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WHITE PAPER

ON ENTREPRENEURSHIP IN SPAIN

EXECUTIVE SUMMARY

FPdGi Fundació Príncep de Girona
Fundación Príncipe de Girona

FPdGi

INTRODUCTION

The Prince of Girona Foundation was founded in June 2009 as the Spanish royal family's response to an initiative undertaken by the Girona Chamber of Commerce, Caixa Girona, the Gala-Salvador Dalí Foundation and La Caixa, and it has since been joined by over 60 sponsors who lend it support and strength. Its main aim is to work in favor of our country's young people on all of those areas that are critical to their future: education, employability, talent management and entrepreneurial initiative. This last area was in fact the basis of the IMPULSA Forum, the second edition of which was recently held in Girona, and of the IMPULSA Awards, which were also given out for the second year in a row to young recipients of under 35 years of age. The Foundation carries out projects that are always centered on young people, no matter their background, whether in the social or business spheres or in the world of culture and science.

From the very beginning, the Foundation thus saw that entrepreneurial activity, creativity and innovation were fundamental factors leading to progress and the creation of professional opportunities for young people. That is why the first priority was to have an analysis of the present situation so as to be able to put forward and debate possible roads to improvement and future proposals. In May 2010 the Prince of Girona Foundation commissioned a study to ESADE to analyze the current status of entrepreneurship in Spain, carry out an international comparison and propose some courses of action that could be taken to increase the entrepreneurial spirit, especially among young people.

The *White Paper on entrepreneurship in Spain* was created by a team from ESADE Entrepreneurship Institute. It gathers together and analyses information from the studies conducted over the last decade, both in Spain and internationally. It also presents the results of a survey of over 7,000 Spanish young people carried out through the social network Tuenti, as well as the findings from several interviews conducted with renowned experts. The study's conclusions take a long view, trying to look beyond the necessary legislative measures of simplifying administrative processes and improving fiscal treatment to focus on three structural factors that are considered to be key to the impulse of entrepreneurship in Spain: the promotion of entrepreneurial culture, entrepreneurship education and the financing of new initiatives.

We are aware that bringing about changes in culture, education and financing are processes that require the active participation of a variety of social forces and perhaps will take a few generations. But we believe in the importance of working to promote an entrepreneurial attitude and in their key role in transforming and improving our society.



MÒNICA MARGARIT
Director General of
Prince of Girona Foundation



EUGENIA BIETO
Director General of
ESADE Business School

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EXECUTIVE SUMMARY

INTRODUCTION

The *White Paper on Entrepreneurship in Spain* presents us with a picture of the current status of entrepreneurship in our country and identifies the key areas in which it is necessary to act. For the purposes of this study, entrepreneurship is defined in the widest possible terms, which is to say that it is not limited to the creation of companies, but includes activities from all other spheres such as social entrepreneurship, the worlds of art and sports and science.

The study collects and analyses the information from the research that has been carried out over the last decade, both in Spain and worldwide. The national data that are presented are used to compare Spain with surrounding countries so as to be able to identify any weaknesses.

In addition, the results are presented of a survey carried out by consulting over 7,000 young people from Spain with the help of the social network Tuenti. The survey results are then compared to overall national data and to international data so as to better understand the state of our young people with regard to entrepreneurship.

Three key factors emerge from this initial phase of analysis, namely culture, education and financing. This study features an in-depth analysis of these factors and of best practices for their promotion, as well as discussions of some success stories.

HISTORY

- The Prince of Girona Foundation (FPdGi) was founded in 2009 to lend support to young people and social projects.
- In May 2010 commissioned ESADE Entrepreneurship Institute to carry out this study.

WHY CONDUCT THIS STUDY?

- Entrepreneurial activity, creativity and innovation are fundamental to progress.
- They help create employment opportunities for young people: job creation and growth.

OBJECTIVE

- To analyze the current state of entrepreneurship in Spain and compare it with that of other countries.
- To determine the measures necessary for the promotion of entrepreneurial spirit, especially among young people

METHODOLOGY

RESEARCH PHASES AND PRODUCTS OBTAINED

1. Collection of existing studies:
 - **Analysis of the state of the issue at hand in Spain**
2. Analysis comparing Spain with other European countries and with worldwide leaders:
 - **Comparative study of the situation and key areas**
3. Review of the keys to success in leading countries in entrepreneurship:
 - **Key areas to work on**
4. Identification of some success stories, both on a national and international level:
 - **Summary of the model and the chief characteristics of the cases**

ENTREPRENEURSHIP

KEY ISSUES AND AUTHORS

- Business Creation. Opportunity + Team + Resources. Gartner, 1990; Timmons, 2003.
- Entrepreneurship in culture and sports. Large economic potential and symbolic functions. Jones and Thornton, 2005.
- Social entrepreneurship. Identify a social need. Focus on social benefits. Dees, 2001; Mair and Marti, 2006.
- Scientific entrepreneurship. Identify opportunities for teaching, research and commercialization of knowledge. Guerrero and Urbano, 2010.
- Innovative projects. Corporate entrepreneurship, or entrepreneurship within existing companies. Bieto, 2008.

SOME DEFINITIONS

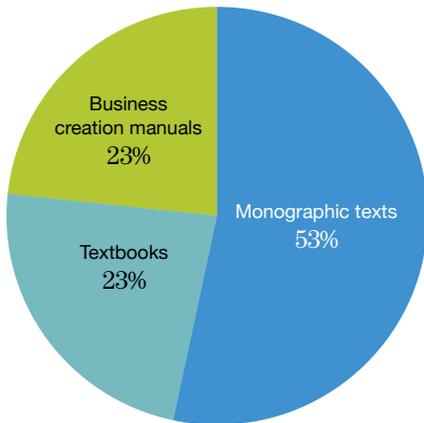
- The entrepreneur recognizes opportunities and takes action to seize them. He or she is someone who is able to take advantage of the imperfections in the market (**Kirzner, 1973**).
- Entrepreneurship includes the study of the sources of opportunities, the processes of discovery, evaluation and exploitation of those opportunities, and the people involved in this discovery, evaluation and exploitation. Entrepreneurship does not necessarily require, but may include, the creation of new organizations. (**Shane & Venkataraman, 2000**).
- Entrepreneurship is the attitude and the process involved in creating and carrying out an economic activity, combining risk-taking, creativity and/or innovation with solid management, either in a new organization or within an existing one. Entrepreneurship is more than anything a way of thinking or a mindset. It includes motivation and individual ability, whether from an independent source or from someone inside an organization, to identify an opportunity and make a great effort to seize it and thus produce new value or economic success. (**European Commission, 2003**).
- Entrepreneurship includes the ability to make changes in oneself, the capacity to accept and support innovation brought about by external factors, openness to change and taking responsibility for one's own actions, whether positive or negative, all of this in order to finish what one starts, to know which direction one is headed in, to set goals and meet them and to be motivated to succeed. (**European Commission, 2004**).

**LITERATURE REVIEW.
DOCUMENTATION IDENTIFIED AND ANALYZED**

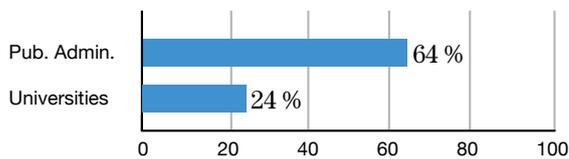
Over the last five years the following issues have merited special attention: social economy, immigrants, women entrepreneurs and cultural entrepreneurship.

