

The **Essence**
of **Enterprise**
report 2016

CONTENTS

3	Foreword
4	Overview
6	Chapter 1: Celebrating the success of entrepreneurs
14	Chapter 2: The entrepreneur in context
22	Chapter 3: Learning from family business
30	Chapter 4: The future face of entrepreneurship
37	Methodology



countries



entrepreneurs surveyed



average wealth of those who
took part in the research

FOREWORD

With a global presence in 71 countries and territories, HSBC understands entrepreneurs as they build businesses and create prosperity worldwide. Working together, HSBC Private Bank and Commercial Bank help to support the human ambition of individuals and families whose enterprise forms the backbone of global economic growth.



While their commercial ventures are recognised and valued, the spotlight is rarely given to the individuals behind these businesses. Much is known about the economic conditions necessary for entrepreneurship to thrive. However, much less is known about the personal and professional journey involved in building a business and becoming an entrepreneur.

This report aims to highlight the personal achievements of entrepreneurs and to understand from their perspective the influences that have allowed them to thrive, the obstacles they have faced and their strategies for success.

To achieve this goal we surveyed 2,834 entrepreneurs, defined as major shareholders in privately-held institutions. They included sole traders, owner managers, shareholders and executives in family businesses, equity partners in partnership firms, and strategic investors. We included businesses that were still privately held, as well as those that had been sold, listed or acquired by a private equity firm.

The average wealth of those who took part in the research was USD4.6 million and the average business turnover was USD6.5 million. However, the research aimed to follow the entrepreneurial journey, from those just starting out to those with many business achievements behind them.

We found that the journey of entrepreneurs is as diverse as the businesses they run. The personal motivations of entrepreneurs, as well as the social, cultural and generational contexts in which they develop their ventures, can have a significant influence on the type of business owner that they become. Yet there are also many factors that unite entrepreneurs the world over.

At HSBC we have the flexibility to support the unique human and corporate ambitions of entrepreneurs as they chart the next phase of growth and development for their businesses, as well as wider society.

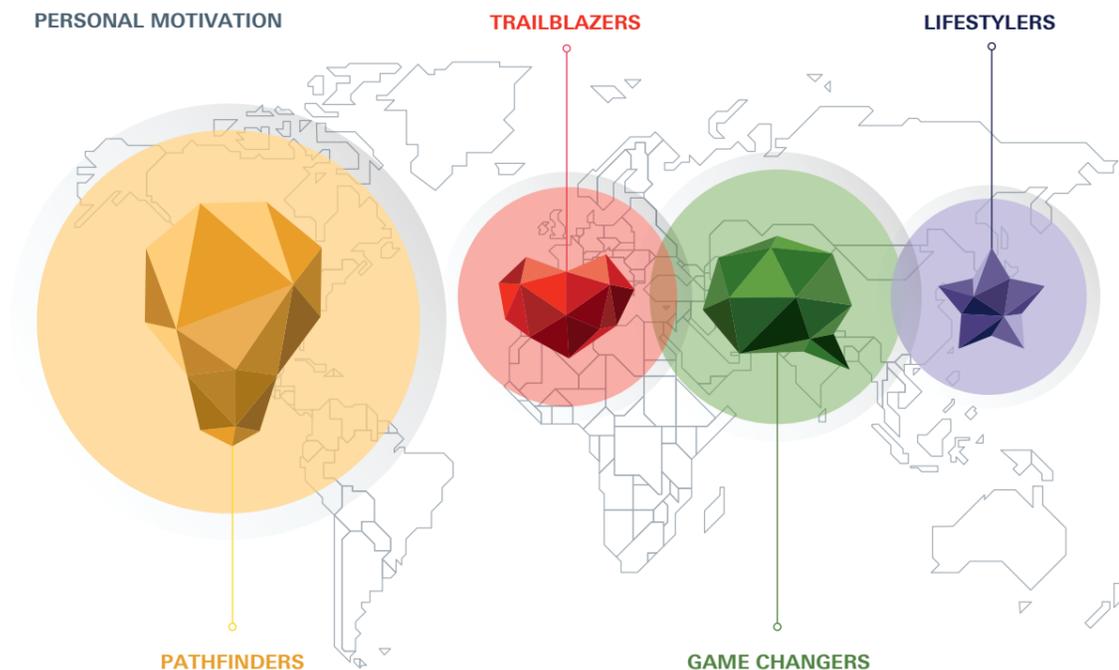
We would like to express our gratitude to all those who have taken part in this year's study to provide this invaluable insight into the essence of enterprise.

Nicholas J J Levitt

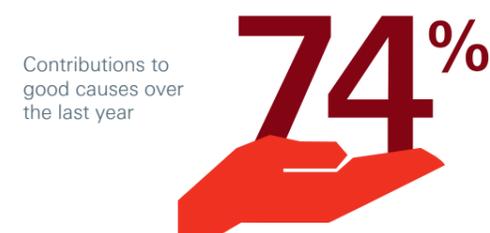
Head of Global Solutions Group, HSBC Private Bank

Overview

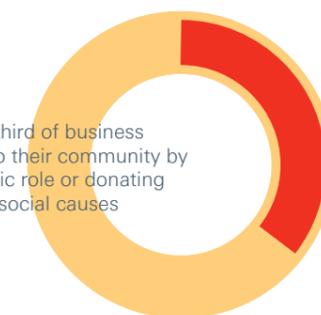
- 1 Personal motivation is the major factor driving the success of entrepreneurs. What inspires them to create their enterprises is an indicator of their approach to business and likelihood of future success. Broadly, the population of entrepreneurs divides into four groups: Game Changers, Pathfinders, Trailblazers and Lifestylers.
- 2 Pathfinders are the largest group accounting for 40% of the global population of entrepreneurs. They tend to be steady builders of businesses. Game Changers account for just 18% of the population, but they are most likely to be serial entrepreneurs and to grow larger enterprises.
- 3 Across all profiles, 64% of entrepreneurs believe it is their duty to have a positive social and economic impact on society and 74% gave to good causes in the preceding year. Moreover, one third of business owners contribute to society by taking an unpaid role in the community or donating time or expertise to social causes.
- 4 Culture also has a significant impact on how individuals approach the challenges of entrepreneurship. Business ownership in the United States, the United Kingdom, Germany and France is more typically high-frequency, with entrepreneurs starting, growing and then selling their businesses. Success is often measured in terms of the personal fortunes made in the process.
- 5 In Mainland China, Hong Kong, Singapore and across the Middle East, success is more likely to be judged in terms of the size of the enterprise built by the entrepreneur. These business owners adopt a collaborative approach to entrepreneurship with a focus on leveraging multiple sources of advice.
- 6 Almost half of wealthy entrepreneurs come from a family that owned a business. These second-generation business owners have been set on the fast track to success thanks to their adoption of practical guidance and support in business building from their family. Over half of them had their first ventures funded by their families.
- 7 However, traditions of family enterprise have developed differently in Mainland China, Hong Kong and Singapore, and the Middle East compared to the United States, the United Kingdom, Germany and France. Across Asia and the Middle East, one in three second-generation entrepreneurs have joined the family business, compared to just 15% of those in the United States and Western Europe. Across all countries, though, this second-generation of entrepreneurs are looking to prove themselves independently either within the family business or through their own enterprise.
- 8 Indeed, the future of business ownership is changing as Generation Y entrepreneurs re-write the philosophy for success. Where the older generation prioritised self-reliance, the younger generation believes their success lies in their ability to leverage their network and to collaborate effectively.
- 9 Young entrepreneurs too are also more focused on how they can benefit the broader community. Seventy-nine percent of them have been involved in charitable giving in the last 12 months and many have already established a trust or foundation to manage their giving, or undertake social investment.



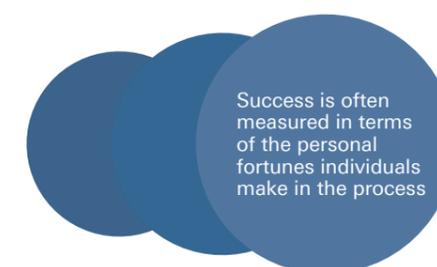
SOCIAL CAUSES



Approximately one third of business owners contribute to their community by taking an unpaid civic role or donating time or expertise to social causes



CULTURE



FAMILY HISTORY



In the East, one in three second generation entrepreneurs have joined the family business

THE FUTURE



The business turnover of the entrepreneurs under 35 in this research are five times larger than those run by their peers over 55



Generation Y entrepreneurs re-write the philosophy for success



12 months and many have already established a trust or foundation to manage their giving, or undertaken social investment

CHAPTER 1: Celebrating the success of entrepreneurs

With an estimated 400 million entrepreneurs in the world today, one in every 19 people on the planet is currently engaged in activity to create or expand a business venture.

Collectively, these individuals create jobs and power economic growth. Yet privately, behind every business there is a personal story of hard work, dedication, passion and innovation.

Not all succeed. In fact, research suggests that as many as one in three entrepreneurial ventures fail entirely and the vast majority do not generate the returns that were originally expected. So the question, “what makes an entrepreneur successful?” is an important one.

This report examines this question in detail. Taking as its starting point the one factor that is common to all entrepreneurs — that of business ownership — the report identifies how personal motivation, background, experience and culture combine in some individuals to create their capacity to build bigger businesses.

The report also looks at how these factors vary across Hong Kong, Singapore, Mainland China, the United Arab Emirates, Saudi Arabia, the United Kingdom, France, Germany and the United States and how they vary in younger and older entrepreneurs. After all, the definition of success is not static and nor are the factors that create its formula.

