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Where Do the United States and Canada Stand Vis-A-Vis other Countries Regarding Entrepreneurship - Speaker

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background, you will see that he is eminently qualified, both from a scholarly perspective and also from a hands-on perspective.

Let me deal first with his scholarly background. Although he resides in Arizona now, Dr. Hisrich is no stranger to Ohio. He attended the University of Cincinnati where he obtained two degrees, his MBA and a Ph.D. He taught here for ten years, as some of you heard yesterday, and he built a very successful business program here at Case.

Now, in addition to his strong academic foundation, Dr. Hisrich has very extensive hands-on international experience, including his work in a couple of countries where you don't really think of entrepreneurship – that is a couple of countries that came out of the demise of the Soviet empire – and that is Russia and the Ukraine.

He is also a very prolific writer but he does not reside in an ivory tower. He has authored or co-authored over a dozen books, many of which are very successful, and they are listed in your program.

Given his expertise and his experience, we are going to be in for a very stimulating session. So I would ask you to please join me in welcoming Dr. Robert Hisrich.

SPEAKER

*Dr. Robert Hisrich**

DR. HISRICH: Thank you, James. Thank you very much for a wonderful introduction. James forgot to tell you that one of my books is *How to Lie With Your Resume*.

It is really thrilling to be here for a couple of reasons; particularly, it is good to be back to Cleveland. I had ten great years here at Case Western

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Reserve University creating what ended up to be ranked fifth in the world, an entrepreneurship program, before I left. And I have created two companies here that are doing very well, one in the medical software field and another one in medical devices.

And so I have really enjoyed my time here in Cleveland, and it is always good to be back to this part of the world. Similarly, it is always good to have Canadians here. I love your country. Basically, it is an economic love.

When I was at MIT, as a professor, we created a company called Polymer Technology, and we made the Boston lens, which was the first gas permeable hard contact lens in the world.¹ I had tremendously good patents on the lens – five patents that were almost unbreakable; we did not want to take the money to get FDA approval in the United States because we would have had to sell quite a bit of our company. So we went to Canada, and you made us a lot of money. I appreciate that a lot.

I particularly like Toronto because that's where we started. We obtained a distributor there – Boots Drugs and others distributed our solutions.

The company was later sold to Bausch & Lomb, so I am out of the lens business, but it was fun. When Henry called, two things concerned me: One, he said I want you to address this topic in 30 minutes. Of course, you know, you never say no to Henry, and never question how much time you are going to have; I thought how am I going to address global entrepreneurship in 30 minutes? Second, Henry indicated that I was on the program after lunch. I thought, “you never have a great audience after lunch, everybody is half asleep.” In spite of these two negatives, it is fun to be here, and I know we are going to have a good time exploring this very important topic.

I am more eager for your questions than my talk as I talk all over the world. But I want to set the stage for looking at this topic of global entrepreneurship around the world. Let's first think together what it takes to form a company, as that's what we do as entrepreneurs.

I am going to address this topic through three lenses: one, from the academic lens because I've studied this process all over the world; two, from the entrepreneur lens, having created multiple companies both here and in Hungary and Russia and now one in China; and three, from a theoretical lens as we should understand some of the theory behind it. What does it take to form a company? Four things.

Number one, you have to have the idea. That's number one. We heard that talked about today in terms of the venture people. You need an idea that makes sense; most ideas aren't a business. When Mal was speaking, he said one out of a hundred people fail. There is a high failure rate in business start

¹ See Poly(ethylene oxide) coated surfaces, Patent Storm, <http://www.patentstorm.us/patents/6616982-description.html> (last visited Sept. 27, 2007).

ups and about one out of a hundred ideas I see actually could be the basis of a business. You need to have the right idea.

All around the world there are innovation and ideas. While some companies are a little more innovative than others, but even in Hungary, under socialism and Soviet control, there was the Rubik's Cube. When I was in Hungary in 1989 living under the Soviet days, I saw a woman retailer who had the most beautiful vegetable stand that would be an incredible merchandising tool anywhere in the world. There is some degree of creativity and innovation all over the world.

