

THE ENTREPRENEUR WATCH

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Ireland or the Netherlands:
Which country is more entrepreneurial?



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1. THE MOST ENTREPRENEURIAL COUNTRY IN THE EU-15?

Q: What country was ranked the most entrepreneurial of the EU-15 countries in **2005**?

A: Ireland. In 2005, Ireland ranked 1st of the EU-15 countries in terms of the rate of entrepreneurship. The Dutch ranked jointed 9th.

Q: Which of the EU-15 countries was the most entrepreneurial in **2012**?

A: The Netherlands. Since 2005, the rate of entrepreneurship in the Netherlands has increased. They now rank 1st of the EU-15 countries. Ireland's rate of entrepreneurship has decreased. By 2012, Ireland ranked 9th of the EU-15 countries.

In 2012, 6.3% of Dutch adults had started a new business over a 3 ½ year period between 2009 and 2012. The rate in Ireland was 2.3%. (The Dutch rate is more than 2 ½ times higher).

Drawing on data from the Global Entrepreneurship Monitor, this briefing note compares entrepreneurship in Ireland to entrepreneurship in the Netherlands.

2. THE NETHERLANDS AND IRELAND COMPARED

Q: How do the Netherlands and Ireland, both small open European economies, compare economically and culturally?

A: The Dutch have had greater economic success. (Table 1):

- Economic wealth, as measured by GNI per capita is 24% higher in the Netherlands.
- There is a higher rate of employment, and a lower rate of unemployment, in the Netherlands.
- The Dutch economy is more competitive, though it is easier to do business in Ireland.
- The World Competitiveness Reportⁱ ranks the Netherlands 5th, compared to 27th for Ireland.
- Ireland ranks better than the Netherlands in terms of ease of doing business and ease of starting a new business.

Q: Are there culture differences between the Dutch and the Irish?

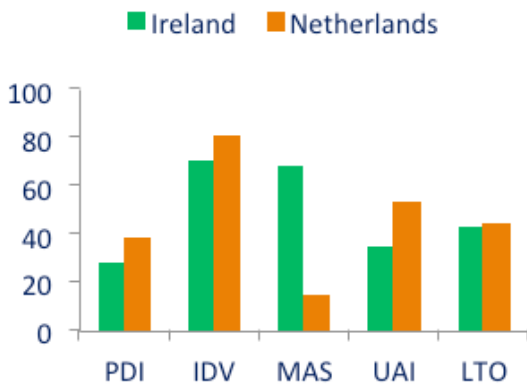
A: While it is difficult to capture differences in national cultures, Hofstede's cultural dimensions are widely used to compare nations (Figure 1).

- Both the Netherlands and Ireland are highly individualistic societies (IDV), though the Dutch score higher.
- In terms of differences, Ireland is a society driven by competition, achievement and success; while the Dutch are focused on consensus and work-life balance (MAS).
- While the Dutch seem to avoid uncertainty by having rules and norms, the Irish emphasise the importance of new ideas and creativity (UAI).
- The two countries are similar in terms of their respect for tradition and history (LTO), and tendency to avoid hierarchical distances (PDI).

Table 1: The Netherlands and Ireland

	Netherlands	Ireland
Population	16,656,000	4,571,700
GNI per capita ⁱⁱ	€38,298	€30,800
GDP per capita ⁱⁱ	€38,627	€37,352
Employment	75%	60%
Unemployment	5.8%	14.7%
World Competitiveness Ranking	5th	27th
Ease of doing business ⁱⁱⁱ	31st	15th
Ease of starting a business ⁱⁱⁱ	67th	10th

Figure 1: Hofstede cultural dimensions^{iv}



Hofstede’s dimensions: PDI: Power Distance Index; IDV: Individualism; MAS: Masculinity; UAI: Uncertainty avoidance; LTO: Long term orientation.

3. ENTREPRENEURSHIP IN THE NETHERLANDS AND IRELAND

Using data from the 2012 Global Entrepreneurship Monitor this section compares the Netherlands and Ireland.

Context for entrepreneurship

Q: Are there different attitudes towards entrepreneurship and entrepreneurial success in the Netherlands and Ireland? (Table 2)

A: • Significantly more people in the Netherlands perceive entrepreneurship to be a desirable career choice.