All of the 2,834 entrepreneurs who took part in this research have invested time, energy and money into private enterprise. Their average net worth was USD4.6 million and half of this total was the result of income or capital from their own businesses, or investments made into other entrepreneurial ventures.

Considering the paths they have taken to prosperity, there is undoubtedly some truth to saying that entrepreneurs make their own luck.

In fact, the research highlights that it is the unique, personal motivations of business owners that have the greatest influence on their corporate success. The factors that inspire each individual to start their entrepreneurial journey affect the kind of business owner they become and the economic value they create.

Among the business owners who participated in this study, there were four distinct profiles of entrepreneur. Each profile is grounded in personal motivation and each has a distinct path to success:



PATHFINDERS

Pathfinders are the most common of the four entrepreneurial profiles, accounting for roughly two-fifths of all business owners. These are individuals who choose a life of private business ownership out of a desire to have personal autonomy over their professional success. They want to be their own boss and believe entrepreneurship offers the best opportunity for them to increase their personal wealth.



TRAILBLAZERS

Trailblazers are passionate about what they do and see entrepreneurship as a way to improve themselves. They are motivated less by a need to control their personal circumstances and more by the opportunities that business ownership affords to them.



GAME CHANGERS

Game Changers are inspired by the idea of making a difference. They want to have an impact not just in business, through bringing new products and services to the world, but also in the wider community.



LIFESTYLERS

As the name suggests, these entrepreneurs often go into business for lifestyle reasons. In particular, they want to ensure the needs of their families are met. Work-life balance is important, but more important still is the ability to provide security for their families.

Aside from these four main profiles is a fifth profile: those whose entrepreneurial adventure began unintentionally. This group accounts for approximately one in twelve of all business owners and they are the individuals who fall into business ownership as a result of other events in their lives.

While they may not have been originally motivated by an urge for entrepreneurship, those in this group also often achieve significant success. It seems that once their lives have taken a business-owning turn, the desire to survive and strive is ignited.

Architects of success

The close association between entrepreneurship and economic growth means that wealth creation is often used as a measure of success for entrepreneurs.



In financial terms, the profile that has the greatest success is the Game Changer. On average they run businesses with an annual turnover of USD10.9 million and also have a higher than average personal wealth of USD5.2 million.

However, these are individuals who are geared to creating impact and, therefore Game Changers are also the least likely profile to define achievement purely in financial terms.

For them simply bringing a new product to the market or having social impact in the wider community is as much a mark of their credentials as personal financial gain.

In business, Game Changers have an average of five active enterprises to their credit. They are likely to have identified their interest in entrepreneurship early on, often while still studying or shortly after embarking on a professional career.

When seeking capital for their first enterprise, this group casts the net widely. They not only rely on personal and family wealth, but seek support from external investors including banks, other entrepreneurs and peer-to-peer networks.

With capital in place, the priorities for Game Changers are straightforward: prove the concept, grow the business and then exit. Eighty-one percent state that they are actively growing their ventures and 45% expect to exit their businesses in the future.

At the point of selling a business, many Game Changers are already planning their next investment. It is for this reason that Game Changers are evident in a wider range of industries than other entrepreneurial profiles. From tourism to healthcare, IT to agriculture, Game Changers are dynamic business builders across many sectors.



Singapore has the largest concentration of Pathfinders (46%) followed by the United States (43%), the United Arab Emirates (42%) and Germany (42%)

By contrast, Pathfinders put much more emphasis on financial security when writing their formula for success. Yet, they typically have the lowest level of personal wealth of the four profiles at USD4.0 million.

They are also often running smaller businesses with an average turnover of USD4.9 million. For these individuals, the question of what holds them back seems particularly pertinent.

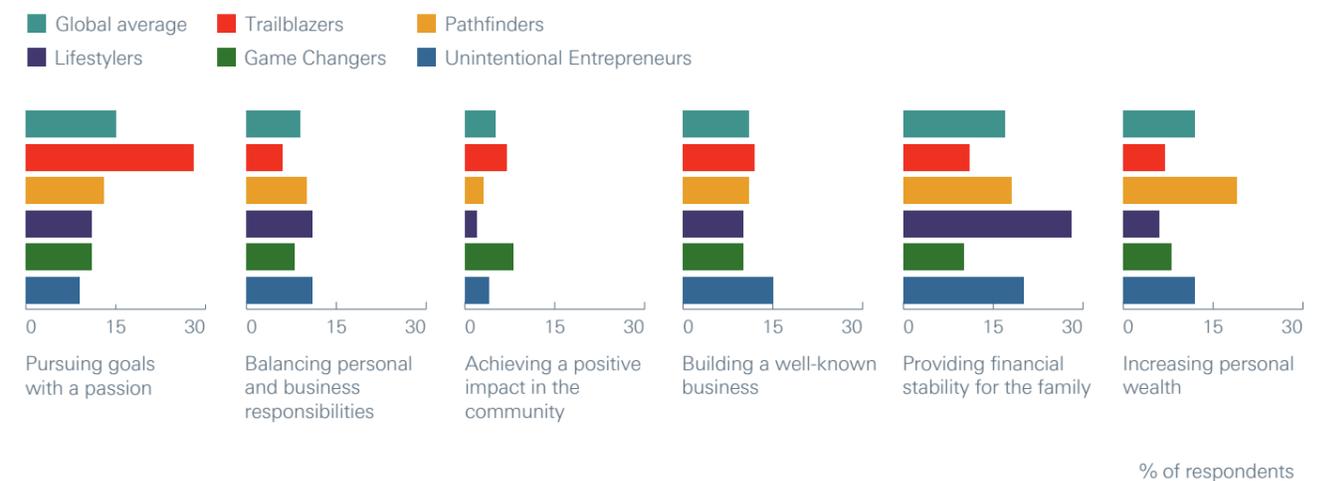
The answer lies in their autonomous approach to business-building. Growth is important to Pathfinders, but they rely on themselves to make it happen.

They believe that hard work and risk-taking are important elements of entrepreneurial achievement. Yet, as they have often self-funded their ventures in the start-up phase, their own experience has been one of managing and controlling their individual exposure.

They are more likely to remain caught up in a start-up mind-set, feeling the need to prove the concept and simply survive. They cite their lack of time as a major barrier and, as a result, have fewer ventures behind them.

It is not that they lack confidence in their ability to achieve their turnover goals, but rather they recognise that there are risks in letting their businesses fly.

Figure 1: How different entrepreneurs define success



“Start small and build up – and don’t forget your family along the way.”

★ UNITED KINGDOM LIFESTYLER, FEMALE, AGE 66

While at one level Pathfinders may seem less successful in financial terms, accounting for 40% of all entrepreneurs, these are the same grafters whose personal risk-taking and effort is the backbone of economic growth and stability.

Between these extremes, Trailblazers are marked out by their flair and energy. They are more likely to be involved in retail or media and believe that passion and innovation are vital qualities in the formula for success. However, their businesses are anything but whimsical.

Like Game Changers, Trailblazers typically run larger enterprises. Their average business revenues reach USD7.4 million and they employ 107 employees. Given the scale that they have achieved, it is hardly surprising that their business priorities too are oriented around growth and consolidation.

Their natural optimism and passion for business means they generally see fewer barriers to progressing their ventures than other profiles, and just over one in three of them is planning to exit their business in the future.

To help their enterprises thrive in the long term, they seek to combine their own skills and expertise with collaborative input from fellow entrepreneurs and advisers.

Last but not least, Lifestylers are the kind of entrepreneur most likely to continue their business with little change. Often late bloomers, they are less likely to turn to external sources of advice for support. Instead, they look to family first and regard their ability to deliver financial security for their loved ones as the principal measure of their entrepreneurial achievement.

“Don’t give up: if it is passion that has brought you to this point, you will succeed.”

★ UNITED ARAB EMIRATES TRAILBLAZER, FEMALE, AGE 26

PATHFINDERS



STRATEGY

WORK HARD AND MANAGE YOUR RISKS

MOTIVATION

- To increase my personal wealth
- To be my own boss

TURNOVER



STAFF



POPULATION

40%

TRAILBLAZERS



STRATEGY

INNOVATE WITH PASSION

MOTIVATION

- To better myself
- To follow a passion

TURNOVER



STAFF



POPULATION

20%

GAME CHANGERS



STRATEGY

TAKE OTHERS WITH YOU

MOTIVATION

- To offer a new product or service
- To build a name for myself
- To have a positive economic and community impact
- To become more influential

TURNOVER



STAFF



POPULATION

18%

LIFESTYLERS



STRATEGY

YOU ARE ACCOUNTABLE TO FAMILY FIRST

MOTIVATION

- To do the best for my family
- For lifestyle reasons

TURNOVER



STAFF



POPULATION

15%

Engagement in society

While in business these four entrepreneurial tribes show markedly different responses to challenge and opportunity, they share a common sense of social responsibility. In total, 74% made contributions to good causes in the last year and 64% indicate their belief that business owners have a duty to have a positive economic and social impact.

74%

have made contributions to good causes over the last year

What is also particularly notable is the extent to which entrepreneurs are engaged in pro-bono activities in the community, such as doing an unpaid civic role. Approximately one third of entrepreneurs are engaged in wider society in this way. A similar number also volunteer their time and expertise to support charities or other social projects.

This kind of involvement in the community varies little by profile, highlighting the sense of responsibility shared by many entrepreneurs to give back to those who supported them on their road to success.

When it comes to philanthropy, however, Game Changers stand out once again for their desire to have an impact. Game Changers are significantly more likely than other entrepreneurial profiles to give to good causes and approximately a quarter have a trust or foundation that they use for grant-making.