DOMESTIC PUBLICATIONS

263 books



74 reports and research papers



56 Academic articles

80% from between 2005 and 2010



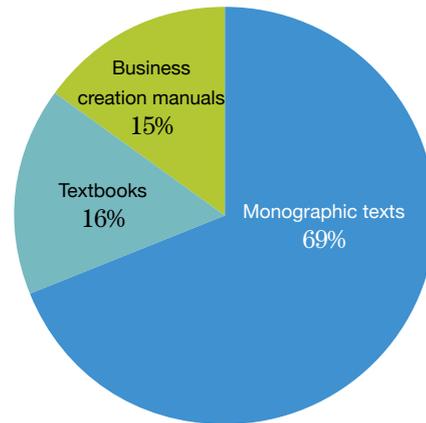
99 PhD. theses (1980-2010)

19 theses in 2008
14 theses from UAB and 10 from Deusto

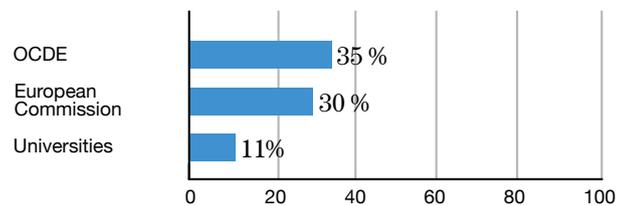


INTERNATIONAL

141 books



100 reports and research papers



745 Academic articles

25 art./ year
82 articles in 2009



188 PhD. theses (2000 a 2010)

17 theses/year
24 for 2008



ENTREPRENEURIAL ACTIVITY

DIAGNOSIS

STATUS OF ENTREPRENEURSHIP IN SPAIN

ENTREPRENEURSHIP

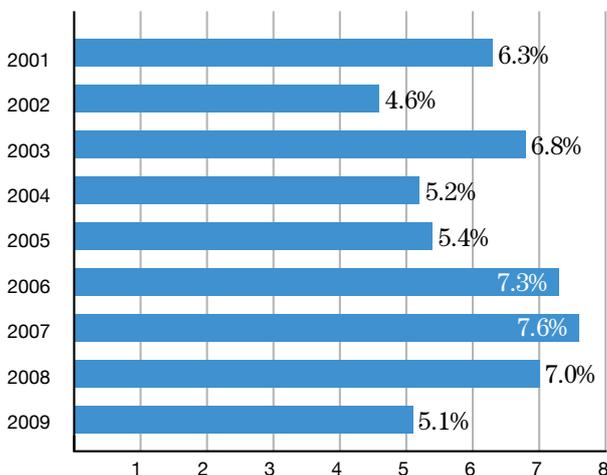
Rate of entrepreneurial activity

Entrepreneurial activity in Spain varies from year to year, although there were higher rates in the years following the economic boom. 

Spanish youth, of between 18 and 34 years of age, make up 50% of entrepreneurs. 

ENTREPRENEURS 0 TO 42 MONTHS

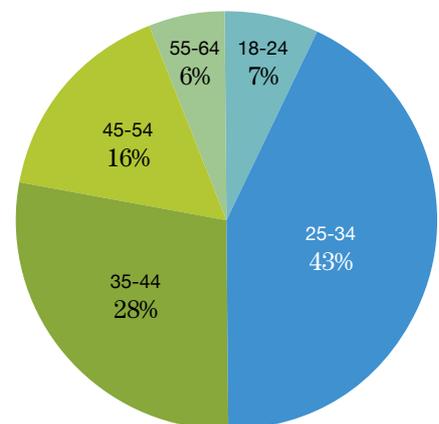
% people



Source: Global Entrepreneurship Monitor (GEM), 2001-2009

ENTREPRENEURS BY AGE RANGE

% Spain, 2007



IN SPAIN

- ▶ **Spain has a low percentage of entrepreneurs (5.1%), and this number is on a downward trend due to the crisis.**
However, half of new entrepreneurs are young people between the ages of 18 and 34.

- ▶ **Most people prefer wage-earning jobs to self-employment.**
In addition, this preference is increasingly prevalent, having gone from 34% of the population in 2001 to 52% in 2009. Young people place more value on stability and a fixed income than on independence and the freedom to create one's own timetable.

- ▶ **Spanish companies are of a reduced size.** More than half of them (53%) do not have a single employee. 42% employee between one and nine workers. In 2009 Spain had 3.4 million companies, and of these 1.8 million represent self-employed individuals and only 185,000 have 10 or more employees. The crisis has not caused this change in the percentages.

- ▶ **Currently, in 2010, 19% more companies are closing than are being created.** This percentage increases to 29% if one excludes companies with no employees.

PREFERENCE FOR WAGE-EARNING EMPLOYMENT OVER SELF-EMPLOYMENT

Spain, % 2001-2009

THE PREFERENCE FOR WAGE-EARNING EMPLOYMENT HAS INCREASED OVER THE LAST DECADE

REASONS FOR PREFERRING WAGE-EARNING⁽¹⁾:

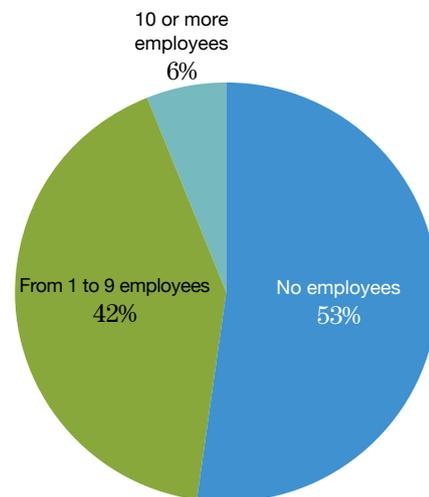
| | Entrepreneurs ⁽¹⁾ | Youth ⁽²⁾ |
|-----------------|------------------------------|----------------------|
| Stability | 52% | 77% |
| Fixed income | 38% | 70% |
| Social security | 21% | 46% |
| Fixed timetable | 19% | 51% |

REASONS FOR PREFERRING SELF-EMPLOYMENT⁽¹⁾:

| | | |
|----------------------|-----|-----|
| Independence | 74% | 67% |
| Freedom of timetable | 36% | 61% |
| Better pay | 14% | 47% |

COMPANY SIZE

Company dimensions by number of employees



Source:

⁽¹⁾ Gallup, 2010;

⁽²⁾ Poll of young people in March 2010, conducted for this study with the collaboration of the social network Tuenti

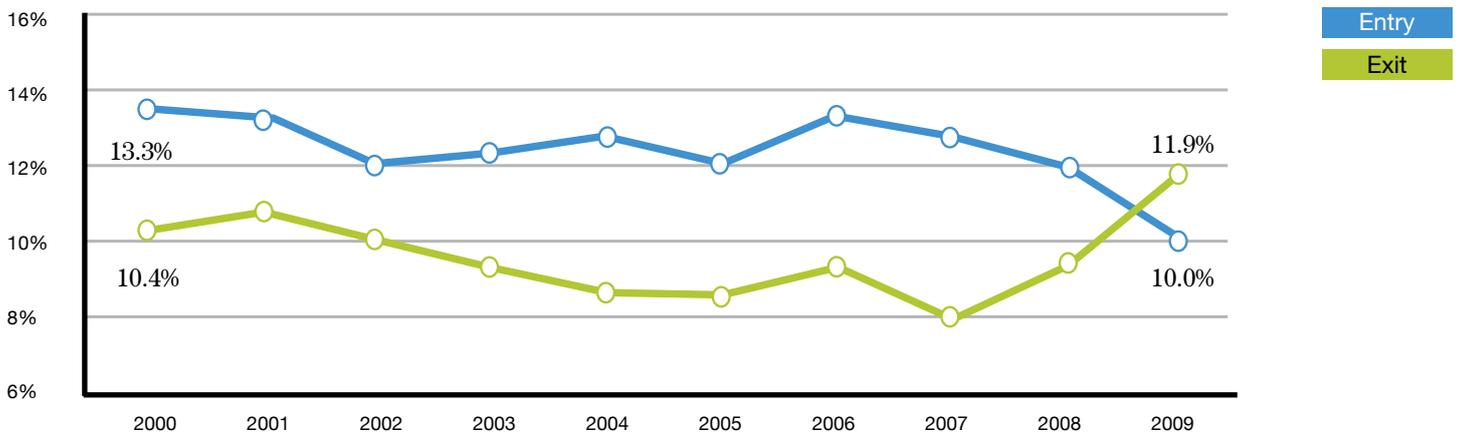
⁽¹⁾ The percentages do not add up to 100, as respondents could choose several answers

BUSINESS CREATION AND DESTRUCTION

In 2009 19% more of the companies that were created were destroyed. Without taking into account self-employment, this figure would rise to 29%.