- More people in Ireland perceive success at entrepreneurship as having a high status.

Q: Are there differences in the level of perception of opportunities to start new businesses?

A: Relative to Ireland,

- More people in the Netherlands perceive opportunities to start new businesses.

Table 2: Attitudes of adults to entrepreneurship (2012)

	Netherlands	Ireland
Entrepreneurship is a desirable career choice	79%	45%
Success at entrepreneurship has a high status	65%	81%
Perceived entrepreneurial opportunities	34%	26%

In 2012 the Netherlands was more entrepreneurial on three important measures of activity. (Table 3)

Relative to Ireland,

- More people in the Netherlands have recently started a new firm;
- More people in the Netherlands are owner-managers of businesses they started; and
- More people in the Netherlands intend to start a business in the next 3 years.

Table 3: Entrepreneurial activity rates (2012)

	Netherlands	Ireland
	(% of adults)	(% of adults)
Entrepreneurs	6.3%	2.3%
Owner-managers	9.5%	8.3%
Entrepreneurial intentions ^v	8.6%	5.4%

Why start a business?

The majority of entrepreneurs^{vi} in both the Netherlands and Ireland start their business because they see a business opportunity. However, more Irish entrepreneurs report that their motivation is that there was no better alternative. (Table 4)

Table 4: Entrepreneurial motives of entrepreneurs (2012)

	Netherlands	Ireland
No better alternative	9%	28%

Technology, Growth Aspirations and Internationalisation

Most new businesses are low-technology, locally traded businesses that start small and remain small. A relatively small number of all start-ups internationalise or achieve significant growth.

On selected measures, Irish entrepreneurs^{vi} score better than the Dutch. (Table 5)

Relative to the Netherlands,

- More Irish entrepreneurs are in medium or high technology sectors.
- More Irish entrepreneurs expect to grow their new business.
- More Irish entrepreneurs expect to have customers in international markets.

Table 5: Technology, growth aspirations and internationalisation (2012)

	Netherlands	Ireland
Entrepreneurs in medium or high technology sectors	5%	9%
Entrepreneurs with high growth aspirations ^{vii}	18%	38%
Entrepreneurs who expect to sell in international markets ^{viii}	14%	28%

4. DIVERGING PATHS (2005 - 2012)

Ireland and the Netherlands have experienced diverging patterns in the rate of entrepreneurship. This section uses data from the Global Entrepreneurship Monitor to compare the evolution of entrepreneurship in the Netherlands and Ireland for the period 2005 to 2012.

Context for entrepreneurship

- Most Dutch people perceive entrepreneurship as a good career choice. In Ireland, the rate has declined since 2005, with 45% of Irish people perceiving entrepreneurship as a good career choice in 2012. (Figure 2)
- In both the Netherlands and Ireland perceptions that success at entrepreneurship has a high status have remained stable over the period. (Figure 3)
- In Ireland perceptions of entrepreneurial opportunities have decreased significantly since 2005 (Figure 4).

