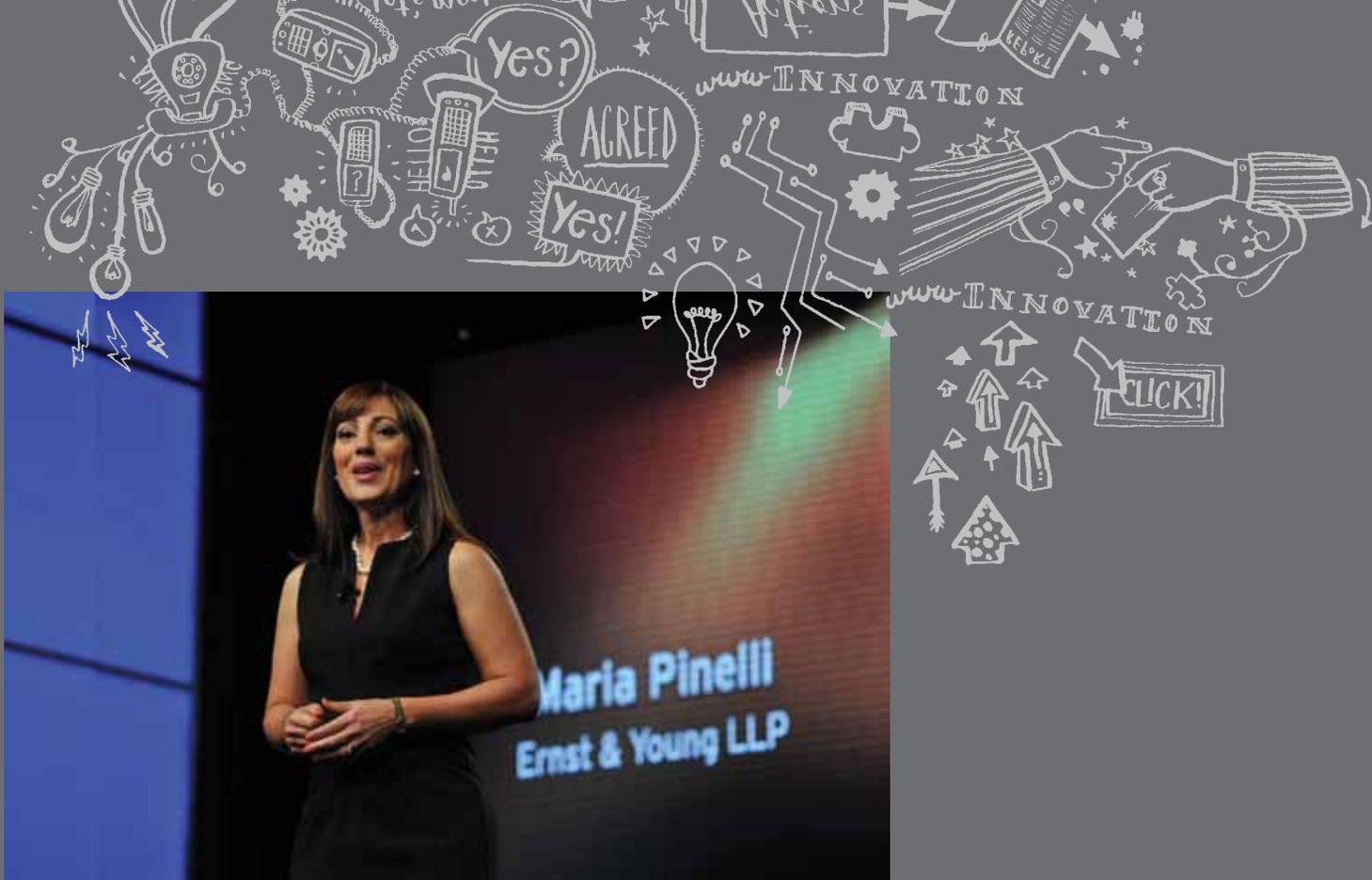


Global job creation

A survey of the world's most dynamic entrepreneurs

January 2013



Forging a bond with the future: new job creation and innovation survey of Ernst & Young Entrepreneur Of The Year® winners

One of the most rewarding parts of my job as Global Vice Chair of Strategic Growth Markets is the exposure it gives me to a world of constant disruptive change. It's impossible to feel complacent. But I often find myself getting a bit discouraged when I see persistent structural unemployment in regions that should be thriving. According to numerous international surveys, the Middle East and North Africa have a significant youth unemployment problem; about half the would-be workers under age 25 in Spain and southern Europe are unemployed. The gap between the desire for work and what employers need may be one of the greatest business challenges in the coming decade.