Indeed, Game Changers are less likely to make one-off donations or even regular donations to a single philanthropic cause. For them, tackling social problems is not about transferring money or responsibility to others. Instead, they believe that having a positive impact in the community should be a direct and personal experience.

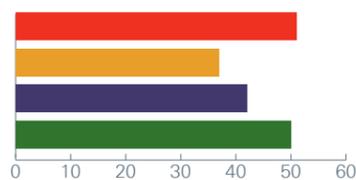
In fact, 51% of Game Changers say that they have a clear strategy that informs their philanthropy. This compares to just 37% of Lifestylers and 42% of Pathfinders.

That is not to say that these other profiles choose not to involve themselves in charitable activity. They are, in fact, active givers. Lifestylers in particular are likely to make spontaneous contributions in one-off or regular amounts and they are often active fundraisers.

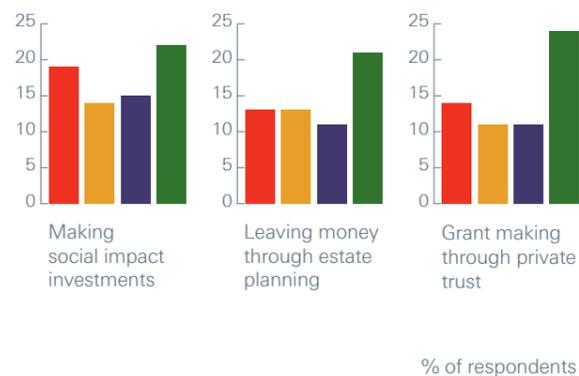
Figure 3: Philanthropy among different entrepreneurs

Trailblazers Pathfinders Lifestylers Game Changers

“There is a clear strategy that informs my giving”



Types of philanthropic activities in the past year



Overall, these results highlight that entrepreneurship is as much a state of mind as it is an economic activity. Entrepreneurs may share the common factor of business ownership, but their motivations for entering the world of independent enterprise vary significantly.

While many choose to become their own boss, others are more inspired by the change they wish to achieve, the passion they want to pursue or a desire to do the best for their family.

These priorities are all equally valid, but they have a profound impact on the way entrepreneurs approach the challenge of business growth, collaboration and even engagement with society at large. Most importantly, they also determine the frameworks against which entrepreneurs measure their own success.

CHAPTER 2: The entrepreneur in context

This interplay between personal motivation and business strategy highlights that even the definition of success depends significantly on an individual's values and beliefs. Alongside these personal drivers, wider culture further impacts on the way entrepreneurs define their entrepreneurial achievement.

Crucially, when it comes to the economic activity of entrepreneurs, one question dominates: "When value is created, who benefits — self or society?"

The research suggests that those in Mainland China, Hong Kong and Singapore answer this question differently from those in the United States, the United Kingdom, Germany and France. The Middle East nestles between these two dominant cultures, but in attitude there are strong similarities to entrepreneurs in Asia reflecting historical ties of trade and commerce.

Indeed, while each country has its own heritage of business ownership, the cultural norms in Western Europe and the United States, and Asia and the Middle East exert a powerful influence on the types of business ownership that emerge.

Around the world, entrepreneurialism is also nurtured differently, meaning that the activities and actions that individual entrepreneurs prioritise in the process of building businesses change as we move across continents.

To understand the success of entrepreneurs, it is therefore essential to measure that success within the correct context.

Starting with the all-important question of who benefits most from entrepreneurial activity, one marked difference is that value creation is defined not so much by personal fortune in Mainland China, Hong Kong, Singapore and the Middle East, but by the size of the businesses that individuals have managed to create.

The average size of business turnover across these Asian countries and the Middle East was almost USD10 million, compared to just USD5 million in the United States and Western Europe. Thus, successful entrepreneurs in Mainland China, Hong Kong and Singapore, and the Middle East are typically running businesses that are twice the size in revenue terms when compared to successful entrepreneurs in the United States and Western Europe.

By contrast, in the United States, the United Kingdom, Germany and France, personal wealth is a more important marker of entrepreneurial success. Looking at the personal wealth of those running larger than average enterprises, this relationship reverses: personal wealth of those in the United States and Western Europe is just over 60% more than those in Asia and the Middle East.

This is not to say that entrepreneurs in Mainland China, Hong Kong and Singapore and the Middle East do not go into business for personal gain. Almost one in five state that they are principally motivated by the desire to make money when choosing to become an entrepreneur compared to one in ten in the United States and Western Europe.

Simply put, culture has a profound impact on how entrepreneurs tackle the task of wealth creation, influencing both personal motivations and business goals.

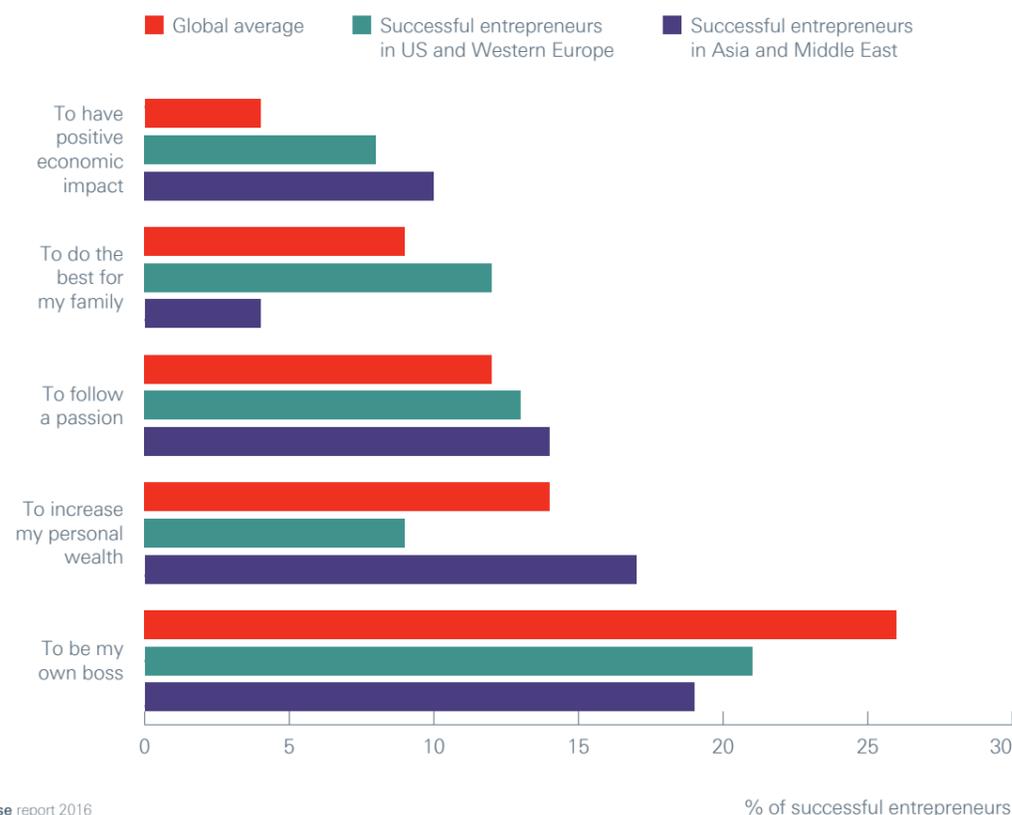
“Find your passion, create a plan to get there, and then follow the plan until it fails to satisfy your passion. Repeat until successful!”

AMERICAN ENTREPRENEUR WORKING IN SINGAPORE,
MALE, AGE 42

Figure 4: **Economic value created by entrepreneurs, by region**



Figure 5: **Reasons successful entrepreneurs go into business**



Serial entrepreneurship

In the United States and Western Europe, the most successful entrepreneurs — those running businesses with a turnover in excess of USD5 million — are perhaps best characterised as high-frequency business owners or serial entrepreneurs.

In France, 21% became entrepreneurs to follow a passion

They often have 6-7 businesses under their belt and almost half are planning to exit their current business at some point in the future. This compares to just 31% of successful entrepreneurs across Mainland China, Hong Kong, Singapore and the Middle East who have an exit goal, even though they are already running businesses that are twice the size on average.

In Germany and France, entrepreneurs tend to start their businesses between 29-30, compared to 34-35 in the United States and United Kingdom

Indeed, there is strong evidence that entrepreneurship is what you might call a mind-set across the United States, the United Kingdom, France and Germany. More than a quarter of all business owners in these countries state that they have always regarded themselves as entrepreneurs. This figure rises to 41% among those running larger enterprises.

More surprising still, 56% of these successful business owners in the United States and Western Europe are likely to have thought of themselves as entrepreneurs before they had even set up their first venture. This compares to just 21% of successful entrepreneurs across Mainland China, Hong Kong, Singapore and the Middle East.

Linked to the focus on serial entrepreneurship, and with almost half of entrepreneurs in the United States and Western Europe planning to sell their businesses in future, it is not surprising that there is a greater focus on early-stage business priorities like proving the business concept and ensuring the business becomes sustainable in these countries.

Of note, entrepreneurs in the United States, the United Kingdom, France and Germany also place more emphasis on creating balance between their personal and professional lives. Indeed, one in eight states that this has been their greatest achievement, compared to one in seventeen in Mainland China, Hong Kong, Singapore and the Middle East; although interestingly, this priority is less prevalent among more successful entrepreneurs in the United States and Western Europe.

Building business empires

In Mainland China, Hong Kong, Singapore and the Middle East, by contrast, entrepreneurs often believe that innovation must be teamed with persistence and determination in order to build entrepreneurial value.