Figure 2: Perceptions that entrepreneurship is a desirable career choice

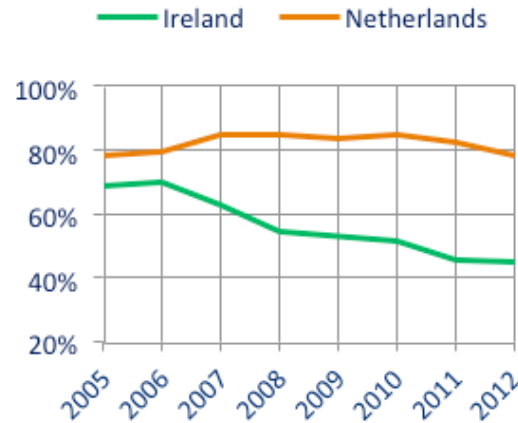


Figure 3: Perceptions that successful entrepreneurship has a high status

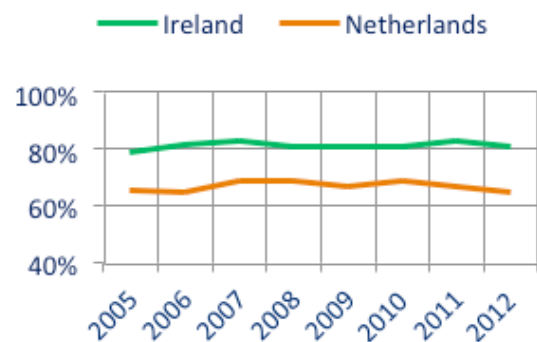
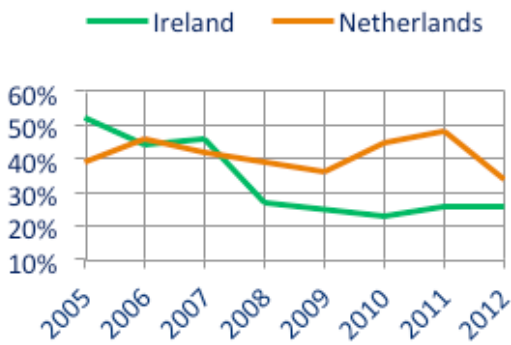


Figure 4: Perceptions of opportunities to start a business



Rates of entrepreneurship

- The number of new entrepreneurs in the Netherlands has seen a steady increase since 2006. Since 2008, the number has declined in Ireland. (Figure 5)
- The number of established entrepreneurs has increased in the Netherlands. The number in Ireland has remained stable. (Figure 6)
- The number of people with intentions to start a new business has increased significantly in the Netherlands since 2008. In contrast, the number in Ireland has declined since 2005. (Figure 7)

Figure 5: Entrepreneurs

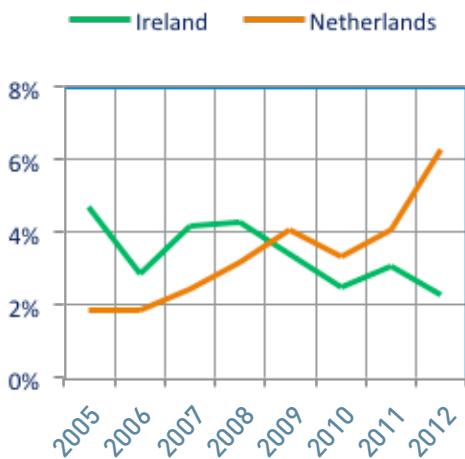


Figure 6: Owner-managers

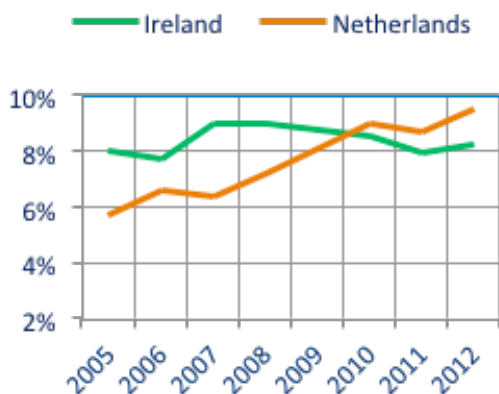
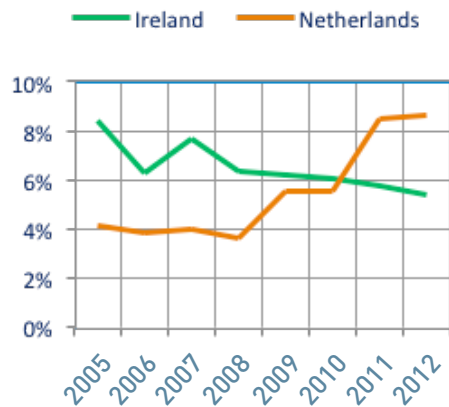


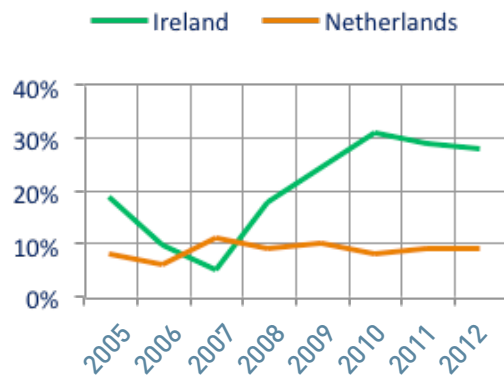
Figure 7: Entrepreneurial intention



Why start a business?

