2012.

²⁰ R Morris, *2011 High-Impact Entrepreneurship Global Report* (Endeavor Insight, 2011), p. 1

Selection of government leading practices

For more information, visit our website: www.ey.com/entrepreneurship-barometer.

	Launch date	Country
StartUp Britain		
StartUp Britain is a new campaign by entrepreneurs for entrepreneurs to support small businesses in the UK. The program is designed to celebrate, inspire and accelerate enterprise in the UK. It is fully supported by the UK's Prime Minister, the Chancellor and the Government and has so far gathered the backing of significant international companies.	2011	UK
Programme for the Competitiveness of enterprises and SMEs (COSME)		
Launching in 2014, with a budget of €2.5b over the period 2014 to 2020, COSME is a funding instrument that is largely continuing the activities under the current Competitiveness and Innovation Programme (CIP). The new program targets 1) entrepreneurs, in particular SMEs, which will benefit from easier access to funding for their business, 2) citizens who want to become self-employed and face difficulties in setting up or developing their own business, 3) Member States' authorities, which will be better assisted in their efforts to elaborate and implement effective policy reform.	2014	EU
Fonds Commun de Placement dans l'Innovation (FCPI)		
FCPI funds are a form of Fonds Commun de Placement à Risques (FCPR) fund, created in 1997 to direct individuals' savings toward innovative new companies in exchange for tax advantages. FCPI funds specialize in venture capital (financing start-ups and innovative business ventures), as innovative European companies must make up at least 60% of their assets.	1997	France
Export Finance and Insurance Corporation (EFIC)		
EFIC provides finance and insurance solutions to help Australian exporters overcome the financial barriers they face when growing their business overseas. As the Australian Government's export credit agency, it helps successful businesses win, finance and protect export trade or overseas investments where their bank is unable to provide all the support they need. EFIC works directly with exporters or with their banks to provide loans, guarantees, bonds and insurance products that can be tailored to meet the needs of large and small exporters.	1991	Australia
Start and Improve Your Business (SIYB) China program		
The program aims to contribute to poverty alleviation and employment creation in the SME sector. The main target group of the project is laid-off workers and rural-urban migrant workers. Self-employment and independent businesses are important means of re-employment of laid-off workers. The main geographic focus is on the southwest provinces of China. Various start-up training modules have been made a part of the project to assist unemployed people in starting business ventures. Local credit guarantee funds have also been included in the initiative to facilitate lending.	2004	China
Indian Fund for Sustainable Energy (INFUSE)		
INFUSE is an India-centric early stage venture fund focused on the sustainable energy sector. Managed by seasoned investment professionals, INFUSE is backed by leading global businesses and the Government of India and housed at the Indian Institute of Management (Ahmedabad). It aims to build and scale up high-growth enterprises in the cleantech sector by providing capital, knowledge and guidance to entrepreneurs. Through the support of the industry, government, experts and other partners, INFUSE is also uniquely poised to incubate new ventures.	2011	India

Selection of government leading practices

	Launch date	Country
Youth 1000 CEO Project		
The Youth 1000 CEO Project selects 1,000 entrepreneurs every year and provides them with the facilities of the Business Establishment Center. This Center is a workspace for young CEOs striving for their dreams with the support of the Seoul Metropolitan Government. The Center provides basic infrastructure such as office space, supplies and operating costs.	2009	South Korea
Co-operative Incentive Scheme (CIS)		
The CIS seeks to reinforce the initiatives of the Government toward the development and promotion of cooperatives, as a viable form of enterprise in South Africa. It is one of government's support measures toward realizing the 2009 to 2019 objectives presented in the Government's Co-operatives Development Strategy. The scheme targets registered cooperatives operating in the emerging economy. It is offered as a 90%/10% matching grant toward qualifying expenditure incurred/to be incurred by the cooperative. The Department of Trade and Industry provides 90% value of the investment, while 10% should be derived from the cooperative itself. A cooperative is eligible for a total grant not exceeding ZAR300,000.	2009	South Africa
Innovation Network Corporation of Japan (INCJ)		
The Innovation Network Corporation of Japan is a unique public-private partnership aimed at promoting innovation and enhancing the value of businesses in Japan. It aims to provide financial, technological and management support to promote the creation of next-generation businesses through "open innovation," or the flow of technology and expertise beyond the boundaries of existing organizational structures.	2009	Japan

“**Young entrepreneurs** have great **difficulty** in gaining access to traditional sources of financing. Because they tend to have little experience and few assets, financial institutions tend to see them as **too risky**, despite the **modest** amounts of **investment** that many require. And because they are starting from scratch, they are often too small to be of **interest** to most angel investors and venture capitalists. **Governments** should therefore **support** alternative mechanisms and institutions that provide young entrepreneurs with the capital they need to start and **grow** their businesses.”

Young entrepreneurs at the G20 Young Entrepreneurship Summit in Toronto, June 2010

Outlook

By 2020 the financial system might be able to support double the number of SMEs that it does today.