The second thing you have to have is money. I have had venture money behind two of my companies – which is a particularly interesting topic all on its own; you need money, particularly money for startup.

In the United States, we are very fortunate. It is not the venture capital industry that affects entrepreneurs in the U.S. at startup but it is what you heard yesterday: the angel market. These angels are private individuals investing in companies.²

We did a study of U.S. companies asking, "Outside of family and friends and your own money, where did you get your funding to start your venture?" Eighty-seven percent of those companies received their funding from private individuals.³ That's the key to the U.S. economy. Are we entrepreneurial? Yes. Do we form more companies than anywhere else in the world? Yes.⁴ But it is the angel money in the United States that is so critical to entrepreneurs. That's what I am trying to develop as a member of an advisory board in the country of Slovenia; the goal is to provide startup capital and help Slovenians understand the importance of investing in startup companies.

Private individuals investing in a startup company is not happening anywhere in Europe or other countries in the world.⁵ And this money is available in every one of these countries. There is wealth in China.⁶ There is

² Clark S. Judge, *The Tax That Ate the Economy*, WALL ST. J., June 24, 1991, available at http://www.whwg.com/thefirm/sample.php/60/Clark_S._Judge.

³ See generally, Stephen D. Prowse, *The Economics of the Private Equity Market*, ECON. & FIN. POL'Y REV., Q III 1998, 21, available at <http://ideas.repec.org/a/fip/fedder/y1998iqiip21-34.html#download>.

⁴ See generally, Maria Minniti & William D. Bygrave, *National Entrepreneurship Assessment United States of America: 2003 Executive Report 7 2003 GLOBAL ENTREPRENEURSHIP MONITOR* available at http://www.kauffman.org/pdf/gem_2003_us_report.pdf.

⁵ *Id.* at 10.

⁶ Shi Li & Renwei Zhao, *Changes in the Distribution of Wealth in China, 1995-2002 19* (January 2007) (United Nations University – World Institute for Development Economics Research ed. 2007) available at <http://www.wider.unu.edu/publications/rps/rps2007/rp2007-03.pdf>.

wealth in Slovenia.⁷ There is wealth in Croatia.⁸ There is wealth in Hungary.⁹ How do we get that money to work for the betterment of the country's economy, as well as the individual entrepreneur? A country needs to incentivize these individuals to invest a percentage of their wealth in startup companies. I don't see this occurring anywhere else I have been outside the U.S. You need money.

The third thing you need is the entrepreneur. The entrepreneur takes the idea (either his idea or from an inventor) to the marketplace. He or she is the driver of that particular product and idea.

I have studied entrepreneurs all over the world, and the interesting thing – which is really nice for entrepreneurs doing international business – is that they are more similar than different. We are “crazies” as I heard some venture people say. I am glad I am “crazy” because I love the process. I am passionate about the process. I understand the process and actually undertake the process. I meet entrepreneurs in China, Russia, Hungary or Ireland and they are very similar. We are more similar than different.

For example, in one study of entrepreneurs, we asked, “What motivated you to start your business?” The same comment was made, whether it was from a Russian or a German or an American entrepreneur: “We can't work for anyone else. We want to be independent.” You heard Mal Mixon mention this the other day. Entrepreneurs want independence; they want to be their own boss.

The second reason given in terms of motivation for starting a business was that they want to make money. The third reason was that they are passionate about the idea and want the product/service on the market. They are really passionate about their ideas. These two reasons were also similar all over the world.

The only difference between men and women, in terms of these motivators across countries, was women had passion about the idea as second, and money as the third. These three reasons accounted for around 70 percent of the responses.

Entrepreneurs are also similar in two other aspects. One is the decision process in becoming an entrepreneur. We have to make a decision to go from something to something, as is indicated in Table 1.

You have to change lifestyles if you are not presently an entrepreneur because it is a different way of life. You heard Mal talk about the fluctuations

⁷ E.g., *Daily Says Mirko Tus the Wealthiest Slovenian*, Republic of Slovenia Government Communications Office, <http://www.ukom.gov.si/eng/slovenia/publications/slovenia-news/4445/4457/> (last visited Sept. 27, 2007).