RATE OF ENTRY AND EXIT OF COMPANIES

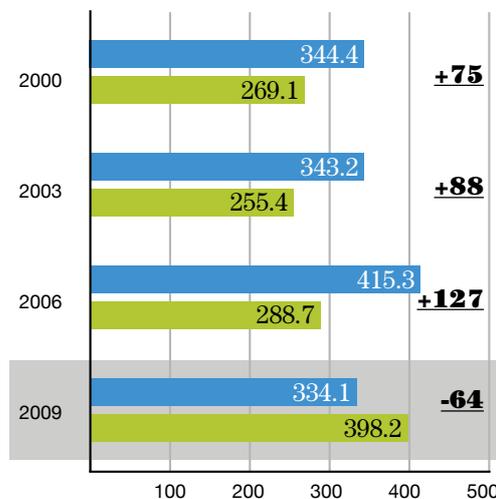
in Spain 2000-2009



Source: created for this study using DIRCE data

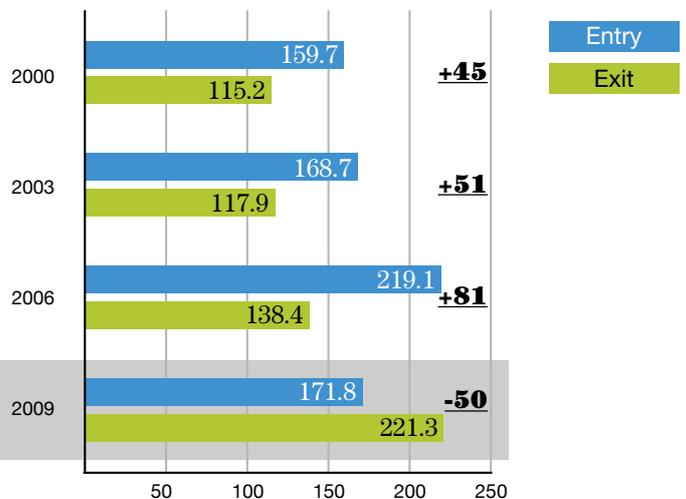
BUSINESS CREATION

Entries and exits, thousands



BUSINESS CREATION EXCLUDING SELF-EMPLOYMENT

Entries and exits, thousands



Source: OCDE, 2010

HOW DOES SPAIN COMPARE TO SURROUNDING COUNTRIES?

CONCLUSIONS

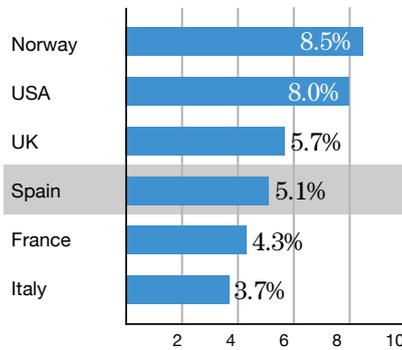
- ▶ **Spain's rate (5.1%) of entrepreneurship is not among the lowest, and it emerges more than anything due to necessity.**
It is lower than that of countries such as the USA (8%) and Norway (8.5%). In Spain entrepreneurs are born more out of necessity (4 out of 10) than opportunity.
- ▶ Greater **risk aversion** than in surrounding countries. We take as many as three times fewer risks than those in the USA.
- ▶ Greater **fear of failure**, although it seems to be improving among young people.
- ▶ We consider ourselves to be **lacking in creativity**, and we think that what happens to us is to a large extent determined by others and by luck, which means that we have little self-confidence. Both of these figures show improvement among young people.
- ▶ **Being an entrepreneur is not considered very socially desirable:**
It has a 48% rate of popularity, compared to 73% in the USA and 62% in France. Young people believe that society places higher value on independent professionals (72%) and scientists and artists (69%) than on entrepreneurs and businesspeople (38%). Only civil servants have a worse reputation.
- ▶ **The media in Spain pay scanty attention to entrepreneurship.**
In countries such as the USA and Norway, there is twice as much media interest in the issue.
- ▶ **The percentage of “neither-nors” (people who neither study nor work) in Spain is the highest among surrounding countries for the 15 to 19 age range.** This difference is smaller for the 20 to 24 range.
- ▶ **People in Spain prefer wage-earning jobs to self-employment.**
Self-employment is the preferred option for 40% of people in Spain, compared with 51% in France and 55% in the USA.
- ▶ **Spain has a low level of investment in R+D and of employment for researchers.** There is half as much investment in R+D (as a percentage of GDP) as in the USA, and there are 40% researchers per 1,000 residents.
- ▶ **The ecosystem of business angels is favorable, and continues to grow.**
However, the investment in venture capital in the early stages of business growth is not commensurate with the size of the Spanish economy.

ENTREPRENEURS: INTERNATIONAL COMPARISON

The percentage of entrepreneurs in Spain is about average, but people tend to engage in entrepreneurial activity out of necessity. 

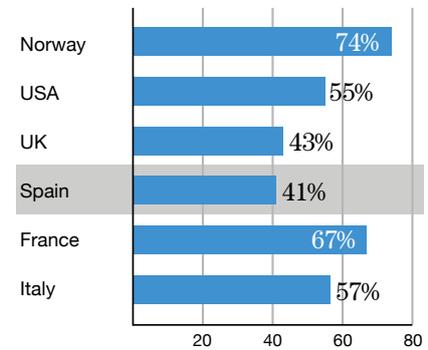
Only four out of 10 entrepreneurs do so out of opportunity, the lowest rate among surrounding countries. 

ENTREPRENEURS FROM 0 TO 42 MONTHS % 2009



Source: Global Entrepreneurship Monitor (GEM), 2009

ENTREPRENEURS PER OPPORTUNITY % 2009



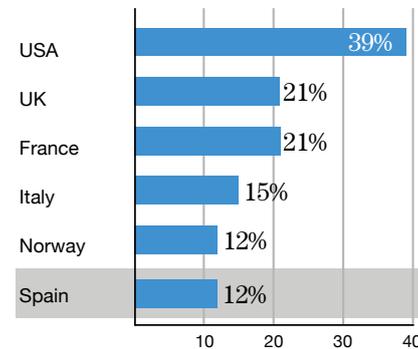
Source: Global Entrepreneurship Monitor (GEM), 2009

VALUES AND CULTURE

We take few risks, probably because we are afraid of failure. 