Finally, we turn our attention to examining the outlook for SME funding, and thus the potential for growth in the SME population and entrepreneurial activity. The key question is what alternative developments in the funding mix and scale of total funding are likely to emerge?

Because of the high degree of uncertainty that prevails over all forecasts of the short-term business cycle, the estimates presented here are based on the extrapolation of historic trends to 2020, coupled with recent evidence from the US and UK to assess the possible growth of new funding mechanisms. Three scenarios for SME funding prospects by 2020 capture what we believe are the most plausible range of outcomes ahead:

Weak finance

The worst case scenario assumes that bank lending and other funding growth only tracks nominal GDP growth (at 7-8% per annum at the global level) . But the expansion in new forms of investment could continue in the US and UK and spread elsewhere, boosting the contribution of this segment of finance and increasing the use of new technologies to directly access small scale investors.

Business as usual

Under this scenario business returns to normal, with bank lending expanding globally at a rate slightly above trend growth in nominal GDP, which over time will correct the currently abnormally low rate of lending measured as a percentage of GDP. Other forms of capital will also expand, but at rates slightly above bank lending.

Expanded financing

The best case scenario takes the rapid development in new forms of finance into account, projecting a fast expansion at a pace commensurate with recent fast growth in the UK and US. The best case also assumes that this positive financial trend would encourage slightly faster bank lending.

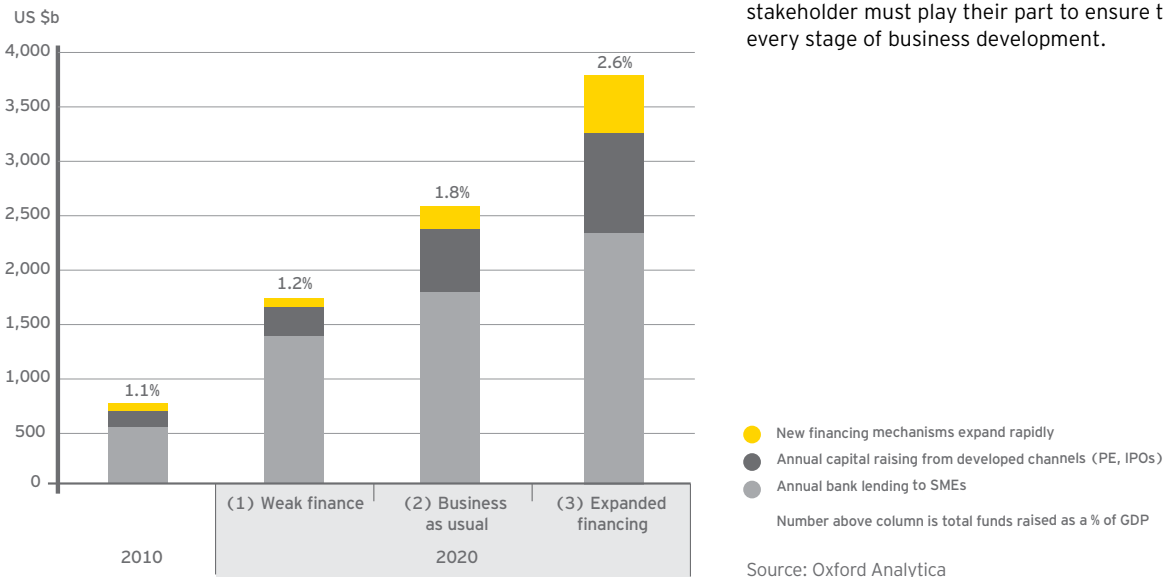
Outlook

Extrapolating these trends out to 2020 across the three scenarios produces marked differences in the estimates for potential funds available to SMEs. In the most pessimistic case, SME funding would be equivalent to 1.2% of global GDP (US\$1,500b) , rising to 2.6% of GDP (US\$3,500b) in the best case. The high funding scenario, which is largely driven by growth in new funding instruments, could reduce the share of bank lending in global SME fund raising from over 70% today to less than 65%

The implications of these funding scenarios are critical: many more SMEs might emerge and survive if the higher levels of funding could be achieved, in turn promoting improved economic growth and new jobs. The key question then becomes: how many new jobs could be created if entrepreneurial activity were stimulated more?

Under the best-case scenario, with bank lending expanding globally at a rate faster than trend growth in nominal GDP, and with a greater take-up of innovative funding mechanisms across the G20, we believe that the financial system could support double the number of SMEs that it does today. This increased population of SMEs would also be double the number supported under the weak financing scenario, which would barely maintain support for the existing population of SMEs. Any encouragement for the more favorable scenario to emerge would clearly be widely welcomed by the entrepreneurial community. This scenario would also go a long way towards meeting the demands of new entrepreneurs for better access to finance.