⁸ E.g., Mislav Šimatović, *Croatia's 50 Wealthiest*, 597 NACIONAL: NEOVISNI NEWS MAGAZIN, Apr. 4, 2007, available at <http://www.nacional.hr/en/articles/view/33809/18/>.

⁹ E.g., Eszter Balázs, *Fotex Boss Tops List of Countries Richest*, BUDAPEST SUN, Nov. 28, 2002, available at <http://www.budapestsun.com/cikk.php?id=14776>.

in wealth and the fluctuations in security you have. That's all part of the process. The majority of people can't handle that. You need the ability to be flexible to form a new enterprise. What causes us to do this? It has to be desirable. What makes it desirable? This desirability is different for entrepreneurs in various countries.

One aspect of the country is that its culture needs to support entrepreneurship. The culture has to look at entrepreneurship as a positive element. Entrepreneurship is not looked at very positively in Austria.¹⁰ It is looked at negatively in Russia.¹¹ The culture in the United States, and the culture in Canada, is pro-entrepreneurship.¹² But even in a pro-entrepreneurship culture, there will be pockets of entrepreneurship. A total culture isn't entrepreneurial; it contains pockets of entrepreneurship.

Look at the United States: we have pockets of entrepreneurship. Where are they? The major ones are: Silicon Valley, Route 128, and North Carolina Triangle.¹³ That's where the heaviest emphasis on entrepreneurship is; entrepreneurs like to cluster together. So it is really the subcultures that drive entrepreneurship.

When I was in Ireland in 1984, the Irish economy was terrible. It was one of the worst economies in the European Union in 1984 – high debt ratio, something like 35 percent.¹⁴ Some homes did not have telephones. The economy was in terrible shape.¹⁵ We started teaching entrepreneurship at the University of Limerick, which is on the Limerick side, and in Dublin at the University College Dublin, then in Cork and in Galway.

Then a coalition between the government, the universities, and businesses was formed. Now the Irish economy, in just 20 years, is one of the strongest in Europe.¹⁶ What a tremendous transformation. When a minister in the

¹⁰ See generally, Laura d'Andrea Tyson et al., *Promoting Entrepreneurship in Eastern Europe*, 6 SMALL BUS. ECON. 165 (1994).

¹¹ *Id.*

¹² DAVID BOLLIER, *THE GLOBAL WAVE OF ENTREPRENEURIALISM: HARNESSING THE SYNERGIES OF PERSONAL INITIATIVE, DIGITAL TECHNOLOGIES, AND GLOBAL COMMERCE* 14 (The Aspen Institute 1999) available at <http://www.bollier.org/pdf/globwave.pdf>; SHERRILL JOHNSON, *YOUNG SOCIAL ENTREPRENEURS IN CANADA* 4 (Canadian Centre for Social Entrepreneurship School of Business, University of Alberta 2003).

¹³ See, Kurt Badenhausen, *Best Places for Businesses and Careers*, FORBES, May 5, 2005, available at <http://www.forbes.com/2005/05/05/05bestplaces.html>; Tyson, *supra* note 10, at 36, 38.

¹⁴ Róisín Ní Mháille Battel, *Ireland's "Celtic Tiger" Economy*, 28 SCI., TECH., & HUM. VALUES 93 (2003).

¹⁵ NAT'L COMPETITIVENESS COUNCIL, *OVERVIEW OF IRELAND'S PRODUCTIVE PERFORMANCE, 1980-2005* 6, http://www.competitiveness.ie/ncc/reports/ncc_productivity_1980-2005/ncc_productivity_1980-2005.pdf (Ireland is still behind the rest of the EU for many utilities).

¹⁶ Battel, *supra* note 14, at 93.

government said, “Let’s have entrepreneurship throughout,” I said, “That will not be possible. There are going to be pockets of entrepreneurship,” and indeed, that is what has occurred today.