ATTITUDE TOWARD RISK

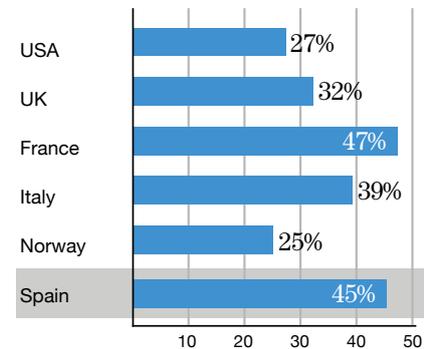
"In general I am a person who takes risks"
% who agree totally



Source: OCDE, 2010

FEAR OF FAILURE

% people

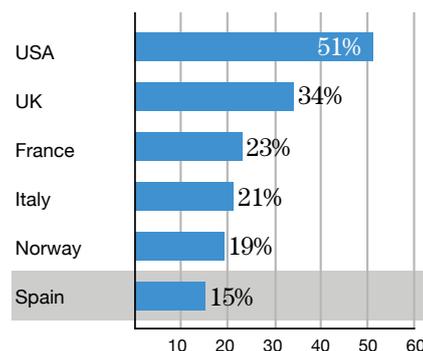


Source: OCDE, 2010

We see ourselves as uncreative. 

CREATIVITY

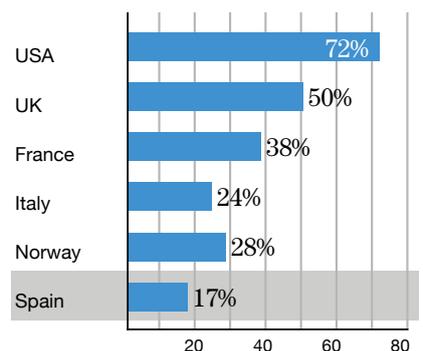
"I consider myself to be a creative person who has new ideas"
% who totally agree



Source: Eurobarometer, 2010

INTERNAL CONTROL

"My life is determined by my own actions, not by the actions of others or by luck"
% who totally agree



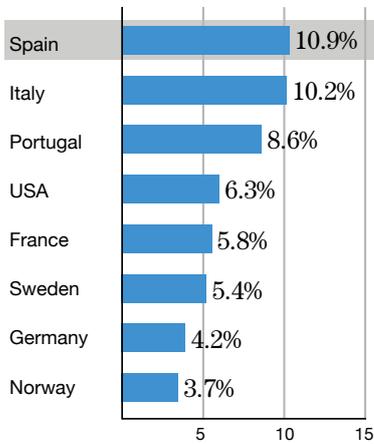
Source: Eurobarometer, 2010

8 out of 10 Spanish think their life is determined by others or luck. 

YOUNG PEOPLE WHO NEITHER STUDY NOR WORK

15 TO 19 YEARS OF AGE

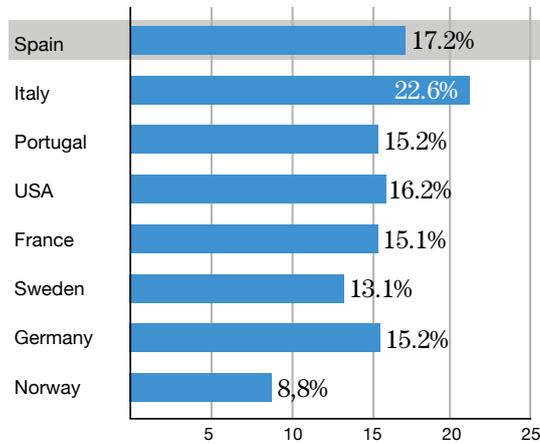
% same age



Source: OCDE, 2010

20 TO 24 YEARS OF AGE

% same age



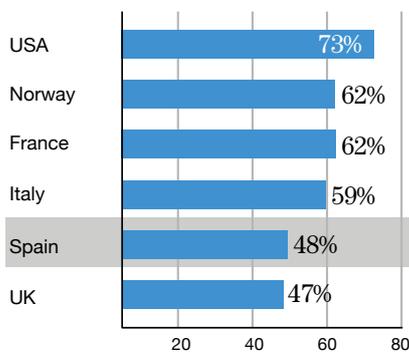
Source: OCDE, 2010

THE IMAGE OF THE ENTREPRENEUR

IN SOCIETY

IMAGE OF ENTREPRENEURS

% favorable image

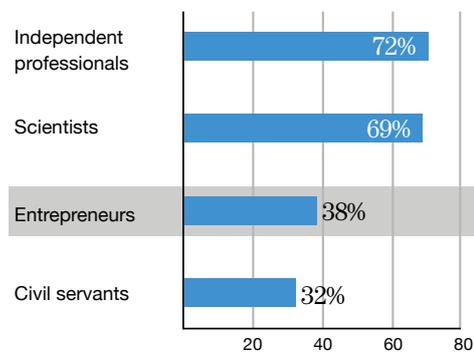


Source: Eurobarometer, 2010

SOCIAL ASSESSMENT AMONG YOUNG PEOPLE

"What value do you think society places on...?"

% favorable, 2009



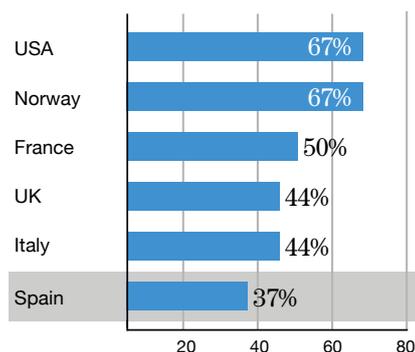
Source: ESADE survey of Spanish youth (March 2011)

AND THE MEDIA

The media in countries such as the USA and Norway devote twice as much time to entrepreneurship as the Spanish media.

MEDIA

% 2009



Source: OCDE, 2010

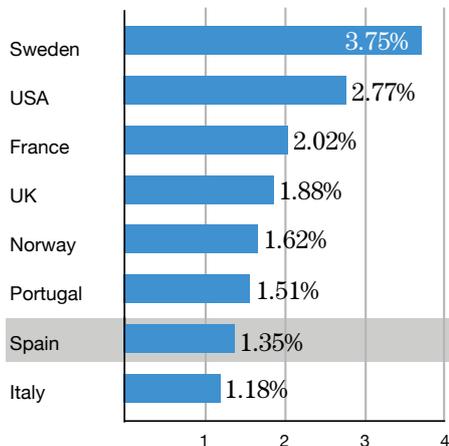
INNOVATION AND RESEARCH

Spain is in last place in terms of investment in R+D and number of researchers: countries such as Sweden and the USA invest up to two to three times as much.

Great researchers tend to emigrate to countries where there is more investment and where they are more highly respected.

INVESTMENT IN R+D

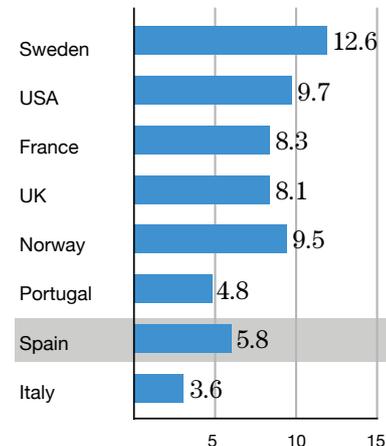
% of GDP, 2008



Source: OCDE, 2010

NUMBER OF RESEARCHERS

For every 1,000 employees, 2006



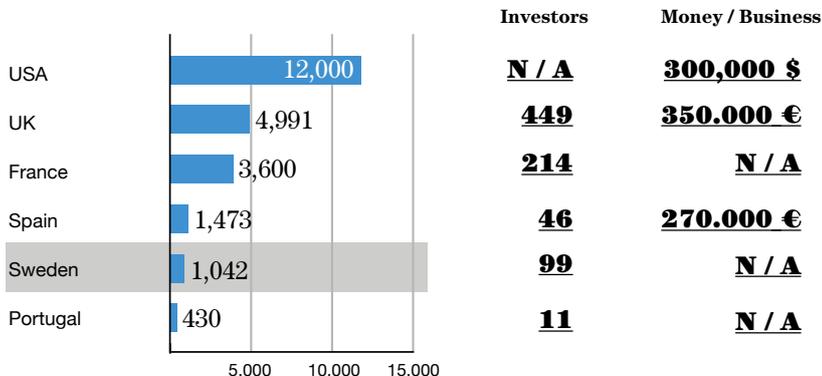
Source: OCDE, 2010

FINANCING OF STARTUPS

The networks of business angels are growing in Spain, and their current activity compares favorable with levels in Europe as a whole.