Global SME fund-raising per annum



Towards a vibrant entrepreneurial environment

This report has examined the funding environment across every stage of entrepreneurial development. What emerges is a mixed picture of challenges and opportunities. There is no question that the financial crisis and its aftermath have had a dramatic impact on the availability of funding, particularly in developed markets. Bank financing has declined, and equity funding has also waned as investors have become more risk-averse.

Yet there are also bright spots that give grounds for optimism. The funding environment in rapid-growth markets continues to improve, albeit from a low base. Greater availability of VC and PE, and the rapid development of capital markets, is helping to fuel a new spirit of entrepreneurial dynamism in many of these markets. And in developed economies, innovative financing mechanisms, including crowdfunding, and a new generation of business angels, are helping to fill growing funding gaps.

Future growth in entrepreneurial activity across the G20 will require further work in developing both traditional and innovative forms of finance. In this report, we have outlined a number of recommendations for both governments and entrepreneurs that we believe will help to address funding gaps and stimulate economic growth. Creating a vibrant entrepreneurial environment requires action on many fronts, and each stakeholder must play their part to ensure that funding is available at every stage of business development.

Methodology

In 2011, Ernst & Young published the first edition of its Entrepreneurship Barometer, *Entrepreneurs speak out: call to action for G20 governments*, an analysis of the G20 country ecosystem articulated around the five enablers defined by the G20 Young Entrepreneurs' Alliance (YEA). In this follow-up report, we focus on one of those five enablers: access to funding. Our analysis is based on the following building blocks:

- ▶ A perception survey of 1,001 entrepreneurs across the G20 countries
- ▶ Approximately 20 interviews with entrepreneurs and representatives from funding providers across the G20
- ▶ Quantitative research into access to funding levels across the G20 and across each stage of entrepreneurship
- ▶ An analysis of G20 government leading practices

Definition of young entrepreneurs

This group is defined by the G20 YEA as young women and men ages 18 to 40 who, by founding and running successful businesses, represent the hope of "... social change, job creation and economic renewal."

Country grouping

Throughout our analysis, we observed marked differences between countries that benefit from a mature economy and countries with rapid-growth rates. Hence, our analysis of the G20 countries focuses on two groups of markets:

- ▶ **Mature markets:** Australia, Canada, France, Germany, Italy, Japan, South Korea, United Kingdom, United States
- ▶ **Rapid-growth markets:** Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, Turkey

This split is based on the International Monetary Fund grouping of "advanced economies" and "emerging and developing economies."²¹

Government leading practices

The government leading practices listed have been selected by the Ernst & Young global network of knowledge and Strategic Growth Market (SGM) professionals.

SME definition

European Union SME definition²²

Firm size	Headcount	Turnover	Balance sheet total
Medium	<250	≤€50 million	≤€43 million
Small	<50	≤€10 million	≤€10 million
Micro	<10	≤€2 million	≤€2 million

Other country examples²³

Country	Employees	Annual sales (revenues)
Canada	10-499	<CAN\$50 million
Mexico	11-250	
Turkey	20-249	<TRY25 million in net sales or <TRY25 million in total assets
United States	10-499	<US\$7 million for most non-manufacturing, but ranges up to <US\$35.5 million

¹⁸ "World Economic Outlook: Database - WEO Groups and Aggregates Information," *International Monetary Fund website*, www.imf.org/external/pubs/ft/imo, accessed 10 September 2011.

²² "European Commission Recommendation 96/280/EC" *European Commission website*, ec.europa.eu/competition/state_aid/legislation, accessed 10 September 2011.

²³ "Enterprise Surveys," *The World Bank website*, data.worldbank.org/data-catalog/enterprise-surveys, accessed 10 September 2011.

Methodology

Perception survey

The perception survey was launched to provide qualitative data to help the barometer establish evaluations for measuring entrepreneurship. Furthermore, it provides a grassroots perception to foster entrepreneurship by enhancing the dialogue between entrepreneurs and policy-makers.

The field research was conducted by Ernst & Young between 27 May and 7 July 2011.

▶ Panel

An international panel of 1,001 entrepreneurs across the G20 countries was interviewed (50 interviews per country). The European Union entrepreneurs' perception survey data is a composite measure of nine European Union countries (10 interviews each in Spain, Luxembourg, Belgium, the Netherlands and Portugal, together with the 50 interviews conducted in each of Germany, France, Italy and the UK).