37%

of all entrepreneurs in Asia and the Middle East decided either at school or college to become entrepreneurs

64% of Chinese entrepreneurs have no intention to sell their businesses

The average age when Middle Eastern entrepreneurs set up their first business is just 26

The most successful — those running businesses with a turnover above USD10 million — may have 3-4 businesses, but this is almost half of the number of their counterparts in the United States and Western Europe. Rather than a series of sprints, these business owners are running an entrepreneurial marathon.

Indeed, one could characterise business owners in Asia and the Middle East as “training” for entrepreneurship from an early age. Notably, 37% of all entrepreneurs in these countries decided either at school or college to become entrepreneurs — compared to 27% in the United States and Western Europe.

Crucially, however, the most successful business owners in Mainland China, Hong Kong, Singapore and the Middle East are more likely to have spent a number of years in a professional role before they go it alone.

Once their enterprises flourish, sustaining that growth often becomes a personal passion. As a result, entrepreneurs in Asia and the Middle East are more likely to run larger enterprises with higher turnovers than their counterparts in the United States and Western Europe.

On average, an entrepreneur in Mainland China, Hong Kong, Singapore and the Middle East employs 100 staff and generates revenues of over USD10 million. These figures are roughly double the equivalent results for enterprises in the United States, the United Kingdom, France and Germany. Reflecting the maturity of their business ventures, their priorities often centre on expansion and diversification.

Interestingly, entrepreneurs in Asia and the Middle East are notably more concerned that the limits of their personal network may constrain their business growth. More than one third believe their lack of connections could hold them back. In China, where the term “guanxi” is used to describe the importance of relationship building to enable business and society to thrive, this increases to 46% of entrepreneurs.

Together, these findings may suggest that in general, entrepreneurs in Mainland China, Hong Kong, Singapore and the Middle East prefer to bide their time before launching into entrepreneurship; they build their network first and then they build their businesses.

“Act with passion. Cut away from routine and get ahead of the competition. Your goal is to bring a suite of innovations to market.”

FRENCH ENTREPRENEUR WITH A FAMILY BUSINESS BACKGROUND, MALE, AGE 66

Interestingly though, identifying the point at which the entrepreneurial journey begins polarises nations around the world. In the Middle East, for example, 46% decided to become entrepreneurs at school or college, which is the highest percentage of any country or region.

The Middle East also has the youngest average age of entrepreneurship at just 26 years old. However, more than a quarter of entrepreneurs in this region state that their entrepreneurial journey actually began while in a professional career. In other words, the desire to set up in business is strong across the Middle East region, but many seek some professional experience before going it alone.

Meanwhile, in China the decision to become an entrepreneur often happens later, with 56% stating they did not even decide to set up in business until they were in a professional career. The Chinese are also less likely to refer to themselves as an entrepreneur until they have set up or even started to grow their business. Yet, interestingly, a sizeable 24% fit the Game Changer profile. This is second only to Hong Kong, where 27% of entrepreneurs state that having an impact in the world was a key motivation for them to launch into private enterprise.

There is similar variance across Western Europe and the United States. In Germany and France, for example, the age of entrepreneurship is often much later than in other countries, but business owners in these countries are more likely to identify themselves as having always been entrepreneurs. It seems they were not so much “training” to become entrepreneurs in the early years, but rather they have always brought an entrepreneurial mind-set to their professional work.

Meanwhile, the United States and United Kingdom stand out for the number of individuals who state that they became entrepreneurs as a result of other circumstances in their lives. Indeed, in the United Kingdom, 13% fit the “unintentional entrepreneur” profile. Entrepreneurship may not have been a direct choice for many in these countries, yet like their counterparts in Germany and France, a sizeable proportion felt they have always had an entrepreneurial streak. For many, it was this attitude that enabled them to swim rather than sink when their circumstances changed.

Figure 6: **The entrepreneurial tipping point around the world**

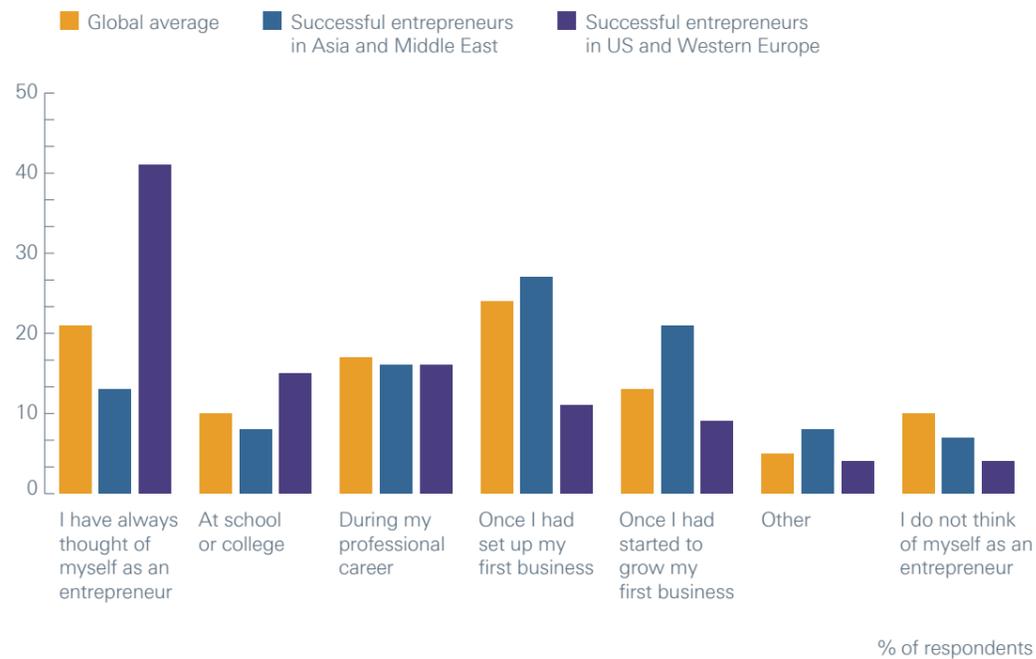
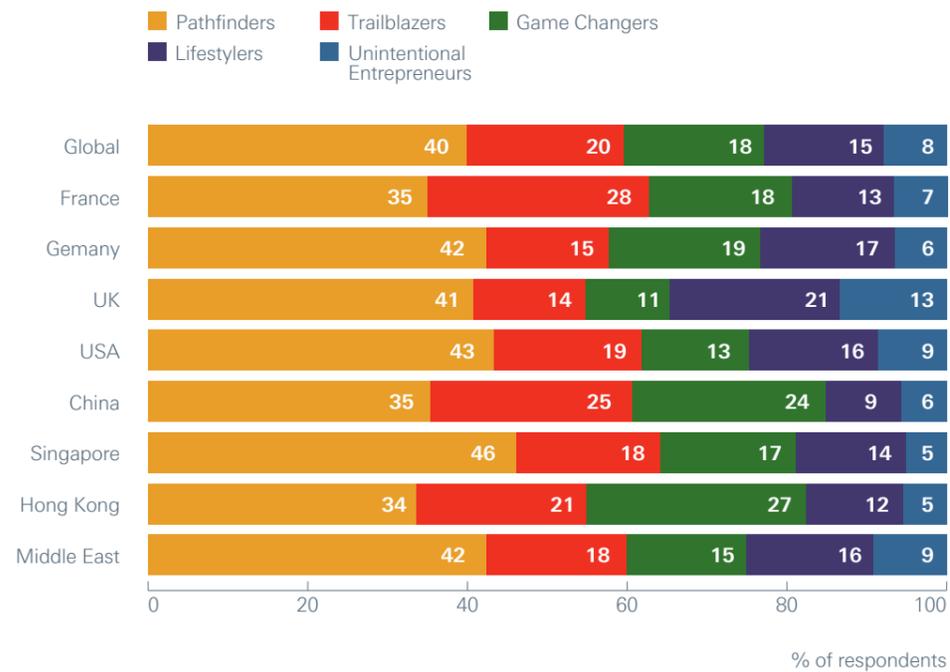


Figure 7: **Entrepreneurial tribes around the world**



Collaboration

Another notable difference in the culture of entrepreneurship across Asia and the Middle East, when compared to the United States and Western Europe, is that the approach to enterprise is also often more collaborative.

Not only are those in Mainland China, Hong Kong, Singapore and the Middle East more likely to identify themselves as shareholders, rather than business owners, they are also more likely to seek investment from a wider circle of friends, family, acquaintances and professional funders. As they build their businesses, this approach continues with these entrepreneurs taking advice from a wide range of professional advisers.

Indeed, the desire to grow successful enterprises appears to be a life's work for entrepreneurs in Asia and the Middle East.

Even when they exit a business, they are far more likely to focus on how to reinvest the capital into new business ventures than to consider the leisure opportunities that their new found wealth will afford.

In fact, they are more likely to prioritise bringing the family into the business than leaving their businesses to spend more time with their families.

“Innovation is the soul of business, product quality is its heart and customer service ensures survival. You need to be the first to grasp new technology and market information.”

CHINESE ENTREPRENEUR, MALE, AGE 40

CHAPTER 3: Learning from family business

Indeed, regardless of the country or culture of an entrepreneur, the one constant that cannot be ignored in the entrepreneurial equation is the role of family. Not only is family the main motivation for some to strive and succeed; it is also a source of direct inspiration for many others.

Almost half of the entrepreneurs who took part in this research came from a business-owning family, where parents or grandparents had forged an entrepreneurial path before them.