BUSINESS ANGELS

Number of investors in networks

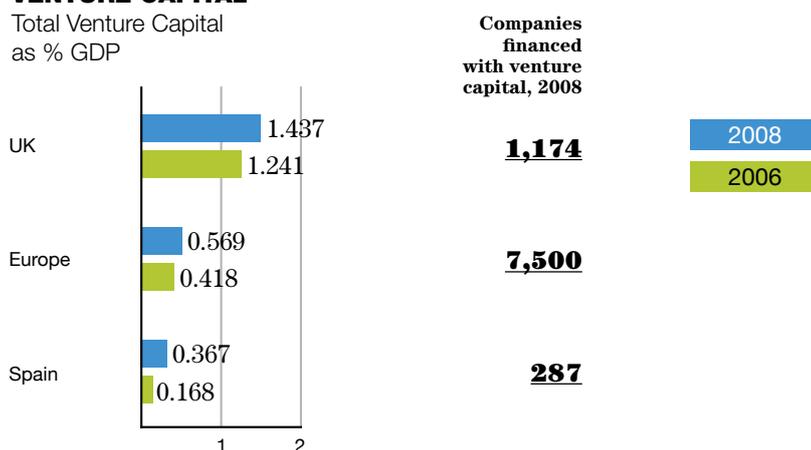


Source: EBAN, ABAN, 2009

Spanish venture capital still has a way to go before it reaches the level it is at in Europe as a whole. We are currently at under half of the European average.

VENTURE CAPITAL

Total Venture Capital as % GDP



Source: EVCA, 2010

THE 3 KEY FACTORS FOR ENTREPRENEURSHIP

From the in-depth analysis of the identified literature, as well as the national and international data, the conclusion emerges that there are three key factors that bring about superior levels of entrepreneurship in certain countries: entrepreneurial culture and values, education and financing.

ENTREPRENEURIAL CULTURE

DEFINITION OF CULTURE

A set of standard behaviors, transmitted socially, that are expressed through values, rules, attitudes, habits, cognitive processes, interpretation of symbols, ideas and reactions (Hofstede, 1980).

THE EFFECT OF CULTURE ON ENTREPRENEURSHIP

- There is greater motivation to engage in entrepreneurial activities when these activities are socially accepted and entrepreneurship is valued and admired.
- Attitudes such as fear of failure and risk aversion inhibit potential entrepreneurs from launching a project.

CHARACTERISTICS OF ENTREPRENEURS

- **A need for achievement:** reaching significant and challenging goals.
- **Independence:** being their own bosses.
- **Internal locus of control:** the results of events are determined by one's own actions.
- **A tendency to take risks:** entrepreneurs take decisions under conditions of uncertainty, but with high probabilities of winning.
- **Self-confidence:** belief in one's own abilities.

HOW DOES ONE TAKE ON THE CHARACTERISTICS OF AN ENTREPRENEUR?

The facets of one’s personality are acquired during the process of primary socialization, through the parents and family background. During secondary socialization, they are moderated and changed by school, friends and the media. Finally, values, attitudes and behavior are once again moderated by the national culture.

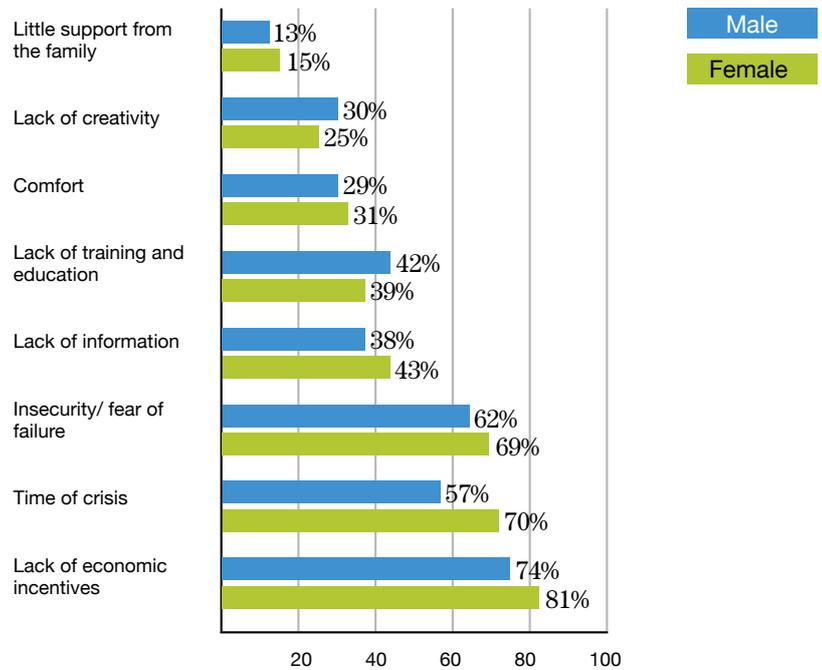
A greater presence of the values and characteristics above increases the tendency to take initiatives as an entrepreneur. For example, the high levels of entrepreneurship in the USA are associated with values such as freedom, independency, self-sufficiency, individualism, a need for achievement and materialism.

ENTREPRENEURIAL CULTURE AMONG SPANISH YOUTH

With the help of the social network Tuenti, ESADE in March 2011 carried out a survey of more than 7,000 young people. Of the sample 56% were men, 44% were women, the age distribution was: 43% 12 to 17 years of age, 52% 18 to 23 and 5% 24 to 31.

OBSTACLES TO ENTREPRENEURSHIP

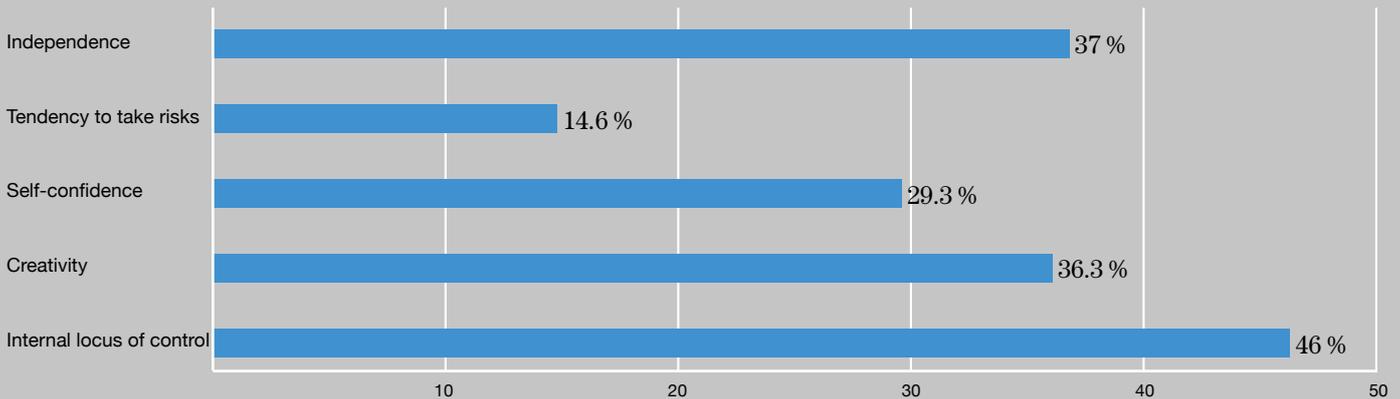
“Why do you think youth is not encouraged to develop new entrepreneurial projects?”