▶ Perception barometer consolidation

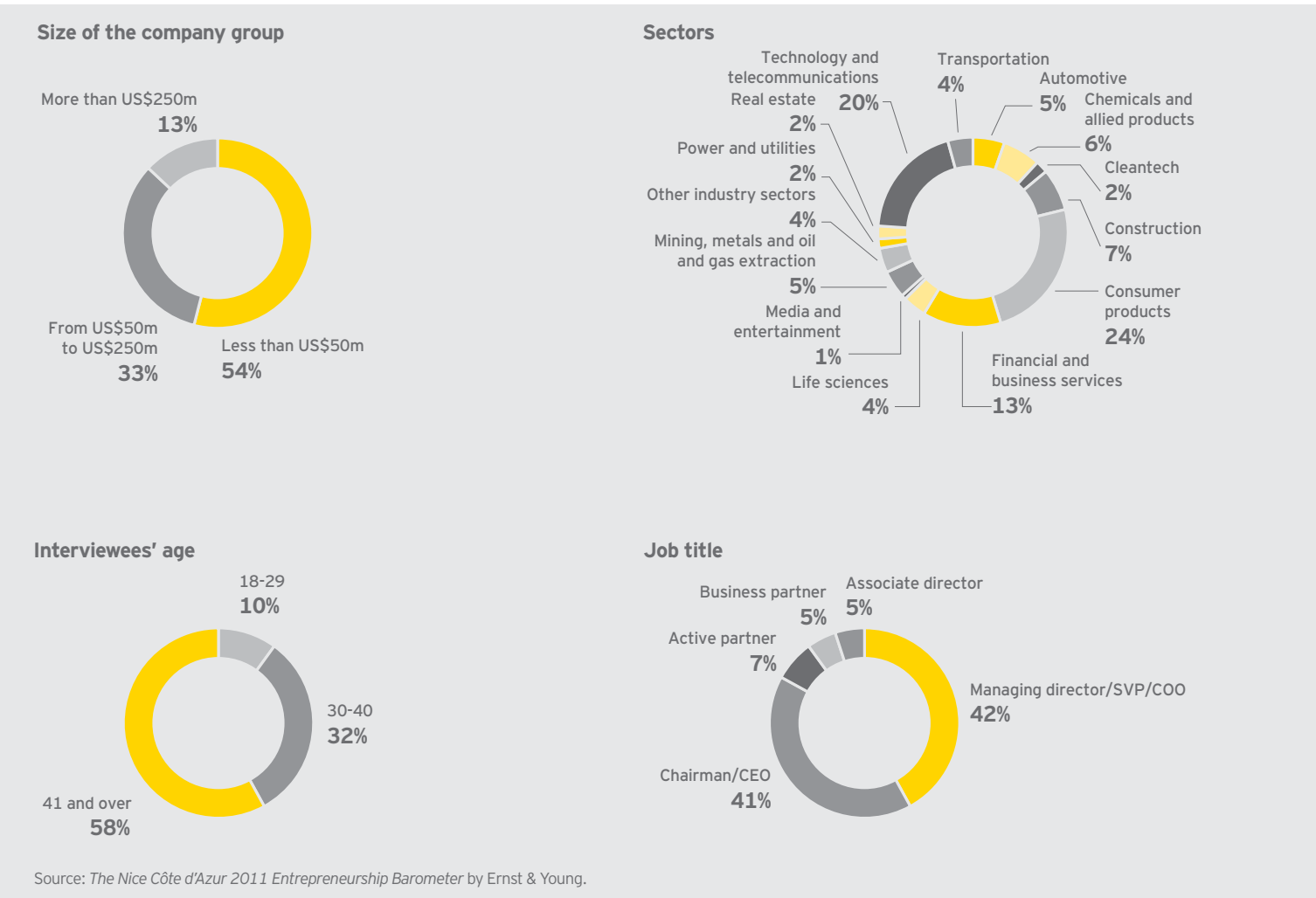
For questions with three or five modalities, a perception barometer was set up by calculating a weighted average of country performance scores. The barometer aggregates the weighted scores, divided by the total number of responses (excluding non-responses or "can't say" responses).

Weights applied for a question with five modalities:

- ▶ Highly improved = 100
- ▶ Fairly improved = 33
- ▶ Neither improved nor deteriorated = 0
- ▶ Fairly deteriorated = -33
- ▶ Highly deteriorated = -100

Weights applied for a question with three modalities:

- ▶ High = 100
- ▶ Medium = 50
- ▶ Low = 0



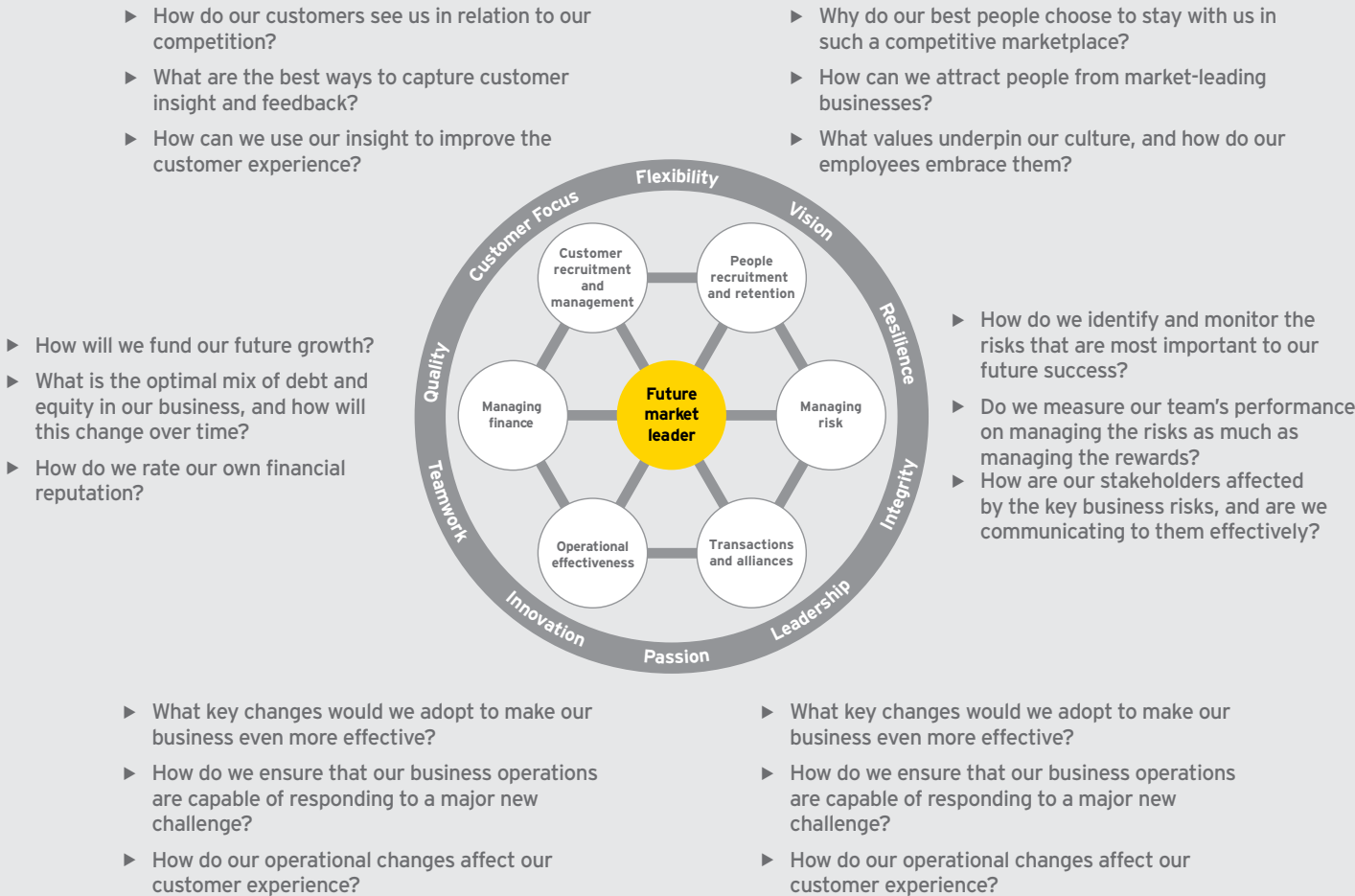
Our commitment to entrepreneurship

We have been working with entrepreneurs for more than three decades. We make this investment because we passionately believe that encouraging entrepreneurship and innovation results in economic growth and prosperity.

Our identification with entrepreneurs and high-growth companies through programs such as Ernst Entrepreneur Of The Year® and Strategic Growth Forums is a cornerstone of our brand identity. We were the first professional services organization to form a globally integrated practice – Strategic Growth Markets – dedicated to serving the full spectrum of entrepreneurial, high-growth

companies. We place a high value on advising these companies and provide the highest levels of attention, dedication, talent and respect that many other professional services organizations reserve for their Fortune 50 clients.