As the world leader in advising, guiding and recognizing high-growth companies and entrepreneurs, Ernst & Young strives to be the best in anticipating tomorrow's threats and opportunities. We conduct regular surveys and are in constant communication with our extensive global network of clients and contacts. One of particular interest to me is the check-in we do on job creation among our Entrepreneur Of The Year winners. This creative, hardworking and often unconventional community of high achievers never fails to inspire and encourage, even when the world economy appears to be on indefinite furlough. For example, last

year's Entrepreneur Of The Year winners alone achieved an 18% growth rate in the last two years, and employed over 304,000 people in 51 countries.

This time around we learn that our respondents are driven not by money or perks, but by sheer passion for their own work. Significantly, the innovation that they bring to their jobs provides a genuine advantage over their competitors. But the best news of all from our check-in: 74% of our Entrepreneur Of The Year winners say that they are hiring and creating new jobs due to the very innovation that sets them apart.

Keep going, entrepreneurs! The world needs you. Creating a job is forging a bond with the future.

Maria Pinelli
Global Vice Chair, Strategic Growth Markets

Executive summary

Surprises in store

Leading indicators from the International Monetary Fund show that the world economy in the year ahead could use a boost. Real economic output in the US is expected to rise by 2%, Japan and the UK will vie for second place at 1%, and in the Eurozone no one is predicting anything that can be equated with growth. Even China, the world's most dynamic economy, is facing a slowdown as its once-hot investment and export machine reacts to the global blahs.

Happily, we do not detect a lack of enthusiasm. Our latest poll of Ernst & Young Entrepreneur Of The Year winners finds lots of positive headwinds in the key indicators of economic confidence, innovation and job creation. More than 600 of the world's most successful entrepreneurs reported back with their own business prospects. And while it is unrealistic to think that 2013 is looking like a walk in the park – the entrepreneurs suggest that market forecasts are not what keeps them awake at night. Rather, there is opportunity in adversity and drift, and this group of innovators is poised once again to seize the day, stay on top of what they have to offer and change the world in surprising ways.

Seize the day

Confidence continues to run high. Our respondents tell us they are confident in the economic direction of their headquarter country. They also are anticipating their total global workforce to increase in 2013 – 54% of our respondents say people are the investment that shapes their future.

Passion is primal. Forty-three percent of the respondents say that a passion for their product or service was the driving force behind their entry into a given market. Improving an existing product or service came second at 36%. Tapping into niche markets was third at 33%. What we found interesting is that passion was highest in the IT and technology space – perhaps because the next big thing might be just around their corner. Manufacturers were more about improving an existing product or service, while pharma and biotech were most driven by the prospect of finding new niche markets.

Innovation is the fairest advantage. Some entrepreneurs create new products. Others find new ways to deliver old ones. And increasing or putting a new spin on established and proven products or services is a core element of many entrepreneurial businesses. In any case, we are told that innovation is the major determinant when it comes to separating winners from the rest. A whopping 88% of respondents across a wide swath of industries agree with the statement that “innovation is the one genuine differentiator/advantage” they have over the competition.

Innovation leads to job creation. The entrepreneurs who believe that innovation confers a genuine advantage also declared it a genuine job creator (74%). This perception is vital to the world's economic future since, in most markets, young college graduates continue to be thwarted in their search for meaningful work. A sister survey of ours, the *Global Capital Confidence Barometer*, reports that the number of US company respondents in the Fortune 500 planning to create jobs has decreased from 48% in April to 32% in October. In contrast, more than half (54%) of the Ernst & Young Entrepreneur Of The Year winners are thriving and say they expect to increase their global workforce in 2013.