- There has been a significant increase in Ireland in the number of entrepreneurs^{vi} that are motivated by necessity, that is, they have no better employment opportunities. (Figure 8)

Figure 8: Necessity-driven entrepreneurs



Growth Aspirations and Internationalisation

- In Ireland, the percentage of entrepreneurs^{vi} with growth aspirations has increased. In the Netherlands it has remained stable. (Figure 9)
- In Ireland, the percentage of entrepreneurs^{vi} that expect to have customers in international markets has grown since 2005. In the Netherlands it has remained stable. (Figure 10)

Figure 9: Growth aspirations

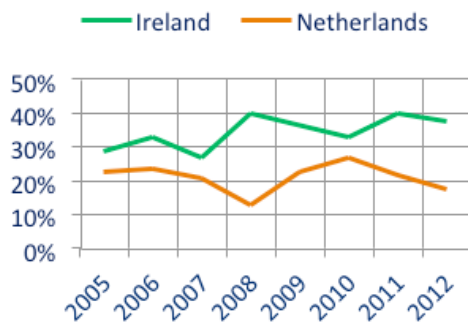
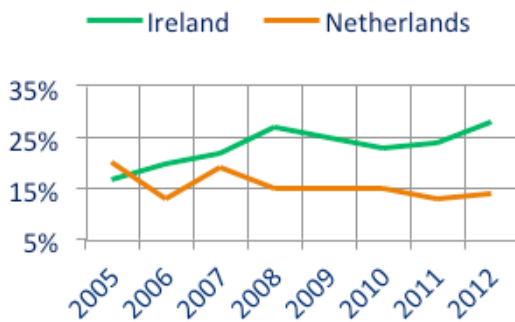


Figure 10: International orientation



5. ENTREPRENEURSHIP POLICY IN THE NETHERLANDS^{ix}

Policy Ambitions

In 2011 the Dutch Ministry of Economic Affairs, Agriculture and Innovation stated:

"This government believes in the strength of entrepreneurs as drivers of innovation, who create prosperity and employment and help to find innovative solutions to the challenges posed by society."

"The government wishes the Netherlands to be a country where entrepreneurs are given the scope for expansion and innovation, a country where knowledge flows and sustainable solutions are developed."

Selected Policy Milestones: 2001-2011

A review of Dutch entrepreneurship policy, 'Ten years entrepreneurship policy: a global overview'^{ix}, a co-production of the Ministry of Economic Affairs, EIM Business & Policy Research and international entrepreneurship experts, identified the following significant milestones in entrepreneurship programmes in the Netherlands. These programmes relate both to new and established businesses.

1. A significant reduction in rules and regulations.

The Dutch government claims it has significantly reduced the administrative and regulatory burden for enterprises. The World Bank has cited the Netherlands' policies as best practice in this regard.

2. Market imperfections in the world of finance.

To counteract market imperfections, consecutive governments have introduced policy instruments such as a guarantee scheme for SMEs (the BBMKB), the Growth Facility, and the Technopartner Programme, which incorporates a Business Angel Programme.

3. Growth accelerator.

This aims to stimulate companies with an annual turnover of €3m to €5m to reach €20m within five years. It uses coaching and feedback, sharing information and develops the abilities of the managers or owners of the companies.

4. Innovation.

R&D investment facility (WBSO) to encourage firms to invest in R&D by contributing to the wage costs of employees who are directly involved in this area. Other instruments designed to encourage innovation are the Innovation Performance Contracts and Innovation Vouchers.

5. Education & the transition from education to job market.

To imbue a more entrepreneurial spirit and a more positive attitude towards entrepreneurship, the Ministry of Economic Affairs - together with the Ministry of Education, Culture and Science - has invested in an Education and Entrepreneurship Programme. This has included setting up six Centres of Entrepreneurship at universities and institutes of higher education.

6. CONCLUSIONS

It is widely recognised that both the extent and the nature of entrepreneurship will be an important factor in determining future living standards in Ireland. Does Ireland have a sufficient level of entrepreneurship to provide these living standards?

This report compares Ireland to the Netherlands. In a comparative sense, Ireland's economic performance has lagged, and continues to lag behind, that of the Netherlands. Furthermore, relative to the Netherlands, Ireland is characterised by lower levels of entrepreneurship across a range of measures.