Becoming an exceptional enterprise



Our commitment to entrepreneurship

- Ernst & Young Entrepreneur Of The Year is the world's most prestigious business award for entrepreneurs. This unique award makes a difference by encouraging entrepreneurial activity among those with potential and recognizing the contribution of people who inspire others with their vision, leadership and achievement. As the first and only truly global award of its kind, Entrepreneur Of The Year celebrates those who are building and leading successful, growing and dynamic businesses, recognizing them through regional, national and global awards programs in more than 140 cities in more than 50 countries. In 2001, Ernst & Young created the World Entrepreneur Of The Year Award to recognize the global impact of entrepreneurs and to honor the positive impact they have on their local communities, their countries and the world.
- Ernst & Young Strategic Growth Forums are conducted around the world to provide leading entrepreneurs, investors, government officials, academics and top executives the opportunity to explore strategies for growth, whether that is through financing, expanding into new markets, taking new approaches to talent or finding new ways to innovate.
- The Forums are packed with dynamic speakers, topical and relevant sessions, panel discussions, networking opportunities, and inspirational entrepreneurs and executives. Well established in the US, the Palm Springs event is described by Forbes as a "must-attend" event. Our first Strategic Growth Forum Africa was held in 2012, and events are planned for Brazil, India, Israel, Russia, Turkey and Asia.
- With the Ernst & Young Entrepreneurial Winning Women™ program, we channel our resources and convening power to help women entrepreneurs achieve the full potential they envision for their companies. The program identifies and celebrates high-potential female entrepreneurs and provides them with personalized one-on-one business insights and advice as well as insider access to strategic networks of established entrepreneurs, executives, advisors and investors. Unlike many programs that are focused on helping women to start a business, Ernst & Young's Entrepreneurial Winning Women program supports women with existing enterprises to scale up and become market leaders.
- Ernst & Young has a sponsorship agreement with Endeavor, a not-for-profit organization that works with high-impact entrepreneurs in emerging markets to improve and grow their businesses. Endeavor aims to transform emerging economies and establish entrepreneurship as a leading force for sustainable economic development.
- Ernst & Young extended its commitment to young entrepreneurs with the expansion of its relationship with the Network for Teaching Entrepreneurship (NFTE). Through the Entrepreneur Of The Year program in the US, Ernst & Young has provided 16 scholarships to NFTE's Youth Entrepreneur Award winners. In 2011, we extended our support by funding new scholarships in Belgium, China, Germany, India, Ireland, Israel, the Netherlands and New Zealand. The scholarships are just one of three strands of Ernst & Young's involvement with NFTE. We also aim to have an Ernst & Young member firm partner on every NFTE affiliate board around the world, and Ernst & Young staff have the opportunity to volunteer their time to NFTE.
- NFTE began as a program to prevent children from leaving school before they graduated. The aim is to improve academic performance among students who are at risk of failing or not finishing school. Working with students from disadvantaged backgrounds, the program helps them see the relevance of their studies as they learn skills in key subject areas alongside business and financial planning. The participants create business plans for their ideas and compete in classroom, city-wide and national competitions. To date NFTE has worked with nearly 400,000 young people from low-income communities in programs across the US and around the world.
- After being asked for many years: "What do market leaders do to become successful?" Ernst & Young decided to research the answer. And the Exceptional Enterprise model (opposite page) is the result. Through our global Entrepreneur Of The Year program, we have the privilege of working with some of the world's most dynamic business leaders. By surveying this unique group, we have been able to clarify the common challenges and opportunities that they face, together with the secrets to their success.

G20 Young Entrepreneurs' Alliance

The G20 Young Entrepreneurs' Alliance (G20 YEA)

G20 YEA is a collective of leading entrepreneurially minded organizations representing the G20 countries that seek to promote youth entrepreneurship as a powerful driver of economic renewal, job creation, innovation and social change. The Alliance was founded as a movement to engage the G20 leaders in the cause of youth entrepreneurship, share information across borders,

affect positive policy change and create a global network of young entrepreneur advocates while building a collaborative entrepreneurial environment worldwide. Find out more at www.g20yea.com.

The G20 Young Entrepreneur Summit (G20 YES)

Annually, G20 YEA holds G20 YES prior to the G20 Summit of political leaders. After successful events in Toronto, Canada (June 2010); Incheon, South Korea (November 2010); and Nice, France (October 2011), the fourth G20 YES moves to Mexico (June 2012) and unites delegations of young entrepreneurs from G20 member nations. The three-day forum provides the young entrepreneurs with opportunities to meet with their peers, learn best practices in growing dynamic companies and celebrate entrepreneurship as the leading source of job and wealth creation, innovation and the well-being of all nations. The goals of the summit include:

- ▶ Promote the vital role entrepreneurs play in the growth, job creation, innovation and competitiveness of nations
- ▶ Identify actions likely to promote entrepreneurship among young people, and provide input for governments by recommending and assembling the best proposals within a communiqué to be endorsed by the G20 political leaders at their annual summits
- ▶ Bring together entrepreneurs from around the world to exchange and share their experiences with the leaders of the entrepreneurial ecosystem from the 20 most important economies in the world
- ▶ Give inspiration to current and future generations of entrepreneurs

FEDAJE Argentina

The Federación Argentina de Jóvenes Empresarios (FEDAJE) is a trade-union organization organization of businesswoman integrated by young enterpreneurs and enterprising Argentinians aged 18 to 40. Grouping to more than 145 chambers lengthways and widthways of the country that in turn they congregate to more than 16,000 young people. The FEDAJE represents the young branch of the Confederación Argentina de la Mediana Empresa (CAME) entity that defends the interests of the trade, the industry, the tourism and the regional economies of the national SMEs with a strong federal composition in his conduction.

www.fedaje.org.ar

SEBRAE Brazil

Brazilian Support Service for Micro and Small Enterprises (SEBRAE) works to foster sustainable development, competitiveness and technical upgrading of SMEs; to serve entrepreneurs who generate income and employment; and to be a real instrument for the transformation of the Brazilian society.