Families also make a difference. Entrepreneurial families beget entrepreneurs. Teachers make a difference; some exciting teachers really stimulate students to become entrepreneurs. Finally, entrepreneurial role models make a difference. Entrepreneurs like to associate with entrepreneurs.

You need an environment where entrepreneurs can get together and solve each other’s problems. That’s what we enjoy the best. That’s what makes it desirable. What makes it possible? The government. That’s what I want to focus on because that’s the biggest difference in various countries.

When you look at company formation in Canada, the United States, Germany, China, and Austria, it is the government and the infrastructure set up that makes the company formation process different, either easier or more difficult.

The background of the entrepreneur makes a difference, whether we are technology push or market pull. As you can tell from Mal’s talk yesterday, he is a market pull entrepreneur. I knew Kenny Olson (who founded DEC) when he and I were on a board of trustees together. Kenny Olson believed if he had the best technology, he would always win. Digital Equipment is not around today. There has to be a blend between the technology and the market to be successful.

So that’s the decision process that entrepreneurs go through, whether in Canada, the United States, Germany, China, or Russia.

The second thing that is the same is the four-stage entrepreneurial process we go through in forming a company (see Table 2). In the first stage, an entrepreneur needs to identify and evaluate the opportunity. It is all about the idea. We need to have an idea that is the basis for a business. If this idea can be protected, as talked about today in a previous session, it is even better. I try to obtain market protection on my products if they are not patentable. Most entrepreneurial concepts aren’t patentable.

You need to develop a business plan, particularly if you need outside capital. Venture funding – the VCs, the angels, the banks – will not seriously discuss things with you without at least a mini business plan. You have to obtain the resources. My companies never have enough money and we entrepreneurs never have enough time. These are the two biggest commodities that I wish I had more of. We just finished raising \$1.3 million this week to get FDA approval for a medical device company. You need resources such as capital, management, and sources of supply and distribution.

Finally, we need to manage the enterprise. Can entrepreneurs become managers? I think some can, some can’t. Sometimes entrepreneurs need to let

professional managers help grow the company. The process is the same all over the world.

A country needs ideas, money, and entrepreneurs. The last part of the formula of why companies are created is the infrastructure in the country itself. I have studied this all over the world. Here is a continuum between a poor entrepreneurial culture and a strong entrepreneurial culture (see Table 3).

These are several reasons why one culture or an economy is more entrepreneurial than another. One is ease in company formation. The easier it is to form companies, the more companies are going to be formed.¹⁷ Just look at the laws and the rules in countries regarding what entrepreneurs have to do to form companies. Let us take three situations: forming a company in Austria, in Russia, and in the United States. In the United States you can form a company over the Internet with your credit card for about \$200.¹⁸ In Austria, it requires 13 governmental agencies, 10,000 Euros in the bank, and 2,000 Euros in cost.¹⁹ In Russia, it takes about one and a half years with significant costs.²⁰ Why is entrepreneurship so prevalent in the United States? It is easier to become one.

Number two is the tax rate on businesses. When I was in Norway speaking to a group of entrepreneurs and business people, the Minister of Industry was there. She was not very happy when I said, "Why would you bother to form a company in Norway? Do you know what your tax rate is?" It is extremely high because the country wants a social net.

Same with the tax rate on individuals. If you tax businesses or entrepreneurs heavily, why should they bother forming a company? If I am going to work all the hours, take the risks, I want some kind of return. I want to make some money, the second motivator. Countries need to monitor the tax rate on companies and individuals. Generally, the higher the tax rates, the less the entrepreneurial activity.²¹

¹⁷ E.g., Index of Economic Freedom: Belarus, Heritage Foundation, <http://www.heritage.org/index/country.cfm?id=Belarus> (last visited Sept. 27, 2007) (stating that burdensome regulations inhibit business in Belarus).

¹⁸ E.g., The Company Corporation, <http://www.corporate.com/> (last visited Sept. 27, 2007).

¹⁹ See generally STARTING A BUSINESS IN AUSTRIA, SCHONHERR RECHTSANWÄLTE 5, (Austrian Business Agency), available at <http://www.aba.gv.at/en/pages/download.asp?file=downloads/StartingBusiness.pdf>.