More people in the Netherlands are starting new businesses, more people see opportunities for new businesses and more people aspire to start a business. For example, in 2012, 6.3% of Dutch adults had started a new business in the previous 3 ½ years. This is more than 2½ times higher than the rate in Ireland (the rate in Ireland is 2.3%).

The rate of entrepreneurship in the Netherlands has increased since 2005; while the rate of entrepreneurship in Ireland has declined since 2008. What might account for these differences in entrepreneurship in the Netherlands and Ireland?

- **Cultural factors.** Entrepreneurship activity is influenced by cultural factors. Such factors may influence the behaviour and career choices of individuals. However, both the Netherlands and Ireland appear to be characterised by what could be seen as cultures that are broadly supportive of entrepreneurship.
- **Market conditions.** The differences between the level of entrepreneurial activity in the Netherlands and Ireland may be due to differences in the business environment. In Ireland, increased entrepreneurship may have been associated with opportunities 'created' by the 'Celtic tiger' boom, and specifically in sectors related to the high levels of activity in the construction industry. Since the beginning of the economic crisis and the downturn in Ireland there has been a notable decline in the number of Irish that perceive opportunities to start a business.

- **Policy priorities.** The Dutch pursued a policy of encouraging entrepreneurship during the recent past. The increase in the level of entrepreneurship suggests that this policy was successful. One aspect of the policy was a significant reduction in rules and regulations, and the aspiration of reducing direct interventions targeted at business, and diverting the savings towards reduced taxes on business. These measures are aimed at producing an environment that is more business friendly in general, and are not just for start-ups.

While the rate of entrepreneurship has increased in the Netherlands, some Dutch commentators argue that the high rate of entrepreneurship is driven by an increase in 'self-employment' activity, and that this will have limited economic impact. These self-employed entrepreneurs are referred to as ZZP'ers in Dutch. Reflecting this belief, in recent years entrepreneurship policy in the Netherlands has shifted from a focus on 'quantity' (i.e. more entrepreneurs) to a focus on 'quality' of entrepreneurship (i.e. more innovative and growth orientated new businesses).

In summary, Ireland and the Netherlands are characterised by different entrepreneurial trajectories. Ireland has lower levels of entrepreneurship and has experienced declining levels of entrepreneurship in recent years. In contrast, the Netherlands has higher levels of entrepreneurship and has experienced increases in entrepreneurship. The Dutch are more entrepreneurial than the Irish!

ⁱ The Global Competitiveness Report 2012–2013.
www.weforum.org/gcr.

ⁱⁱ World Bank data. <http://data.worldbank.org>.
Conversion rate applied US\$1 = €0.77.

ⁱⁱⁱ Based on data from www.doingbusiness.org

^{iv} Data from the Hofstede centre:
<http://geert-hofstede.com/countries.html>

^v The percentage of the 18–64 population who intend to start a business within three years. Does not include those currently active in any stage of entrepreneurial activity (that is, it excludes nascent, new and established entrepreneurs). The rate for the total population (including those active as entrepreneurs) is higher – 10% in the Netherlands and 80% in Ireland.

^{vi} This measure is based on the GEM measure of early stage entrepreneurship. It includes both nascent entrepreneurs and entrepreneurs who have started in the past 3 ½ years.

^{vii} The percentage of early stage entrepreneurs who expect to employ at least five employees five years from now.

^{viii} The percentage of early stage entrepreneurs who indicate that at least 25% of the customers come from other countries.

^{ix} This section draws on published reviews of entrepreneurship policy in the Netherlands and on information from the Dutch government. Specifically, information on Dutch entrepreneurship policy draws on the 'Ten years entrepreneurship policy: a global overview', M. Bakkenes (Ministry of Economic Affairs), M. Schouwstra (Ministry of Economic Affairs), and J. Snijders (EIM Business & Policy Research) (eds). This publication is part of the series "Entrepreneurship in the Netherlands", a co-production of the Ministry of Economic Affairs, EIM Business & Policy Research and international entrepreneurship experts.

DCU Ryan Academy is a non-profit, partnership between Dublin City University and the family of the late Tony Ryan (Ryanair), focussing on entrepreneurship and innovation in Ireland.

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