The right stuff. Our survey indicates that skills now count more than ever. When we asked about the two primary skills our entrepreneurs look for when hiring, specific industry knowledge came out on top (57%). Sales and marketing came in second (25%), with management/leadership coming in third (22%). This important finding points to the critical conversation many are having around the youth unemployment crisis – the gap between employable skills and a business world crying out for specific talent.



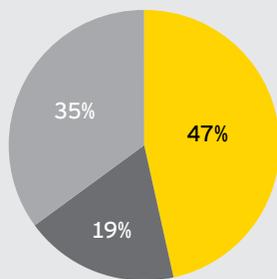
Thinking big

Questions and concerns about the global economy abound, but many of the world's most successful entrepreneurs show no distraction from the work at hand. The three regions report almost remarkable similarity in their expectations for hiring in 2013, which is good news for economic growth.

Asia-Pacific, the Americas and EMEIA (Europe, Middle East, India and Africa) clock in at 54% in their expectation to increase their global workforce in the months ahead. **Innovation** is viewed as the major reason for their companies' job gains, with 74% declaring it a genuine job creator.

Regional distribution of survey respondents

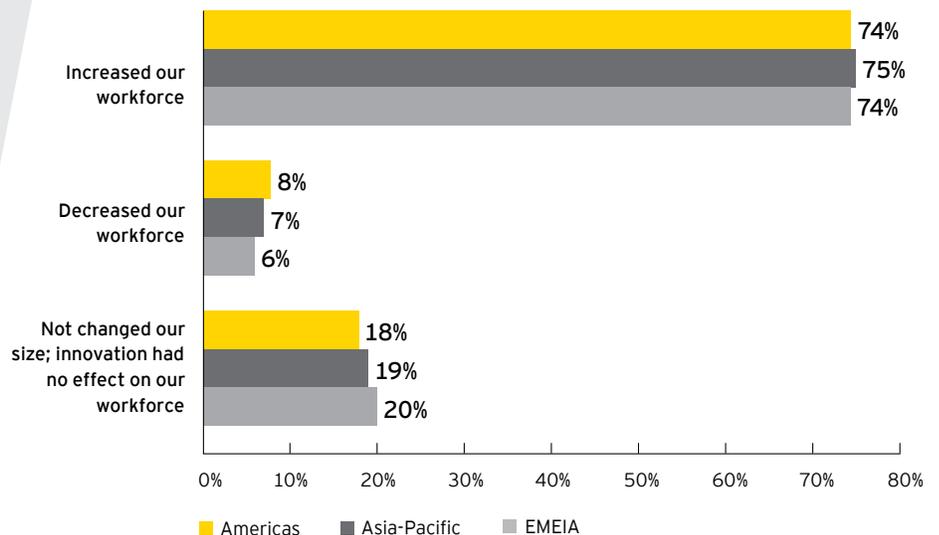
- Americas
- Asia-Pacific
- Europe, Middle East, India and Africa (EMEIA)



Number of responses: 633 from 42 countries

Note: Chart summarizes demographic information from all respondents, including those from countries with fewer than five respondents. Percentages may not sum to 100% due to rounding.

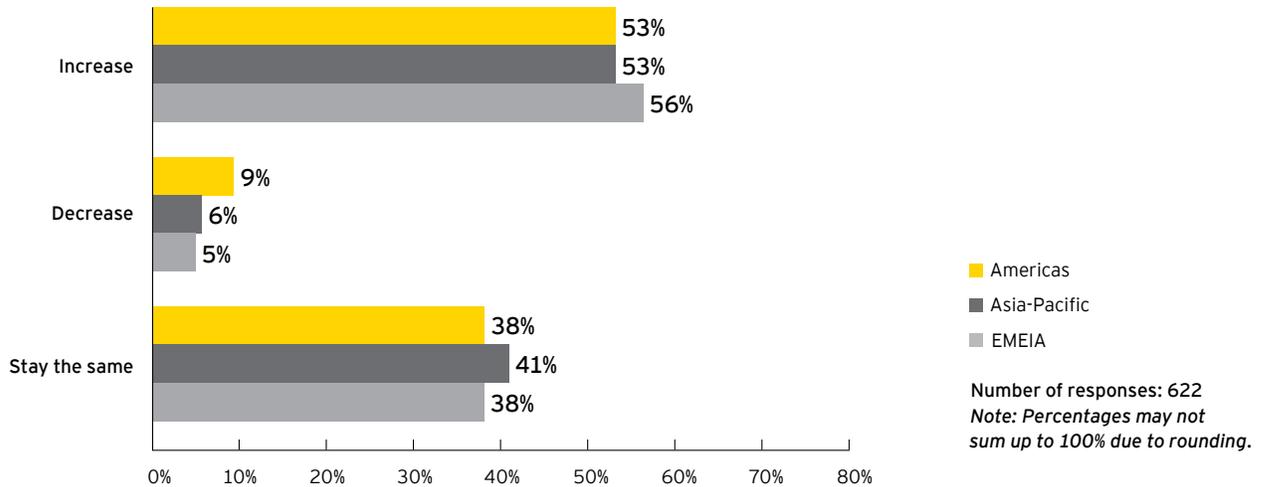
Due to our company's innovation, over the past year we have:



Number of responses: 553

Note: Only those respondents who agreed or strongly agreed that innovation is the genuine differentiator/advantage they have over competitors could reply.

How do you expect your total global workforce to change in 2013?

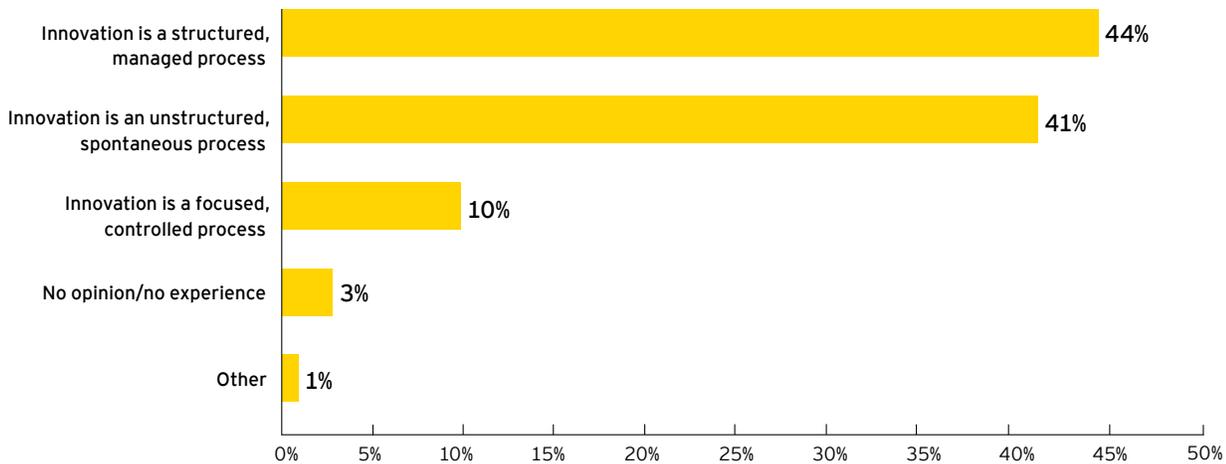


The innovation edge

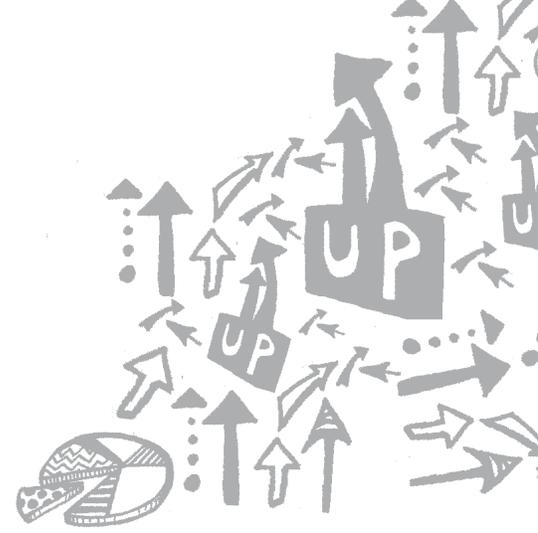
We can call it the genuine differentiator. For entrepreneurs, we learned that 88% of all respondents view innovation as the key source of their competitive advantage – and success depends on institutionalizing that advantage as part of the company culture. Entrepreneurs emphasize that innovation is now a process that is disciplined, contained and focused – as opposed to an experiment or simple luck limited to a few (i.e., the extraordinary actions of a solitary genius). Innovation is increasingly becoming an open system that employees must live with, contribute to and be judged by and that permeates all parts of the organization.