²⁰ See Establishing a Business in Russia: How to Set up and Register a Company in Russia, Company Formations, Way to Russia <http://www.waytorussia.net/business/startingup.html> (last visited Sept. 27, 2007).

²¹ See, Edmund Andrews, *Paulson Says U.S. Hurt by High Tax Rates*, N.Y. TIMES, Jul. 25, 2007, available at http://www.nytimes.com/2007/07/25/business/25tax.html?_r=1&oref=slogin (demonstrating that high tax rates inhibiting economic growth in US).

Bankruptcy laws and being able to let people go make a difference in the amount of entrepreneurial activity. You know, in some countries, to fire someone takes about a year. You go through numerous problems trying to get someone off the payroll even if they haven't performed.²² The better the bankruptcy laws and the easier it is to hire and fire people,²³ the more people are going to become entrepreneurs in a particular country.

The extent of the infrastructure – such things as incubators, government sponsored programs, government training programs, government providing seed capital, and the government providing guaranteed loan programs – can all help provide a positive infrastructure for entrepreneurship. These all affect people forming companies. When all these are available, there is a solid infrastructure for entrepreneurs to form companies.

Finally, there is the overall government attitude towards business and entrepreneurship. Is it pro or not? We have gone through ups and downs of government attitude in the United States, like other countries. The entire atmosphere established by the government for entrepreneurs forming businesses varies significantly across countries.

What makes things different in one country over another is not the people. The people are very similar. They have the same motivations. They have different demographics: more educated in some countries than others. Obviously, there is a difference between the sexes forming companies in various countries. However, the main differences are the atmosphere, the culture, and infrastructure of the country in forming businesses.

Basically, it is the government's responsibility to create the infrastructure to support company creation. When looking at Canada and the United States, the statistics were very interesting. In Table 4 there is information regarding new firm formation and bankrupt firms from Canadian government material. You will see that basically there has been an increasing formation rate over the last five years in firms that employ more than one individual.²⁴ If you add the one-person firms, this number would double or maybe triple. In firms that employ more than one individual, there was an increase from 19,500 up to

²² See Index of Economic Freedom: Austria, Heritage Foundation, <http://www.heritage.org/index/country.cfm?id=Austria> (last visited Sept. 27, 2007).

²³ See Nathalie Martin, *American Bankruptcy Laws Encouraging Risk-Taking and Entrepreneurship*, EJOURNAL U.S.A., <http://usinfo.state.gov/journals/ites/0106/ijee/martin.htm> (last visited Sept. 27, 2007); Indepth: France – Student Protests, CBC News Online, Mar. 28, 2006, <http://www.cbc.ca/news/background/france-studentprotests/> (stating that overly burdensome labor laws restricting liberty to hire and fire has discouraged business in France).

²⁴ See, BENJAMIN TAL, FOR LOVE OR MONEY? A STUDY OF ENTREPRENEURSHIP IN CANADA (CIBC World Markets, Inc. 2005) available at <http://www.cibc.com/ca/pdf/entrepreneurship-study.pdf>; see also Study: Trends in Business Bankruptcies, Statistics Canada, Oct. 12, 2006 <http://www.statcan.ca/Daily/English/061012/d061012c.htm>.

31,000 in 2005.²⁵ Interestingly, in Canada bankruptcy has decreased²⁶ down to its lowest level, 25 percent, below its high in 2001.²⁷ There were 787 bankrupt firms in 2005.²⁸ Canada is really moving in the right direction – increasing formation rates and decreasing bankruptcy rates.²⁹ That's a very good sign.

Now, let's look at the U.S. As is indicated in Table 5, the U.S. firm formation is now rising again.³⁰ Venture capital is increasing.³¹ The IPO market is back.³² There will probably be double the number of high-tech firms going public this year than last year, and new firms are being formed at an accelerated rate. Again, if firms employing more than one individual would be included, this number would triple.³³

There were 671,000 firms formed in 2005. The U.S. is increasing its firm formation rate as the economy has improved.³⁴ Over the last three years firm closures have stayed about the same.³⁵ Remember, in the U.S. bankruptcy means that the firm isn't yet dead. The firm can come back out of bankruptcy as occurred with Delta and Continental and other major corporations.³⁶ The

²⁵ See Hon. Maxime Bernier, Minister of Industry, Keynote Address for the Information Technology Association of Canada in Ottawa, Canada (Feb. 6, 2007).

