

Empowering entrepreneurial success

Delegates recommendations at G20 YES, June 2012



G20
Young Entrepreneurs'
Alliance

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More than 200 entrepreneurs gathered for the **G20 Young Entrepreneur Summit 2012 (G20 YES) in Mexico City from June 2-5, 2012** to demonstrate the importance of entrepreneurs to global economic recovery and growth. The G20 YES discussions reinforced that entrepreneurship is critical for innovation, business expansion and employment, particularly for young people. In preparation for this Summit, Ernst & Young surveyed the delegates, who reported that they are ready to help their countries meet growth and employment challenges if governments are willing to work with them to address the obstacles they face.

At the G20 YES, Ernst & Young professionals invited accomplished entrepreneurs and investors to participate in discussions with the entrepreneurs on two prerequisites to new entrepreneurial company formation and growth: access to funding and tax and regulatory enablement. In lively discussions, the entrepreneurs developed a number of interesting recommendations that they say, if implemented, could help them fulfill the potential they envision for their companies. Their recommendations, on the subjects of access to funding and taxation and regulation, follow.

Access to funding

Money: Create a continuum of traditional and innovative funding sources

- ▶ “The greatest challenge is access to funding.”
- ▶ Bridge funding gaps by creating and enabling capital sources – particularly at the emerging growth and expansion stages.
- ▶ Create a balanced regulatory framework that enables and encourages innovative funding mechanisms to flourish (e.g., crowd-funding).
- ▶ Expand loan guarantee schemes to reduce dependence on the limited collateral typically held by young entrepreneurs
- ▶ Directly invest or provide investment incentives to encourage investors to finance emerging entrepreneurs.

Knowledge: Convey what entrepreneurs need to know and lenders and investors should expect

- ▶ “It’s not just about the money.”
- ▶ Provide essential skills, knowledge and networks for entrepreneurs to navigate challenges at each stage of their growth cycle (e.g., people, customers, operations).
- ▶ Create advisory institutions that coach young and emerging entrepreneurs who are preparing to pitch investors and lenders to raise necessary capital.
- ▶ Provide more extensive venues –both in-person and on-line– to encourage entrepreneurs to share best practices at every stage of growth.

Networks: Build and strengthen the local and global financing ecosystems

- ▶ “You need other entrepreneurs, businesses, collaboration and support.”
- ▶ Establish government programs to better connect entrepreneurs with private and public sector financing resources, and develop their skills to be able to identify and secure appropriate capital sources. Illuminate growth and investment options by linking entrepreneurs with VCs, PEs, angels, lending institutions and corporate investors.
- ▶ Create investor partnership networks and help early-stage entrepreneurs access capital from newer investors in entrepreneurial companies.

Taxation and regulation

Efficiency: Reduce time to start a new venture

- ▶ “It’s like a wormhole.”
- ▶ Make it easier to start a business and make the process more efficient. Reduce regulatory barriers to new business development by minimizing time to license new business as well as costs associated with starting a new business.
- ▶ Reduce fees and use the internet as a resource to make the process more streamlined.
- ▶ Minimize government involvement relative to workforce regulations, and leave it to individual entrepreneurs to be responsible employers. Enable entrepreneurs to be responsive to market conditions by reducing severance cost and time.

Knowledge: Improve the ease, accuracy and flow of information

- ▶ “How can I operate my business with confidence if I am not given any direction?”
- ▶ Create a global role—a “Ministry of Entrepreneurship”—from which entrepreneurs can access information on a simplified, country-by-country basis via a website or call center.
- ▶ Ensure that government websites are up-to-date and replete with information.
- ▶ Make the tax filing process easier for entrepreneurs by implementing online filing processes and minimizing unnecessary compliance requirements.

Incentives: Incentivize effectively

- ▶ “Incentives can jump start a business if businesses are given the incentives that are right for them.”
- ▶ Utilize cash grants and other non-tax incentives as well as relief from indirect taxes to provide greater value to new businesses.
- ▶ Create or maintain incentives for companies to invest in R&D.

Conclusion

At a time when many developed and emerging economies are facing a weak economic outlook, the importance of nurturing entrepreneurial ventures is greater than ever. High-growth entrepreneurial companies will play a particularly important role in this rebalancing of the economy. Their rapid rate of expansion means that they have greater potential to create jobs at a time when many G20 countries are facing stubbornly high rates of unemployment.

While Small-Medium-Enterprises create 50% of employment in most G20 countries, they only receive 6% of investment. Clearly, there is an imbalance here. How many more jobs could be created with more support? These points are reinforced by a new white paper, *Funding the Future*, released by Ernst & Young to coincide with the G20 YES in Mexico.

Ernst & Young believes that many interesting recommendations from the G20 YES in Mexico are worthy of wider consideration. We implore government to champion entrepreneurs’ success, and give them a platform on which to celebrate their stories. In fact, with just a few regulatory changes, governments could double the amount of Small-Medium-Enterprises they support and create jobs across both emerging and developed markets. We welcome further dialogue to explore the challenges and successes.

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