www.sebrae.com.br

G20 young entrepreneurs' alliance



Canada

The Canadian Youth Business Foundation (CYBF) is the "go-to" place for youth entrepreneurship. As a national charity, we are dedicated to growing Canada's economy one young entrepreneur at a time. We look at character not collateral when providing youth, aged 18 to 34, with pre-launch coaching, business resources, start-up financing and mentoring to help them launch and sustain a successful entrepreneurial business. CYBF is also the founder of the G20 Young Entrepreneur Alliance, championing a global movement encouraging collaboration among entrepreneurship organizations.

www.cybf.ca



European Union

European Confederation of Young Entrepreneurs (YES) is the major association of young entrepreneurs throughout Europe representing 40,000 members and aiming to support and improve the economic and social performance of young entrepreneurship in Europe. As such, it is the largest dynamic network of entrepreneurs and which constantly expands its activities.

www.yes.be



Germany

With around 10,000 active members from all areas of business, JCI Germany is the country's largest association of young entrepreneurs and managers. Between them, the association's members are responsible for around 300,000 positions, 35,000 apprenticeships and more than €120b in turnover. Wirtschaftsjunioren Deutschland (JCI Germany) was founded in 1954. Since 1958, JCI Germany has been part of Junior Chamber International (JCI), a global young entrepreneurs' association founded in 1944. Today, JCI has around 200,000 members in more than 100 national associations, spread across 5,000 cities and districts.

www.wjd.de



Italy

The main activities of the Young Entrepreneurs Movement include encouraging the spread of business culture and the growth of entrepreneurial opportunities within society; supporting the affirmation of the free market and competition, merit and social mobility with a view to furthering Italy's competitiveness; and enhancing the role of the entrepreneur, the latter being viewed as an active and responsible player for Italy's economic, social and civil development.

The Young Entrepreneurs Movement is composed of 18 to 40 year olds who hold management positions within companies that are registered with Confindustria local member associations.

www.giovanimprenditori.org



China

Youth Business China (YBC) is a nonprofit educational program aiming to promote youth entrepreneurship. By mobilizing resources from social sectors, particularly the business community, YBC provides business mentoring, seed money, skill and network support young entrepreneurs, thus helping them succeed in business start-ups.

YBC was initiated by the All-China Youth Federation, the Ministry of Labor and Social Security, the All-China Federation of Industry and Commerce, and other agencies in November 2003.

To the date, YBC has set local branches in 43 main cities in China, trained more than 3,000,000 young people who want to be entrepreneurs, and supported more than 2,600 youths creating business, with 95% of their enterprises succeeding, creating 60,000 job opportunities. YBC recruited more than 6,000 voluntary business mentors to provide free guidance and mentoring to the youth.

www.ybc.org.cn



France

The Journées de l'Entrepreneur (JDE) is an association established under the French law of 1901 and created in 2007 as an open entity comprising the main players in the entrepreneurial ecosystem (AFIC, CDC, Ernst & Young, 100,000 Entrepreneurs, APCE, Medef, CCIP, HEC Entrepreneur, Moovjee, CGPME, Institut Télécom, ESCP Europe, OSEO), who together celebrate entrepreneurship and organize annually during the third week of November, a mobilization of the entrepreneurial community and its ecosystem, alongside political and economic decision-makers.

www.journees-entrepreneur.com



India

Young Indians (Yi) is an integral part of the Confederation of Indian Industry (CII), India's premier business association, formed in the year 2002, with an objective of creating a platform for young Indians to realize the dream of a developed nation. Yi has more than 1,288 direct members in 25 city chapters. Yi has 160 members in 3 corporate chapters and engages another 12,000 members through its district chapter, Farmer Nets and Student Nets.

www.yionline.org



Japan

The Japan Junior Chamber has a strong history. It was set up because of a sincere passion to contribute to society through engagement with youth and young business owners. Membership is open to all sectors, and members have to be between ages 20 to 40.

www.jaycee.or.jp



Mexico

In COPARMEX we strive to create more and better business in Mexico, which in turn will help generate a better quality of life, better jobs, better education, a Mexico more competitive. In COPARMEX we have the support of each and every one of our business affiliates but also need the active and conscious participation all private initiative, youth, workers, educational institutions, government, society in general.

www.coparmex.org.mx



The U.S. Russia
Center for
Entrepreneurship

Russia

The U.S. Russia Center for Entrepreneurship (CFE) is an entrepreneurship development organization based in Moscow, with centers in St. Petersburg and Nizhny Novgorod. CFE focuses on three areas. One, it trains and organizes network learning events for Russian entrepreneurs who have the desire and ability to grow their businesses. Two, it supports entrepreneurship education in Russian schools and universities. CFE has trained more than 150 Russian university faculty in how to teach entrepreneurship, and it initiated and finances the Russian Association of Entrepreneurship Education. And three, it acts as a catalyst organization and assists other NGOs and organizations in promoting and creating a healthy culture for entrepreneurship in Russia. CFE is a founding member of the G20 Young Entrepreneurs' Alliance.