²⁶ Statistics Canada, *supra* note 24.

²⁷ *Id.*

²⁸ See, TAL, *supra* note 24.

²⁹ OFFICE OF THE SUPERINTENDENT OF BANKRUPTCY CANADA, *INSOLVENCY IN CANADA IN 2006* (2007), available at [http://strategis.ic.gc.ca/epic/site/bsf-osb.nsf/vwap/InsolvencyCanada2006_E.pdf/\\$FILE/InsolvencyCanada2006_E.pdf](http://strategis.ic.gc.ca/epic/site/bsf-osb.nsf/vwap/InsolvencyCanada2006_E.pdf/$FILE/InsolvencyCanada2006_E.pdf).

³⁰ RICH PERLINE, ROBERT AXTELL, & DANIEL TEITELBAUM, *VOLATILITY AND ASYMMETRY OF SMALL FIRM GROWTH RATES OVER INCREASING TIME FRAMES* (SBA OFFICE OF ADVOCACY 2006), available at <http://www.sba.gov/advo/research/rs285tot.pdf>.

³¹ See *example*, PRICEWATERHOUSECOOPERS AND NATIONAL VENTURE CAPITAL ASSOCIATION, *Q2 2006 VENTURE CAPITAL INVESTING REACHES HIGHEST LEVEL SINCE 2002 AT \$6.3 BILLION* (2006), available at <http://nvca.org/pdf/MoneytreeQ22006.pdf>.

³² Daisy Sarma, *The Top 10 IPOs of 2006*, THE MONEY TIMES, Jan. 2, 2007, http://www.themoneytimes.com/articles/20070101/the_top_10_ipos_of_2006-id-102586.html.

³³ See *e.g.*, Robert Gavin, *Going public has gotten better in Massachusetts*, THE BOSTON GLOBE, May 16, 2006, available at http://www.boston.com/business/globe/globe100/Globe_100_2006/articles/going_public_has_gotten_better_in_massachusetts_ipo_growth_in_05_nearly_doubled/; compare, Roy Harris, *Maybe Next Year*, CFO MAG., Oct. 1, 2005, available at <http://cfo.com/article.cfm/3220008?f=search>.

³⁴ SMALL BUSINESS ASSOCIATION, *THE SMALL BUSINESS ECONOMY FOR DATA YEAR 2005, A REPORT TO THE PRESIDENT 9* (United States Government Printing Office Dec. 2006), available at http://leeds.colorado.edu/uploadedFiles/Faculty_and_Research/Research_Centers/Business_Research_Division/sb_econ2006.pdf.

³⁵ Frequently Asked Questions, Small Business Association, <http://www.sba.gov/advo/stats/sbfaq.txt> (citing the U.S. Department of Commerce) (last visited Nov. 20, 2007).

³⁶ Aude Gorce & Padraic Cassidy, *Delta Air Lines Exits Bankruptcy*, MARKET WATCH, Apr. 30, 2007, <http://www.marketwatch.com/news/story/delta-air-lines-emerges-bankruptcy/story.aspx?guid=%7B13D92E05-7633-4376-B8E8-3EE20E25D790%7D>; see also

U.S. had 544,000 bankrupt firm closures in 2005, which stayed constant for the last three years. The number in bankruptcy was high in 2000 and 2001, as you would expect, reflecting the bubble and the dot com problem.³⁷

The interesting thing is that about the same number of firms form each year as fail. Maybe a small net gain of 30,000 to 40,000 companies a year. The failure rate is about 70 percent.³⁸ This is not totally accurate, as firms that form in the home and one-person companies are not tracked well. Only in Slovenia are all companies tracked well, as there are only about one-and-a-half million people in the country.