Our respondents say that product and service innovation is the way they compete today, just as an earlier generation of entrepreneurs sought their primary advantage through price. It may even be a mindset that innovation is not so much a strategy as something that employees and management simply do – it's second nature. (For more on this, read *Innovating for growth* from the Ernst & Young Growing Beyond series at www.ey.com/growingbeyond.)

Entrepreneurs describe their experience with the innovation process



Number of responses: 633
 Note: Percentages may not sum up to 100% due to rounding.

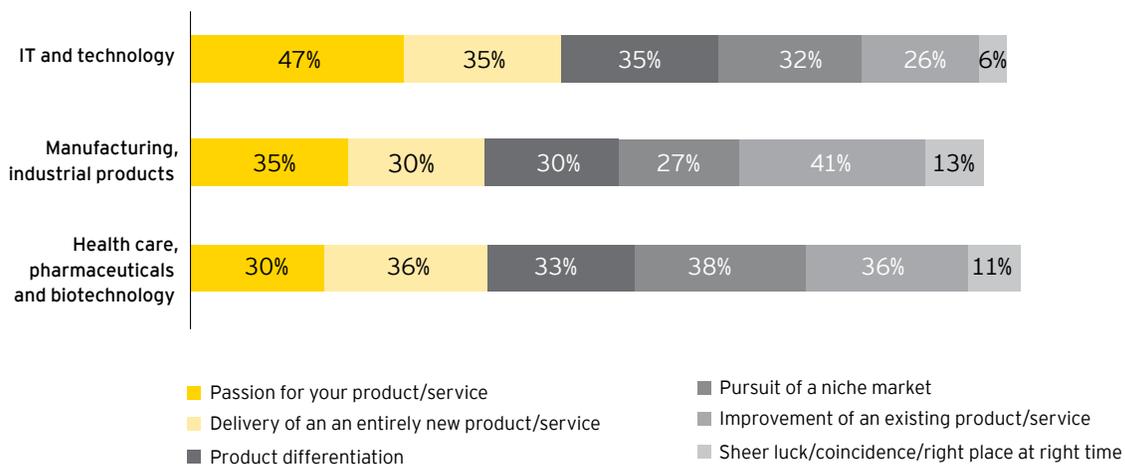


What do you know?

With most countries grappling with unemployment on some level, it is revealing to learn what skills entrepreneurial companies look for when hiring. Our top five reporting countries put specific industry/knowledge skills at the top of the list. This was in highest demand in Ireland (68%) but certainly valued as well in Canada (61%), Australia (61%) and the US (56%), with the UK clocking in at 43%.

We also learned that while technical expertise is highly valued, what counts is the ability to innovate to keep industries well ahead of the pace of market change. This seems to be especially true for the manufacturing sector, whose respondents tell us they are in the market to improve an existing product or service.

Reasons for market entry



Number of respondents: 224

Note: Respondents could choose up to two responses.



Conclusion

What's next

Here's what to expect next from this global community of high achievers:

- ▶ **More confidence.** Despite caution signs everywhere we look, entrepreneurs are confident about the economic prospects in the markets they know best. Forty-six percent indicate they are confident in the economic direction of their headquarter country.
- ▶ **More good-paying jobs.** More than half anticipate adding to their global workforce in 2013. Given that our top three respondent classes of entrepreneurs come from the

key global growth industries of IT, consumer/industrial manufacturing and health care/pharma/biotech, this better-paying wage base bodes well for continued improvement in the standard of living.

- ▶ **More innovation.** Innovation is the single greatest driver of job creation. Seventy-four percent of those entrepreneurs who noted innovation as a genuine differentiator said they had added jobs in 2012.

For more insights on entrepreneurs and the issues that matter to them, please visit the Ernst & Young Global Center for Entrepreneurship and Innovation at ey.com/entrepreneurship.

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Contact

Global

Maria Pinelli

Ernst & Young Global Limited | Global Vice Chair,
Strategic Growth Markets

maria.pinelli@ey.com