Their views bring a fresh perspective to the question of whether entrepreneurs are born or made. The results suggest that proximity to business-owning parents creates the conditions for practical learning and personal entrepreneurial development. Yet, when the time comes, the next generation then take on the challenges of entrepreneurship in their own right.

In other words, the family influence can give them a head start on their entrepreneurial journey, but the path they forge is their own.

When looking at the personal wealth of this new generation of family business owners, they are typically USD1 million wealthier than peers who do not have a family heritage of entrepreneurship. Next-generation entrepreneurs also run businesses that are almost three times larger.

However, on par with their first-generation peers, half their wealth was created through their own activities as an entrepreneur. This suggests the advantage gained by those with a business-owning family is principally experiential rather than financial.

Put simply, the success of next-generation entrepreneurs is down to more than just their heritage. In fact, it is their desire to challenge the status quo that sets them apart.

“You have to be mentally prepared to lose everything – or don’t even think of starting a business.”



SINGAPOREAN PATHFINDER, MALE, AGE 38

While hard work, confidence, focus and risk-taking are widely cited as success factors, next-generation entrepreneurs also touch on softer business skills such as loyalty and the ability to inspire.

Interestingly, the family influence even extends to personal motivation with 22% of next-generation business owners fitting the Game Changer profile, compared to just 13% among first-generation owners. What they learn from their parents, it would seem, is the importance of having an impact in the world.

So while on the one hand, next-generation entrepreneurs grow up with a strategic blueprint for success, on the other, their personal desire to achieve is entirely their own.

Less surprising, perhaps, is that first-generation entrepreneurs tend to be Pathfinders: driven by the autonomy that entrepreneurialism can deliver.

“Each company is different and every business owner needs to find their own way.”

OWNER MANAGER WITH A FAMILY HISTORY OF ENTREPRENEURIALISM, GERMANY, AGE 47

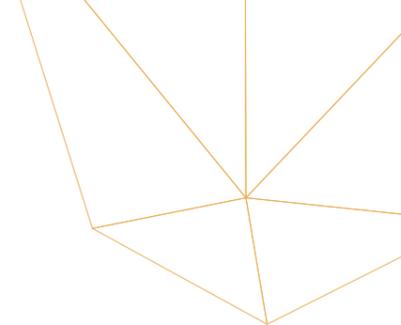


Figure 8: **Average business turnover and personal wealth among next-generation entrepreneurs**

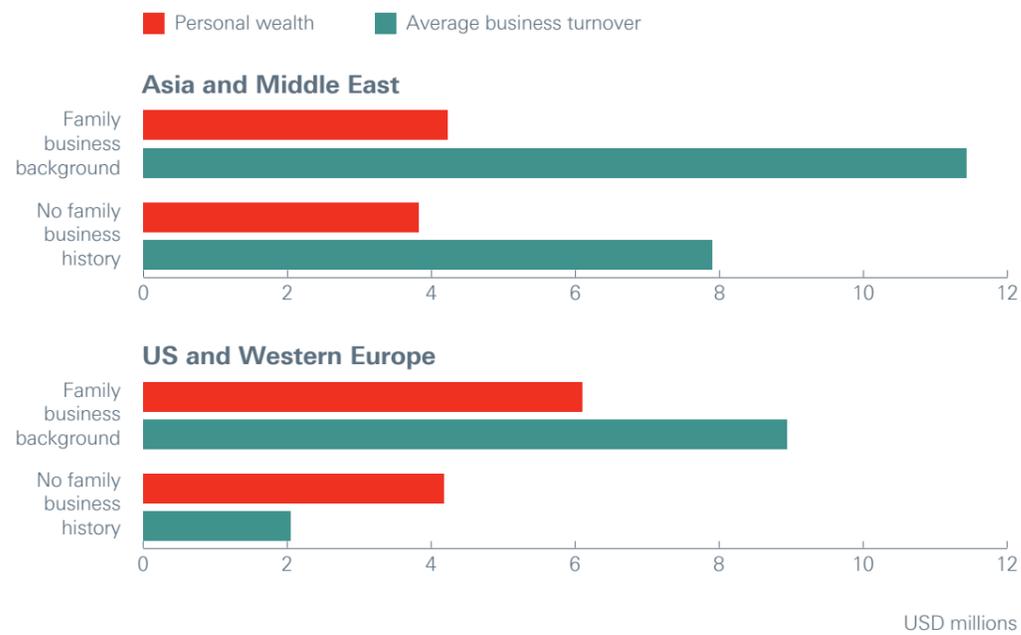
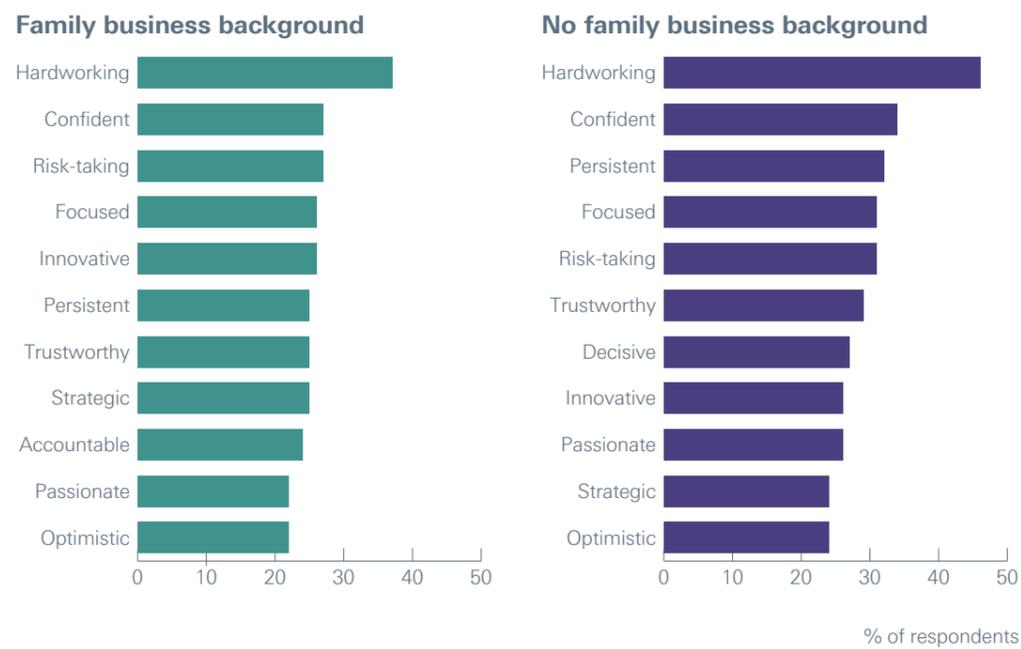


Figure 9: **Essential qualities for success as an entrepreneur**



Lessons in business

Focusing on the practical, next-generation entrepreneurs are significantly more likely to ensure their operations are well-capitalised. Alongside their family assets, they leverage a wide range of funding sources including personal wealth, bank loans, private investment and crowd funding.

Second-generation entrepreneurs are targeting a business revenue goal of USD12.6 million

As they continue in their businesses, they retain a steady concentration on growing their ventures to scale. The result is that they run businesses that are not just generating larger revenues than those run by first-generation entrepreneurs, but that are also 70 employees bigger.

Alongside this corporate success, entrepreneurs with a family-business background are more strategic about how to harness enterprise for personal gain.

51% of those who come from a business-owning family use family assets to start their first ventures

Forty-four percent have a strategy in place to sell or exit their businesses and maximising value is an important priority for them.

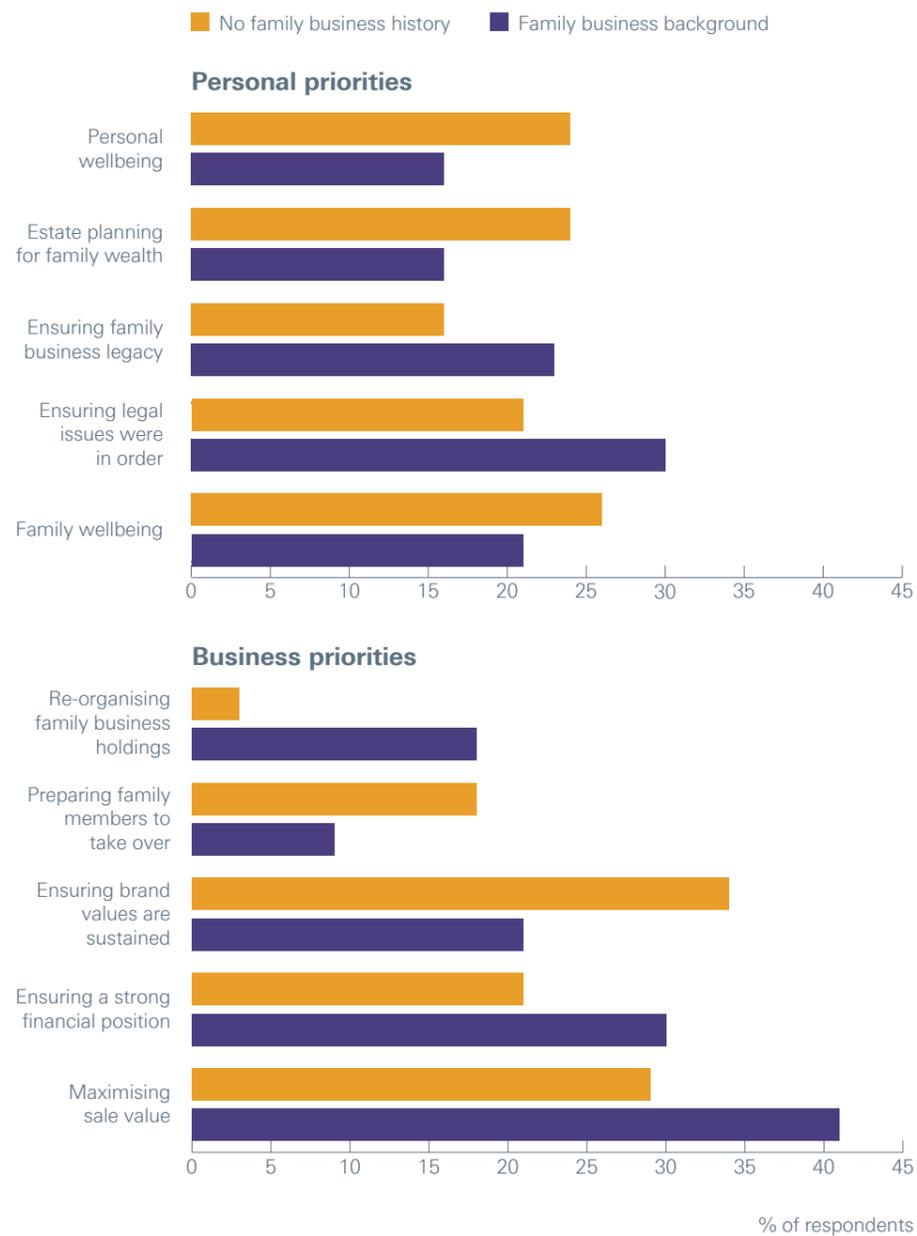
Then, with a proven formula of starting and growing ventures, next-generation business owners replicate this process time and time again. On average, they have had an active shareholding in 4-5 businesses.