Source: ESADE survey of Spanish youth (March 2011)

CHARACTERISTICS OF SPANISH YOUTH

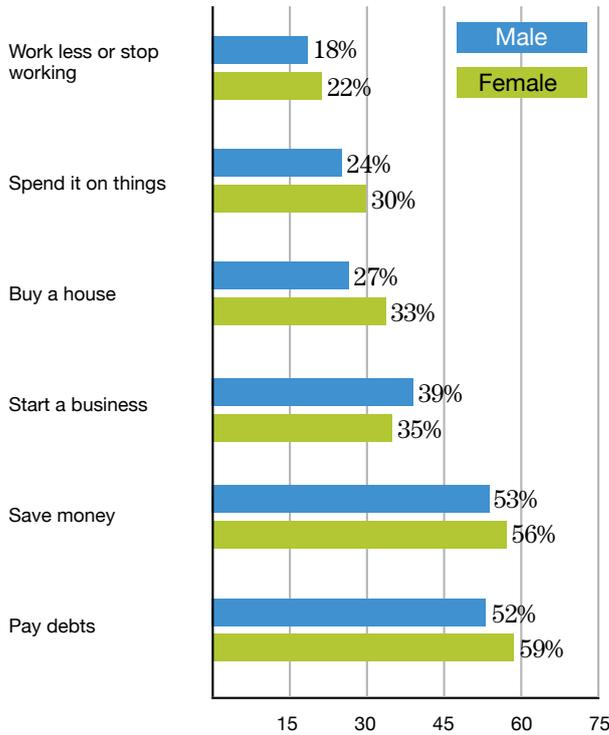
% who totally agree



Source: Results obtained from 7,235 Spanish young people

PREFERENCES FOR INVESTING MONEY WON IN THE LOTTERY*

% people

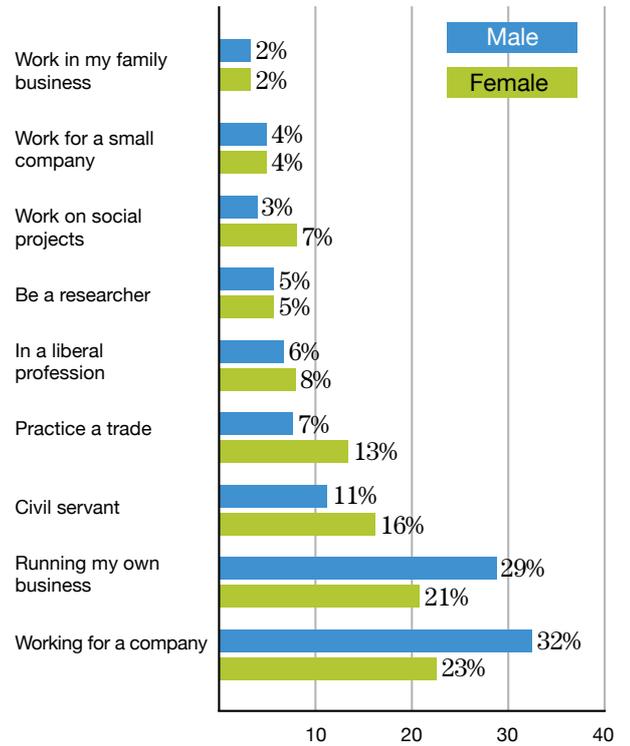


Source: ESADE survey of Spanish youth (March 2011)
 * You may choose more than one option

FUTURE CAREER PLANS BY GENDER

“What do you imagine your professional future will be?”

% people



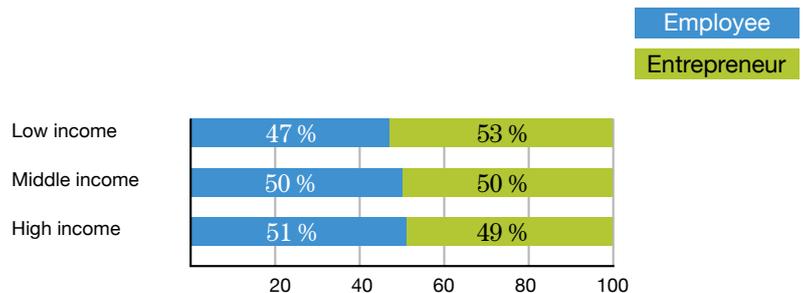
Source: ESADE survey of Spanish youth (March 2011)

REGARDING FEAR OF FAILURE:

Only three out of 10 young people are not afraid of being rejected because of their opinions

Only 2.5 out of ten are optimistic about the future

TYPE OF WORK PREFERRED BY PARENTS, BY FAMILY INCOME



Source: ESADE survey of Spanish youth (March 2011)

EXPERT OPINIONS

All of the experts who were surveyed agreed that Spain does not provide support for entrepreneurship.

It seems that this situation is improving, but it is far from optimal.

...Business has always had a bad reputation, to the extent that we have to refer to entrepreneurs instead of businesspeople, which is silly.

...The truth is that in Spain people believe that “someone” (most likely the State, the Public Administration or community services) must provide solutions or answers to certain problems or situations. This belief reduces or eliminates entrepreneurial initiative to respond to these situations.

PROMOTING CULTURE

EUROPEAN EFFORTS

- European Charter for Small Enterprises (2000): to promote the entrepreneurial spirit and improve conditions.
- Green paper on entrepreneurship, European Commission (2002): improve the image of businesspeople and raise awareness of the value of this career path.
- European program for entrepreneurial spirit (2004): strategic action plan. To increase the entrepreneurial mindset and reduce the stigma of failure.
- Competitiveness and innovation framework program (2006).
- The European Entrepreneurial Region (2009): prize for the three regions with the best political vision for improving entrepreneurship.

MAIN CONCLUSIONS

- ▶ There is a lack of entrepreneurial culture. There have not always been the right models of the meaning of entrepreneurship.
- ▶ There is a whole generation brought up with the idea that business creation is a quick and easy way to make money.
- ▶ The family does not help to develop an inclination to be an entrepreneur. Children are urged to seek out stable work, preferably as civil servants, and not to become entrepreneurs.
- ▶ The image of the entrepreneur in society has shown notable improvement, but it is still necessary to raise social awareness of the value of the figure of the businessperson.
- ▶ There is a phenomenon of social rejection of business failure that stigmatizes the entrepreneur who has failed rather than encouraging learning from the experience and undertaking new projects.
- ▶ Being an entrepreneur is, to a degree, irrational in that one must take on much greater risks and costs than those who are wage-earners. For this reason, entrepreneurship should also carry greater rewards.

ENTREPRENEURIAL EDUCATION

ENTREPRENEURSHIP EDUCATION

DESCRIPTION

The popular myth that had it that entrepreneurs are born, not made, has given way to a general consensus that says that entrepreneurship is a discipline, and that like any other discipline it can be learned (Drucker, 1985, Timmons, 2003).

It is important to make a distinction between:

- Entrepreneurship education.
- Business education.
- Education on how to start and manage small businesses.