www.cfe.ru



Saudi Arabian General Investment Authority
SAGIA

Saudi Arabia

The National Competitiveness Center (NCC) was established by SAGIA in 2006 to act as an independent body to monitor, assess and support the enhancement of competitiveness in the Kingdom of Saudi Arabia. The NCC fully supports SAGIA's 10x10 campaign to make Saudi Arabia one of the top 10 most competitive countries in the world by 2010 and is heavily involved in helping SAGIA reach this goal. The NCC fulfils its role by serving as a think tank, facilitator and communicator of change.

www.saudincc.org.sa



South Africa

The Young Entrepreneur South Africa (YESA) promotes the exchange of ideas around entrepreneurship in South Africa so we can transform our economic landscape in our lifetime. We connect to the wider community of global entrepreneurs and, thereby, deepen South Africa's tentacles into the global economy and new markets.

Our mission is to champion, promote and support successful, globally aware youth entrepreneurship across South Africa by providing a platform for young entrepreneurs to grow their readiness to start, run and grow new businesses that can contribute to sustainable economic development in their communities and deliver the unrealized liberation dividend.



South Korea

YES Korea (사)한국청년기업가협회) is a not-for-profit organization that helps young people search their dreams, start their own business and create employment. We are dedicated to empowering young people to grow by assisting technically, sharing knowledge and experiences, developing quality standards and generating resources.

YES Korea has been a host of the Global Entrepreneurship Week in Korea, which celebrates entrepreneurship and mobilizes the entrepreneurial community, and has developed an open entrepreneurial ecosystem with young people, communities and local governments.

www.yeskr.org



United Kingdom

Youth Business International is a global network of independent non-profit initiatives helping young people to start and grow their own business and create employment. HRH The Prince of Wales is our President, and a London-based network team drives network growth, quality and performance. from start-up entrepreneurs to CEOs of multinational organizations.

www.youthbusiness.org

Young Brits is a social enterprise, focused on promoting the views and interests of young Entrepreneurs from Britain internationally.

www.youngbrits.com



Turkey

TUGIAD (Young Businessmen Association of Turkey), founded in 1986, is the first and only national young entrepreneurs' association in Turkey. TUGIAD is a network of 770 prominent members between 21 and 45 years old, representing various business sectors. Allowing in excess of 400,000 employment throughout Turkey and a total export volume of ca. US\$14b per year, TUGIAD aims to be the leading young entrepreneurs' organization in the region. TUGIAD is at present the vice president of YES (European Confederation of Young Entrepreneurs) representing 45,000 young entrepreneurs at the European level.

www.tugiad.org.tr



USA

The Entrepreneurs' Organization (EO) – for entrepreneurs only – is a dynamic global network of more than 7,500 business owners in 42 countries. Annual gross sales of members companies exceed US\$150b and employ more than 1.5 million people around the globe. Founded in 1987 by a group of young entrepreneurs, EO is the catalyst that enables entrepreneurs to learn and grow from each other, leading to greater business success and an enriched personal life. Membership in one of EO's 116 chapters is by invitation only; the average member is 40 years old with annual revenues of US\$18.4m.

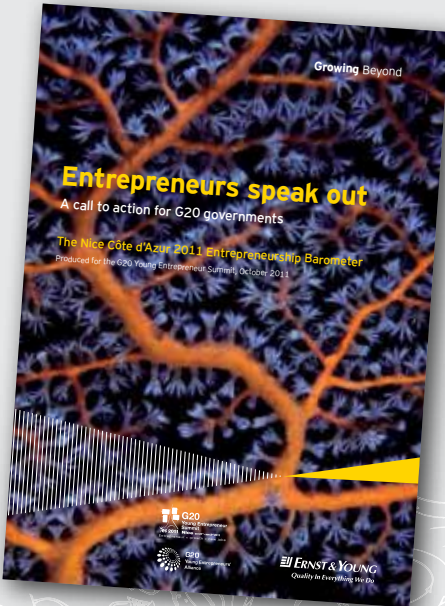
www.eonetwork.org

Entrepreneurs speak out

A call to action for G20 governments

- 1 Through five key enablers, the entrepreneurship barometer analyzes entrepreneurs' perception and government leading practices to provide key recommendations to governments and entrepreneurs.
- 2 The country profiles explore the specifics of country entrepreneurship environments to provide a better understanding to entrepreneurs considering international expansion.
- 3 Highlighting the main conclusions of the report, the barometer website provides further government leading practices and entrepreneurs' success stories.

► www.ey.com/entrepreneurship-barometer



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ED none

Growing Beyond

In these challenging economic times, opportunities still exist for growth. In Growing Beyond, we're exploring how companies can best exploit these opportunities – by expanding into new markets, finding new ways to innovate and taking new approaches to talent. You'll gain practical insights into what you need to do to grow. Join the debate at www.ey.com/growingbeyond.