By contrast, first-generation entrepreneurs often develop more emotional ties to the enterprises they have created through graft and determination. They are less likely to have a plan in place to leave and have typically been involved in just 2-3 businesses.

If they do exit, they want to ensure that the business retains the spirit they have given it by ensuring that brand values and customer focus are maintained.

Indeed, so entwined are first-generation owners with their enterprise that it is not unusual for their personal exit-plans to involve the extended family. One in five first-generation owners will prepare family members to take over the business from them.

Figure 10: **Priorities when exiting or selling a business**



Cultural identity

These traits are common worldwide, yet in Asia and the Middle East, there is a well-established tradition of businesses passing from generation to generation. On average, across China, Hong Kong, Singapore and the Middle East, 56% of entrepreneurs come from a business-owning background and these entrepreneurs are far more likely to join the family enterprise.

39%

of the entrepreneurs from a business-owning background in China remain part of the family business

In these markets, one in three next-generation entrepreneurs describes themselves as either a shareholder or executive in the family business, compared to just one in seven of those in the United States and Western Europe.

Indeed, in China, the figure rises to 39% of entrepreneurs from a business-owning background saying they remain part of the family business. This compares to just 8% in France.

“Calculate your risk. Do not rely on people to make you successful; you need to be on top of your business and be passionate about it. And, give back to society even if you feel you haven’t made it yet.”

SINGAPOREAN ENTREPRENEUR WORKING IN HONG KONG, FEMALE, AGE 54

Figure 11: Family entrepreneurialism around the world

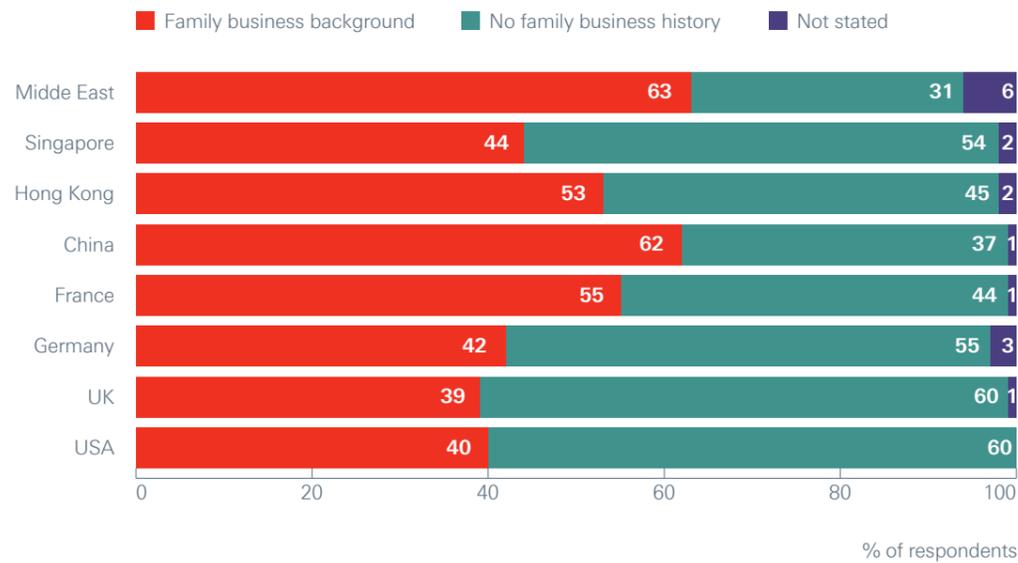
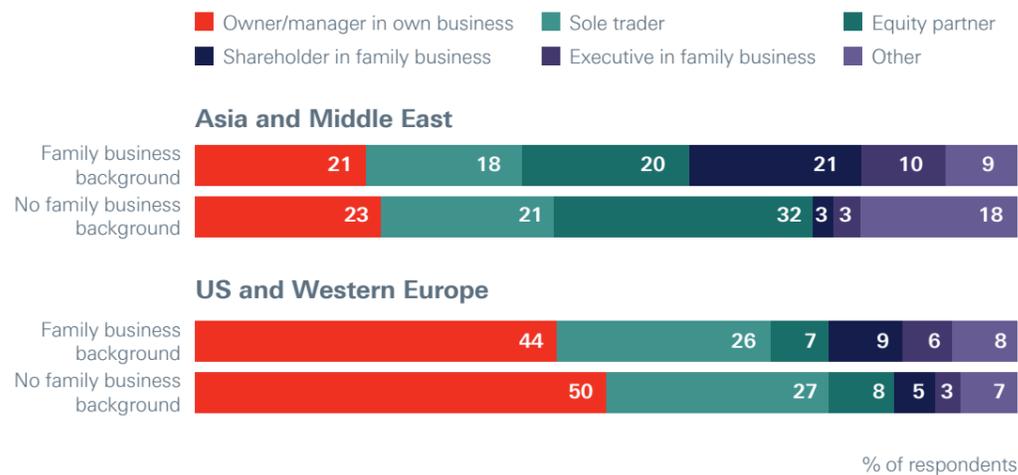


Figure 12: How next-generation entrepreneurs see themselves



The Middle East lies halfway between these two extremes. While 63% of entrepreneurs in these markets come from a business-owning family, only 23% of its next-generation entrepreneurs state they are shareholders or executives in the family business. Entrepreneurs in this region more typically move on from the family business to set up their own ventures.

Thus, within the confines of an established family business, the next generation of entrepreneurs in Mainland China, Hong Kong and Singapore are often making their mark through business strategy: proving their ideas, consolidating their market position, diversifying business lines and expanding into international markets.

For this upcoming cohort of next-generation entrepreneurs, building well-respected businesses holds particular significance as does creating their own family legacy.

Similar themes hold true in the Middle East, where those from a family business background seek to prove their own business ideas and grow market share. However, rather than legacy, next-generation entrepreneurs in this region are more likely to identify the financial stability they have brought to their family as a personal achievement. They also value the influence they have built that goes beyond the confines of their enterprise.

Meanwhile, in the United States, the United Kingdom, France and Germany, where the transfer of businesses from one generation to the next is less common, those from business-owning families tend to build independent enterprises. They are more likely to be sole traders or owner managers in businesses they have created.

Their self-starting attitude is perhaps why next-generation entrepreneurs in the United States, the United Kingdom, France and Germany are relatively late to begin their entrepreneurial activities. They typically enter the world of business ownership at the age of 31, compared to the age of 27 among their counterparts in Mainland China, Hong Kong and Singapore, and the Middle East. Yet, this is still a full five years earlier than is typical for first-generation entrepreneurs in the United States and Western Europe.

These nuances re-emphasise the extent to which entrepreneurs are influenced by both their family and their environment in their business-owning adventures. Success is drawn from the ability to harness this context, draw on it for inspiration and then shape and create something new.

CHAPTER 4: The future face of entrepreneurship

Looking down the generations, in fact, raises interesting questions about the future face of entrepreneurship. And, focusing on those who have achieved most at an early age, it seems entrepreneurship is entering a transformational moment.

Where older entrepreneurs relied first on themselves, for Generation Y, those born since 1980, the power to achieve lies more in their ability to leverage their network and collaborate effectively.

Indeed, in Generation Y there is also a greater intertwining of business with social and family priorities, suggesting the upcoming generation see their business activities as part of a wider ecosystem of relationships.

Inevitably, research into the nature of success has a tendency to magnify the achievements of the young, for to be successful at a young age is undoubtedly the exception and not the rule. Yet, the views of this elite young group are indicative of the influence they will have as leaders of the future.