This study focuses on the first of these three points, entrepreneurship education in the widest sense of the term, which means the development of the skills, abilities and behaviors necessary to be an entrepreneur.

CONTENT AND APPROACH

Education and training have a great impact on entrepreneurial attitudes.

People who believe they have the skills and knowledge they need to be entrepreneurs are more likely to do so.

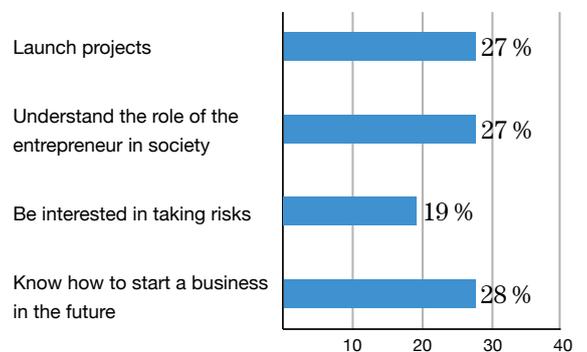
“What should an entrepreneurship program be like?”

- **Autonomy in the learning process:** negotiation of goals, process and standards of success.
- **Problem solving in real-world situations:** teamwork, development of intuitive and rational thinking, understanding the multi-dimensional nature of problems.
- **Decision-making with incomplete or uncertain information:** stimulate the capacity to deal with uncertainty.
- **Provide models for reference:** involved in the learning process, they inspire, motivate and show that it is possible.

Source: Gorman et al. (1997); Kirby (2004), Neck y Greene (2011)

YOUTH PERCEPTION ABOUT TRAINING IN ENTREPRENEURSHIP

“With the education I received I have learned to:”
% who totally agree



Source: ESADE survey of Spanish youth (March 2011)

ENTREPRENEURSHIP EDUCATION IN SPAIN

EXPERT OPINIONS

More needs to be done to foster entrepreneurship education.

It is necessary to introduce teachers to entrepreneurship education.

There are some excellent small-scale initiatives that should be extended and implemented nationwide.

Our education system is far removed from entrepreneurship.

A strange phenomenon has emerged: in some circles, private initiative is viewed with a certain suspicion, to the extent that the public sector has been seen as more valuable than private initiative.

In 2006 there were 52 business creation programs and extracurricular initiatives distributed among 37 universities, as well as 49 certified training activities offered at 23 Spanish universities. The certified training activities are usually offered during the third and fourth years of degree programs, are electives, and teach mainly the study of the sciences of economics and business, although over the last few years their presence in areas such as technology, the social sciences and health sciences has increased.

Source: DGPYME, 2006

EUROPEAN EFFORTS AND THEIR APPLICATION IN SPAIN

In 2006 the European Parliament and European Council passed the recommendation of the key skills for education. Eight basic skills are recommended:

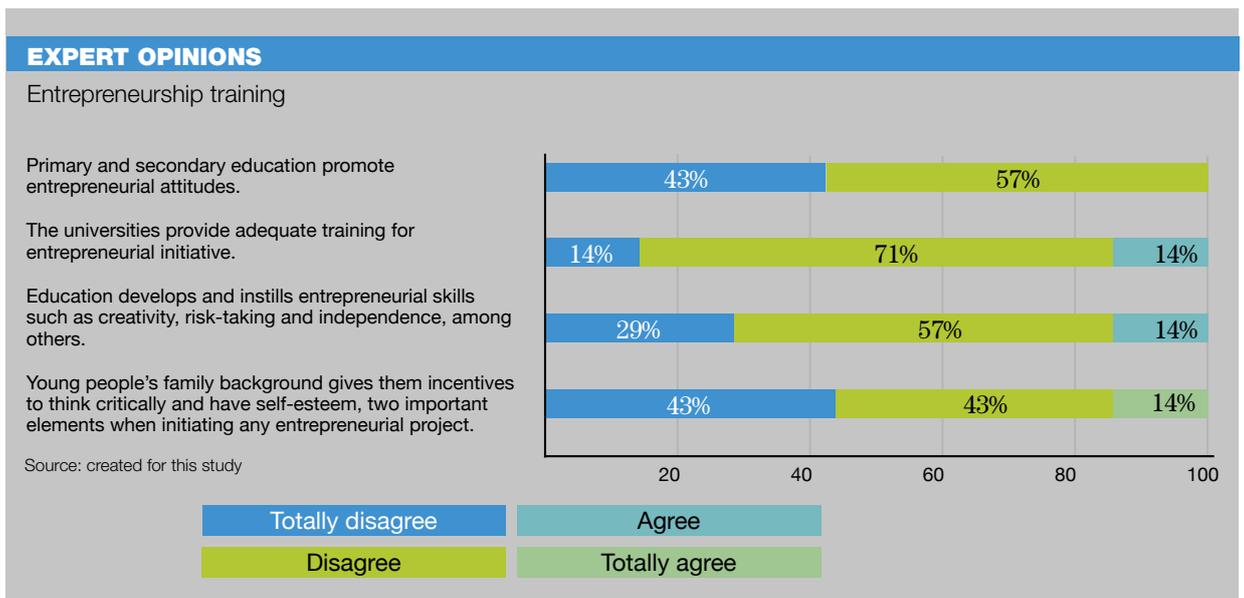
EUROPEAN UNION 8 SKILLS

1. Communication in the mother tongue
2. Communication in foreign languages
3. Math skills and Basic science and technology skills
4. Digital skills
5. Learning to learn
6. Social and civic skills
7. Sense of initiative and entrepreneurial spirit
8. Cultural awareness and expression



8 SKILLS SPAIN:

1. Linguistic communication skills
2. Math skills
3. Skills in the knowledge of and interaction with the physical world
4. Handling of information and digital skills
5. Social and citizenship skills
6. Cultural and artistic skills
7. Skills for learning to learn
8. Autonomy and personal initiative



MAIN CONCLUSIONS

- ▶ Entrepreneurship is a discipline and can be learned.
- ▶ The learning process for entrepreneurship is as important as the content. It is necessary that entrepreneurship be a part of the learning process itself, and that as such the process leads to developing skills such as autonomy, self-confidence, decision-making in circumstances of risk and knowledge of success stories that serve as inspiration.
- ▶ Spanish youth don't feel that they have been educated to be entrepreneurs.
- ▶ Experts agree that it is necessary to foster entrepreneurship more and at a large scale.
- ▶ The eight skills recommended by the European Union are all applied in Spain, with the exception of the one that refers to a "sense of initiative and entrepreneurial spirit."
- ▶ In Spain there are initiatives in place that work and that should be extended nationwide.
- ▶ It is necessary for teachers to learn to be entrepreneurs and to have the tools and materials they need, as well as access to local entrepreneurs, so they can teach their students to take entrepreneurial initiatives.
- ▶ The educational model that seems to work is one that combines the teacher with interactions with local entrepreneurs. The key is to combine teaching and other content.

FINANCING OF ENTREPRENEURIAL ACTIVITY

DESCRIPTION

- Capital is essential for the launching of a project, and limited financing tends to exclude those who don't have sufficient funds at their disposal.
- Lack of financing could be one reason that potential entrepreneurs abandon their business creation project.
- A large percentage of the funds necessary for small projects can be obtained through the entrepreneur's savings, loans from family and friends and other partners in the project.

