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Press release - School of Management Fribourg

Entrepreneurship in Switzerland: Why people start or run a business

Results of the Country Report Switzerland of the Global Entrepreneurship Monitor 2019/2020 (GEM)

In recent years, particularly after the global financial crisis, it has become increasingly apparent to Switzerland that society can no longer rely on large corporations or the state to create jobs. Instead, an entrepreneurial ecosystem and SMEs should be put forward as the backbone of the economy. Additionally, new organizational concepts and a shift in career trends for young talents have also had a radical impact on the working world. This is likely to continue in the future due to the effects of COVID-19.

The entrepreneurial intentions of the Swiss are higher (10.7%) than in 2018 (6.9%) and the same as in 2017, but below the average of other high-income economies (20.2%). However, in practice only 9.8% of the Swiss have acted on their entrepreneurial aspirations (total entrepreneurial activity TEA rate). The start-up rate is well below the average for comparable countries (12.3%).

This is shown by the latest results of the Global Entrepreneurship Monitor (GEM), the largest international study on Entrepreneurship. The Swiss edition is an annual publication of the School of Management Fribourg (HEG-FR); this year, with the support of Impact Hub Bern and Swiss Economic Forum (SEF). Around 2,500 individuals were surveyed across Switzerland.

Motivation for founding a company

There are as many reasons for starting a business as there are people willing to start them. The majority of active founders and established entrepreneurs in Switzerland want to make a difference in the world (43.17%), earn higher income and assets (38.057%), continue the family tradition (17.11%) or simply balance out the lack of alternative employment opportunities (50.39%). The study reveals considerable differences in motivations between economies, sometimes even between neighbours; however, Switzerland's results are comparable to those of Germany or Israel and close to the average for high-income economies.

Women Entrepreneurship

Overall, the proportion of men engaging in Total Entrepreneurial Activity (TEA) is greater than that of women. This gender gap narrowed in Switzerland in 2019 when there were six female entrepreneurs for every ten male entrepreneurs. This ratio of female to male entrepreneurs stood at 5 to 10 in 2018. At the same time, GEM found differences in attitudes and outlooks of women and men. Female entrepreneurs are more inclined to be motivated by the desire to make a difference in the world (46.9%) while their male



counterparts are more likely to be motivated by the desire to grow their wealth or earn a higher income (46.6%). Another great motivation among the men is the continuation of a family business (20.2%). Rico Baldegger, head of the Swiss study, says, “The *advancement of entrepreneurial activities in Switzerland is primarily based on the support for technology-based (often high-tech) start-ups and projects. The entrepreneurial ecosystem in Switzerland has made impressive progress in recent years, however, there remains a gender gap. The added value to an entrepreneurial ecosystem of women entrepreneurs, with their higher motivation to make a difference in the world, is shown in the new report. Thus, purpose-driven activities in, e.g. the health or social sector, or the special support of a circular economy project, could lend support to women entrepreneurs for the future. The impact of entrepreneurial activities should be the focus here!*

SMEs, family tradition and succession as a new business start-up

In comparison to the average of high-income economies, Switzerland has a low rate of discontinuation of businesses (3.0%) and a high-established business ownership rate (11.6%) while entrepreneurial activities among employees are below average. The situation in the more mature phase of the entrepreneurial process can therefore be considered positive in Switzerland. An international comparison shows that new business ideas in Switzerland are of high quality. The proportion of companies founded on the basis of good opportunities is above average (67.6%), while those born out of necessity account for only 13.9%. This explains why founders have high growth expectations: a third of them indicated that they intend to hire six or more people in the next five years.

Entrepreneurship Impact

International orientation: Swiss early-stage companies seem to have a very strong international orientation. Two-thirds of newly founded start-ups in Switzerland expect to generate revenue from foreign clients. Alongside Switzerland, Sweden (28.6%), Ireland (24.3%) and Slovenia (22.8%) top the list of the most robust export-oriented start-up nations.

Informal investments: Investments made by friends, family, neighbours, etc. play an important role in Switzerland. 8.9% of business people in Switzerland have invested an average of USD 20,000 in other entrepreneurial projects in the last three years.

Ecosystem with start-ups and dynamic SMEs: In principle, stronger SME networking within the start-up world is essential. It creates personal relationships and new networks over a longer period of time and entrepreneurs can fall back on these in a handover situation. In the case of family businesses, digitization is currently a core issue with a great need for action in the context of business succession. While the changing global environment brings challenges of different natures and scales, it is also evident that opportunities are abound - especially so for innovative and dynamic entrepreneurs.

Download

The full report can be downloaded at: <http://www.heg-fr.ch/GEM>



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