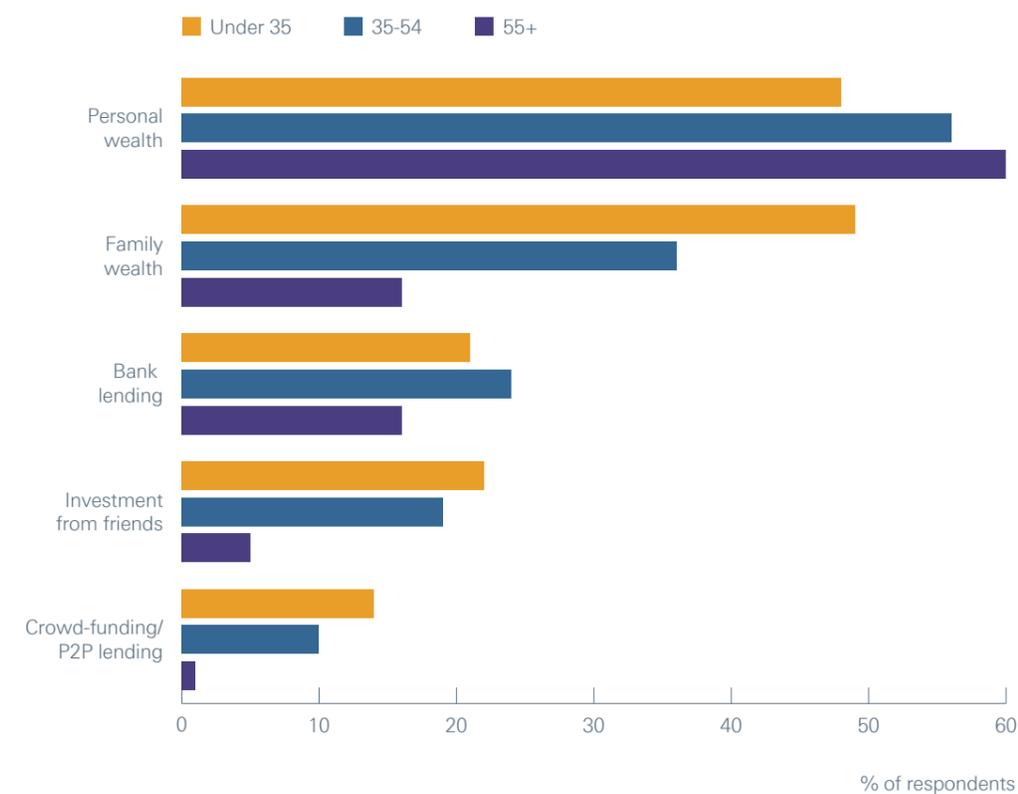
In fact, the under-35s in this research have already accumulated average personal wealth of USD4.8 million. Moreover, taking business turnover as the key indicator of entrepreneurial success, the businesses of the under-35s in this research are five times larger than those run by their peers over 55.

With the belief that entrepreneurs should inspire and set their own course, this cohort of young business leaders is up-and-coming by any definition.

Figure 13: The economic value created by different generations of entrepreneurs



Figure 14: Sources of capital for entrepreneurial ventures



What marks them out in a business context from earlier generations is the willingness to co-create their success.

Collaboration comes more naturally to Generation Y. At the start of their entrepreneurial careers, they are more likely to seek capital from multiple sources and they are not afraid to ask family first.

They also turn to family first for business advice and are likely to approach a range of other sources as well, including media and government bodies as well as professional advisers.

They see network and networking as an important area that they need to build. In fact, putting in place the right team is what keeps Generation Y up at night and, when it comes time to sell their businesses, they are equally concerned to ensure the new team is prepared for the task ahead.

It is this emphasis on the interpersonal that marks out young entrepreneurs from the older generation for whom self-reliance and hard work were the badges of pride.

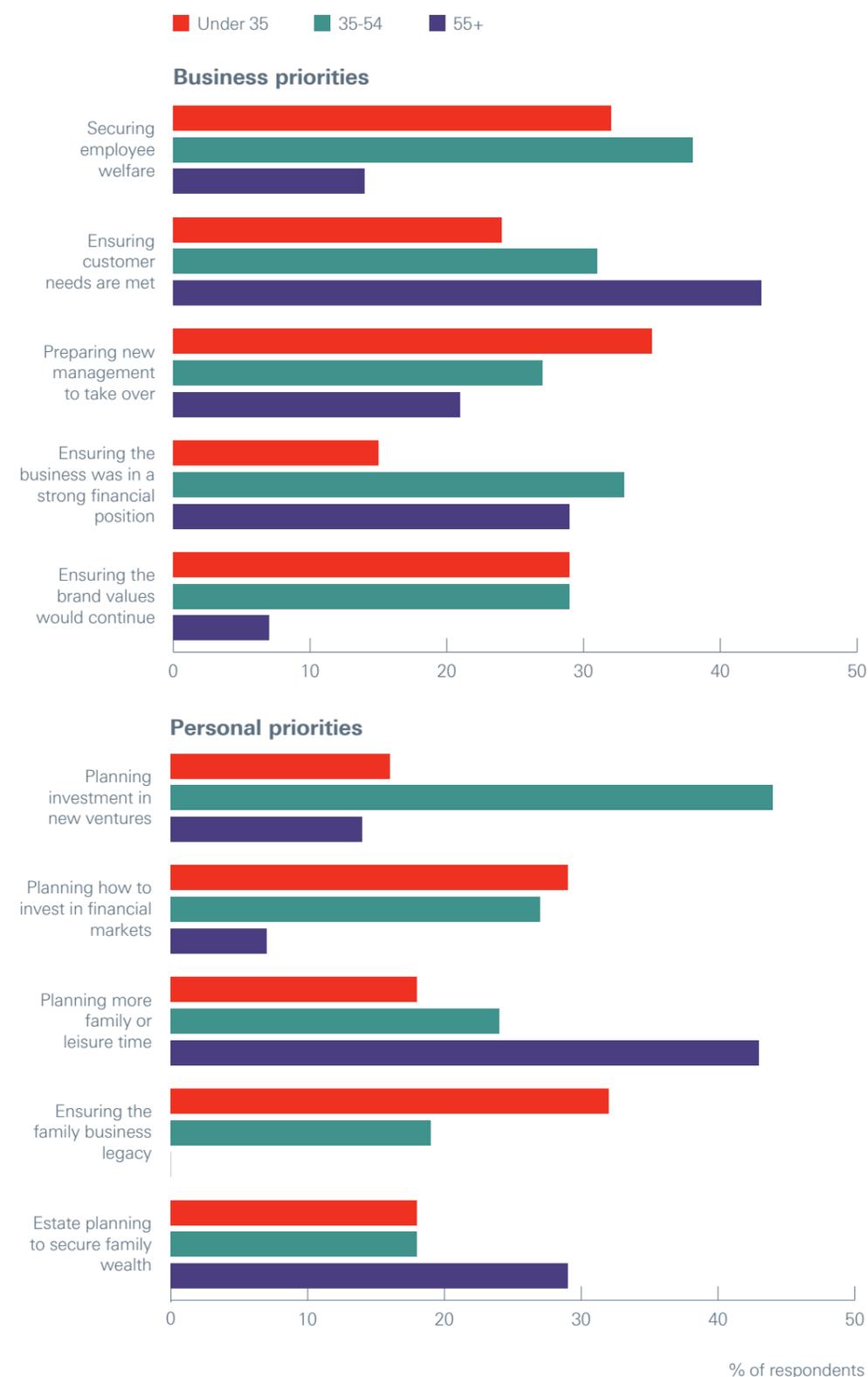
Those under 35 are also trying to break away from tradition in other ways, notably in sectors less navigated by their predecessors, such as technology, media, education, healthcare and life sciences.

When it comes to business strategy, successful young entrepreneurs — those whose businesses have a turnover in excess of USD11.5 million — are stepping still further into the unknown, planning cross-border expansion and diversifying into new product lines, rather than sticking with the familiar and focusing on what they know they can do well.

“Strive to build a strong corporate culture; stimulating your team’s strength will increase the chances of success in enterprise.”

CHINESE ENTREPRENEUR WORKING IN MAINLAND CHINA,
MALE, AGE 34

Figure 15: Top priorities for sale or exit of a business



Making a contribution

The interest of young entrepreneurs in those around them does not stop at the office door or factory gate. Among the younger generation of entrepreneurs, many are active philanthropists too. In fact, 17% identify philanthropy or positive social and economic impact as one of their major achievements, which is more than double the figure for the over 55s.

Among successful young entrepreneurs, 89% were actively involved in philanthropy last year. Half say they feel lucky to have the opportunity to give

Among the most successful young entrepreneurs — those whose businesses have a turnover of more than USD11.5 million — these figures rise further still. Eighty nine percent state that they were actively involved in philanthropy in the previous 12 months, with over half of them saying they feel lucky to have the opportunity to give to others. This compares with just over one third of entrepreneurs over 55.

The most successful Generation Y entrepreneurs are also significantly more likely to be grant-makers rather than donors — meaning they make large gifts that are structured with a specific purpose in mind, rather than making single or regular donations. Indeed, many have already established a trust or foundation to manage their giving and many too are interested in social investment, making investment choices that will have a social impact alongside any financial returns.

With this emphasis on impact, it is no surprise that young, successful entrepreneurs tend toward the Game Changer profile.

Building on traditional foundations

These same themes are echoed in the different regions, although redefined in each culture and most clearly exhibited among the young, highly-successful entrepreneurs in each region.

For example, the desire to build, manage and diversify sizeable enterprises for the long-term is as deeply-rooted in the successful new generation of entrepreneurs in Mainland China, Hong Kong and Singapore, and the Middle East as it is in the older generation.

What is changing most notably in Asia, however, is a broad acceptance of the status of the entrepreneur. No longer is it unusual for young successful entrepreneurs to set their business-owning path during their college years, as it was the case for the older generations.