SOURCES OF FINANCING FOR LAUNCHING NEW PROJECTS

Sources of financing for entrepreneurs:

- The entrepreneur's savings
- Friends and family
- Business angels (private investors)
- Seed capital
- Grants
- Public assistance, low-interest loans and subsidies
- Venture capital
- Microcredits
- Banks
- Capital markets

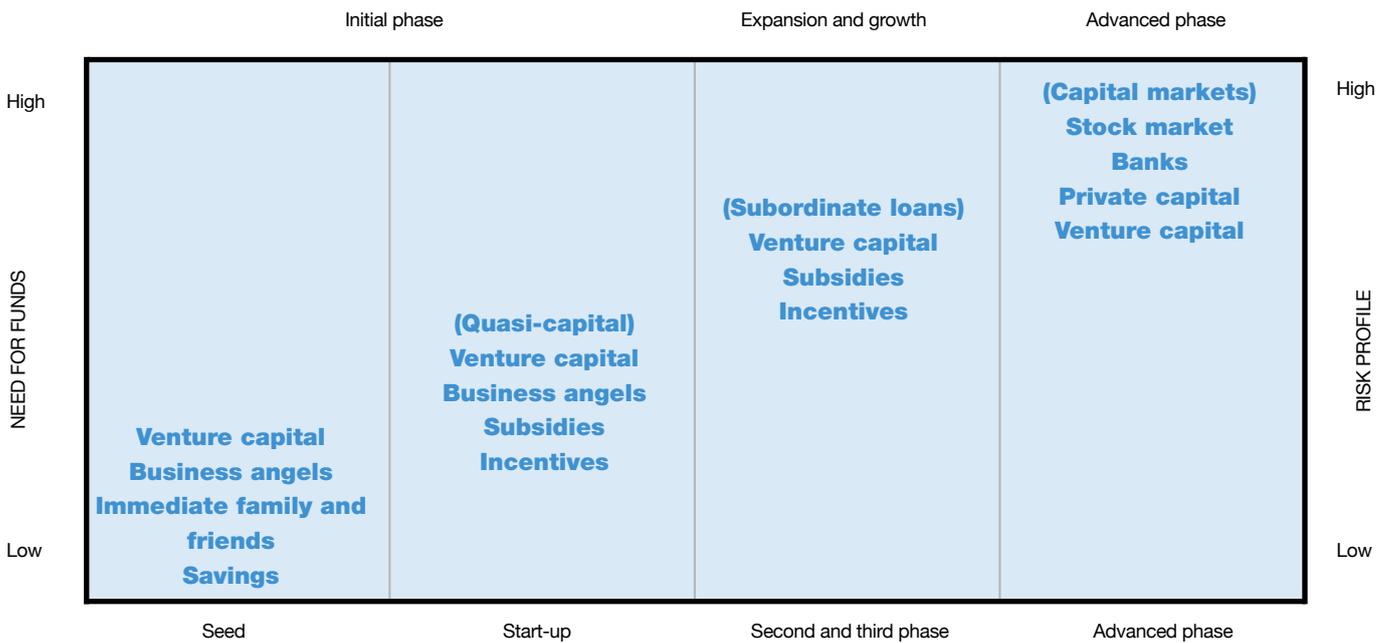
Source: Evans and Jovanovic, 1989; Blanchflower and Oswald, 1998; Gelderen et al., 2005

PROMOTING FINANCING.

EUROPEAN AND NATIONAL EFFORTS

1. Opportunities for financing in certain areas: the EU co-finances sustainable transnational projects with added value in the fields of innovation and research, education and training, and culture and media.
2. Structural funds: EFRD and ESF funds.
3. Financial instruments: the EU assists the lending capacity of financial institutions to small and medium-sized businesses (JEREMIE, JASMINE resources).
4. Incentives for the internationalization of small and medium-sized businesses: Spanish government incentives through DGPYME, ENISA and the ICO.

TYPE OF FINANCING BY PHASE OF COMPANY DEVELOPMENT



Source: EVCA, 2008

EXPERT OPINIONS

Is the lack of financing one of the key problems for carrying out entrepreneurial initiatives? The answers are divided into two groups

- Yes, but it is not the main or only one
- No

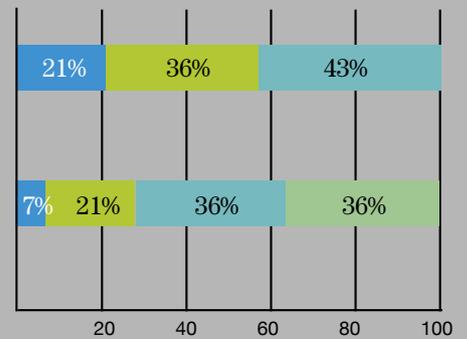
It is a problem for a medium-sized project, which neither needs a very big budget nor a very small one. Good teams of entrepreneurs will always find capital. In the initial stages of a business project there is often a need for financing that is difficult to get due to the need for loan guarantees.

EXPERT OPINIONS

The financing of entrepreneurial activity in Spain

There are sources of financing for new entrepreneurial initiatives

Lack of financing is an important obstacle preventing entrepreneurs from putting their ideas in motion



Totally disagree

Agree

Disagree

Totally agree

MAIN CONCLUSIONS

- ▶ Financing of new companies is one of the problems entrepreneurs face.
- ▶ Venture capital is relatively scarce in Spain given the size of the country's economy.
- ▶ Networks of private investors, business angels, are well developed and compare well to those in surrounding countries.

THE WHITE PAPER

CONCLUSIONS

ENTREPRENEURSHIP IN SPAIN

- The percentage of new entrepreneurs in Spain is low, and varies from 5% to 7% from year to year. Half of new entrepreneurs are young people.
- The size of companies in Spain is limited: 52% of them do not have a single employee. Only 5% employ 10 or more people.
- The rate of business creation starting in the year 2000 was greater than that of companies that closed. However, in 2009 this trend was reversed with a net destruction of companies.

INTERNATIONAL COMPARISON

- Attitudes in Spain are not favorable to entrepreneurship: risk-taking, fear of failure, creativity, internal control, perception of opportunities.
- The image of the entrepreneur in Spain is worse than in Norway, France and Italy. And the media devote less attention to entrepreneurs
- Networks of business angels are reaching good levels in Spain. Venture capital still has room to grow and reach European levels.

KEY FACTORS FOR ENTREPRENEURSHIP

The study's conclusions take a long view, trying to look beyond the necessary legislative measures of simplifying administrative processes and improving fiscal treatment to focus on structural factors.

From this point of view, it is considered that among the key factors for the promotion of entrepreneurial initiative in Spain are the promotion of entrepreneurial culture, entrepreneurship training and access to financing for new initiatives.

WORKING GROUP AND ACKNOWLEDGEMENTS

ENTREPRENEURIAL CULTURE

- Spanish youth possess many of the values necessary for entrepreneurship, although they point out obstacles that are both external (the economic climate, access to funding, social opinion) and internal (fear of failure, attitude toward risk, lack of creativity).
- The media have an important role to play when it comes to improving the perception in the various spheres of society of entrepreneurs, publicizing and giving the appropriate value to examples of entrepreneurial people and their new projects.

ENTREPRENEURIAL EDUCATION

- Spanish young people do not feel that they have been educated to be entrepreneurs, and the experts agree that it is necessary to further strengthen training in entrepreneurial initiative and to do so at a larger scale.
- There must be a training process for teachers, and the appropriate materials and tools must be designed so that new units on entrepreneurial initiative can be incorporated into schools and the inclusion of business creation courses at a university level can become generalized.

FINANCING OF ENTREPRENEURSHIP

- Spanish youth and experts agree that financing is one of the most serious problems for entrepreneurship in Spain, despite the fact that good practices are emerging in the field of business angels and the fiscal framework.
- Venture capital still has a way to go, and will be present to invest when there are more attractive projects and greater ease in disinvestments, possible through the development of alternative markets.

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