Asia's young successful entrepreneurs also readily admit that they are in business to make money and they place even greater value on innovation than the older generation, evidenced in the desire to launch new products and services.

Taken together, these factors suggest a strengthening culture of early entrepreneurship that is being nurtured in Asia, particularly in Mainland China, where business ownership was less prevalent in generations past.

Similarly, in the United States and Western Europe, the upcoming generation of successful entrepreneurs is building on the foundations laid by the older generation. Among these young business leaders, many believe they were entrepreneurs before they had even set up a business.

The most successful younger entrepreneurs are also likely to be involved with seven or more businesses before the age of 35, suggesting the tradition of serial entrepreneurship is also coming of age.

However, the area where the upcoming generation of entrepreneurs appear to be testing the boundaries of business ownership most is in the way their capitalism fits into the wider context of social responsibility.

“An entrepreneur has the courage to solve problems. You need a vision for the future, solidarity with your team and support from your advisers.”



CHINESE GAME CHANGER, MALE, AGE 51

In the United States and Western Europe, a higher proportion of successful under-35s believe the positive social and economic impact of their businesses has been their greatest personal achievement, compared with the older generation. Similarly in Mainland China, Hong Kong and Singapore, and also in the Middle East, there is evidence of a growing philanthropic impulse in the under-35s.

In Mainland China, Hong Kong and Singapore, many successful young entrepreneurs are raising funds for charitable organisations or volunteering for social causes in order to fulfill the responsibility widely felt by entrepreneurs in the region to support those who are less fortunate. The older generation, by contrast, were more likely to get involved in community activity such as taking an unpaid civic role.

Meanwhile, in the Middle East, the younger generation of business leaders are more likely to structure their giving than their older counterparts through a foundation or an estate plan. They are also volunteering their expertise to social causes more than the older generation, whose philanthropy was defined more by regular gifts to good causes.

These subtle shifts between generations and cultures are a reminder that value creation from entrepreneurial activity is interwoven into the economic and cultural fabric of society. Each influences the other.

Looking to the future and what can be learned from experienced and emerging entrepreneurs acts as a roadmap for success: plan carefully, think about how to have an impact in business, believe in yourself, follow your passion, work hard, and take the time to build relationships and cement your place within wider society.

Methodology

HSBC Private Bank launched the Essence of Enterprise research in 2015 to deepen knowledge of global entrepreneurship from the perspective of individual business owners. It is an ongoing programme that seeks to strengthen understanding about the personal and professional motivations of the world’s business leaders.

2,834 individuals took part in the study, all of whom were, or have been, major shareholders in privately-owned businesses.

The topics in this first report have centred on the entrepreneurial journey: why individuals choose to become business owners, how they are building their enterprises, their strategic intentions and their views on the role of business in society. The objective was to identify the unique factors that make a business owner successful.

It is important to note, however, that success is inevitably a subjective concept. This report therefore aims not to predefine success, but rather to consider how different segments within the population of entrepreneurs define their own success within the context of their motivations, their culture, their background and their family context.

For the purpose of analysing the behaviours that drive success, the analysis takes the average business turnover in each segment and compares the behaviour of individuals within that segment whose businesses have revenues above and below this threshold.

The following table shows the average business turnover threshold for success in each segment.

Figure 16: **Essence of Enterprise segment turnover averages 2015**

Segment		Threshold for “Success” (Average business revenue for segment)
Region	Global	> USD6.5 million
	Asia and Middle East	> USD9.9 million
	US and Western Europe	> USD5.0 million
Age group	Under 35 year olds	> USD11.5 million
	35 to 54 year olds	> USD6.6 million
	Over 55 year olds	> USD2.3 million

The research was conducted online between August and September 2015 by an independent market research agency.

The average personal wealth of the individuals in the sample was USD4.6 million; although the sampling strategy aimed to represent the continuum of wealth from USD250,000 to >USD5 million. More details of the sample are illustrated below.

Figure 17: **Essence of Enterprise survey demographic breakdown 2015**



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For more information, visit www.hsbcprivatebank.com

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- i <http://www.about.hsbc.co.uk/>
- ii <http://www.asianentrepreneur.org/how-many-people-in-the-world-are-really-entrepreneurs/>
<http://fundersandfounders.com/the-next-billion-women-entrepreneurs/>
- iii <http://www.worldometers.info/world-population/>
- iv <http://www.gemconsortium.org/report> (2014 Global Report, p17)
- v <http://hbswk.hbs.edu/item/why-companies-failand-how-their-founders-can-bounce-back>

APPENDIX: RESEARCH QUESTIONS THAT INFORMED THIS REPORT

Figure 1: What would you say have been your main achievements to date as a business owner or entrepreneur?

Figure 3: Which of the following activities have you undertaken personally in the last year with the goal of creating positive social impact?

Figure 4: What is the current annual turnover of your main business (in USD millions)? (If the business has been acquired, please indicate the turnover for the business operations for which you are now responsible.)

Approximately, how much are your personal financial assets worth? Please add together all of your financial assets in US dollars. Please:

- INCLUDE: your savings, investments, investment properties and an estimate of your entrepreneurial business assets
- EXCLUDE: your primary residence

Figure 5: Why did you become an entrepreneur/business owner?

Figure 6: At what point did you start thinking of yourself as an “entrepreneur”?

Figure 7: Why did you become an entrepreneur / business owner?

Figure 8: What is the current annual turnover of your main business (in USD millions)? (If the business has been acquired, please indicate the turnover for the business operations for which you are now responsible.)

Approximately, how much are your personal financial assets worth? Please add together all of your financial assets in US dollars. Please:

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- EXCLUDE: your primary residence

Figure 9: What would you say are the essential qualities of a successful entrepreneur?

Figure 10: In the months before you sold or transitioned out of your first business, what would you say were your MAIN business and personal priorities for a successful transition?

Figure 11: Do you come from a family that owned a business?

Figure 12: Which of the following best describes your current activity as an entrepreneur?

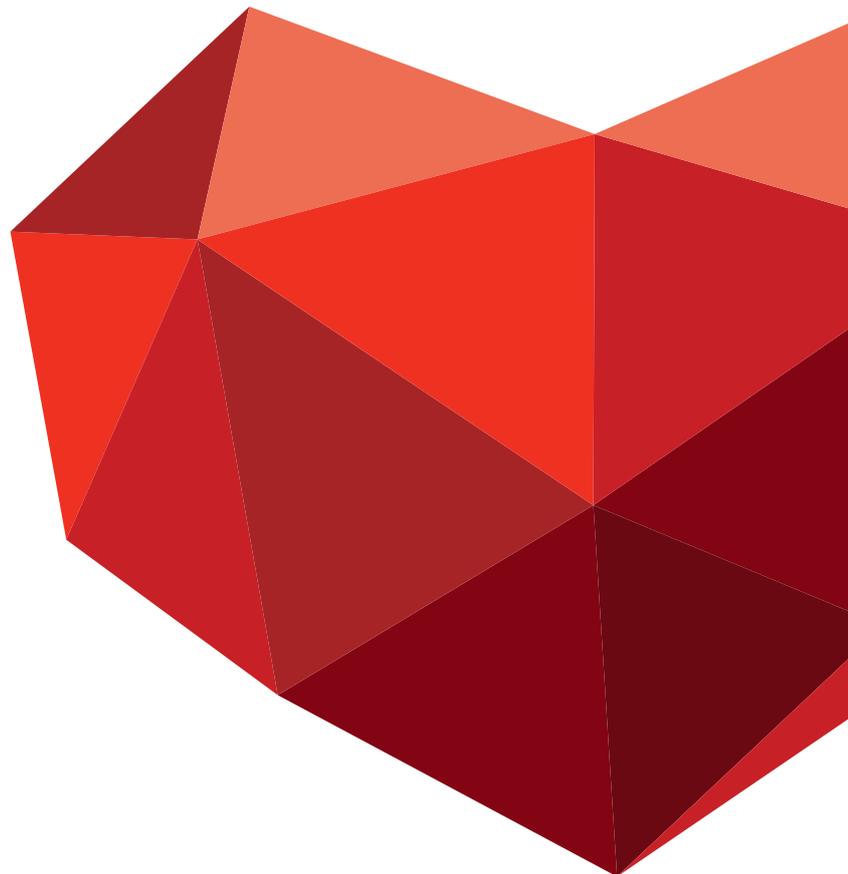
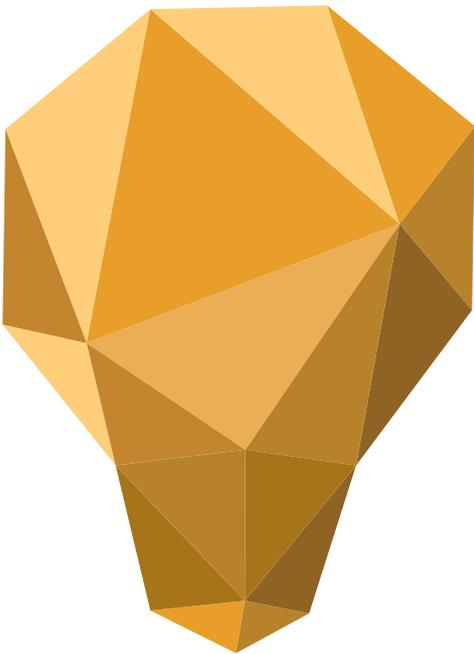
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Figure 14: Where did your initial capital come from to set up or acquire your first business?

Figure 15: In the months before you sold or transitioned out of the business, what would you say were your MAIN business and personal priorities for a successful transition?



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