Basically, there is the same closure in terms of openings in the United States with about 70 to 80 percent of companies failing over a five-year period from startup.³⁹ The U.S. forms a lot more companies than Canada and will continue to do so.

The next table, Table 6, is World Bank statistics for Canada, China, the European Union, India, South Africa, and the United States and how they are doing in terms of entrepreneurship. First, the utility costs are very interesting. It is cheaper to run a company in the United States in terms of utilities;⁴⁰ only China, India, and Africa are cheaper. So companies in the U.S. have an advantage in terms of utility cost as well as basic construction costs. Canada has a very high cost of getting into business and operating a business because of construction and utility costs versus other countries in the world.⁴¹

You look at the percent in terms of contracts and how much it will cost to get started; this measure by the World Bank is a percent of debt. Another measure of the World Bank is the percent of debt. In the U.S., this is about 7.7 percent.⁴² Canada has a very high debt ratio in terms of attorney cost.⁴³

The tax rate is also a key issue. In the United States, the tax rate is 46 percent on average because of the progressive tax rate.⁴⁴ In Canada it is 43

Jennifer Bails, *How One Airline Survived – Twice*, PITTSBURGH TRIB.-REV., Oct. 10, 2004, http://www.pittsburghlive.com/x/pittsburghtrib/s_260256.html.

³⁷ Compare, Bankruptcy Statistics, US Courts, <http://www.uscourts.gov/bnkrpctystats/statistics.htm> (last visited Nov. 20, 2007).

³⁸ WILLIAM SHANKLIN, *SIX TIMELESS MARKETING BLUNDERS* 6 (Lexington Books 1998).

³⁹ Adrienne Leigh, *Buying a Franchise: Go Into Business for Yourself, Not by Yourself*, HOUS. BUS. J., Aug. 24, 2007, <http://masshightech.bizjournals.com/masshightech/othercities/houston/stories/2007/08/27/focus11.html?b=1188187200%5E1511128>.

⁴⁰ Dealing with Licenses, The World Bank Group, (2007) <http://www.doingbusiness.org/ExploreTopics/DealingLicenses/>, (showing that the U.S. spends 13.4% of its income per capita on construction and utility costs).

⁴¹ *Id.*

⁴² Enforcing Contracts, The World Bank Group, (2007), <http://www.doingbusiness.org/ExploreTopics/EnforcingContracts/>. (U.S. is now at 9.4%).

⁴³ *Id.* (showing that Canada is now at 16.2%).

⁴⁴ Paying Taxes, The World Bank Group, (2007), <http://www.doingbusiness.org/ExploreTopics/PayingTaxes/>.

percent.⁴⁵ Look at the tax rate in China, India, and Austria. These countries place a tremendous tax burden on entrepreneurs setting up and running their companies, 56 percent, 77 percent, and 81 percent, respectively.⁴⁶

Finally, the World Bank has a very unique system of rating countries in terms of starting a business and in terms of ease of doing business in 174 countries.⁴⁷ Canada was ranked number one by the World Bank in terms of starting a business, number one out of 174 countries.⁴⁸ The U.S. was four.⁴⁹

And in terms of doing business, Canada was four, and the U.S. was three.⁵⁰ In terms of the World Bank looking at countries being entrepreneurial, the U.S. was in the top five, and Canada was number one in the category of starting a business.⁵¹

As expected, it is more difficult in the European Union. Even though they call themselves a union, they are not. It is different doing business in Austria versus Germany versus Ireland. It is very different doing business there, with Austria ranked 74.⁵² It is generally more difficult to start and operate businesses in countries in the European Union.

China is extremely difficult, and I can vouch for that personally. India is 88⁵³ and South Africa 57.⁵⁴ You can see on a country-by-country comparison, it is very different in forming and starting and operating a business. What does this reflect? Mostly the infrastructure of the countries previously discussed: tax rates, ease of company formation, bankruptcy laws, government pro-business attitudes, incubators, guaranteed bank loans, or even providing equity.

These make a difference on a country basis in terms of whether it is going to be an entrepreneurial culture. In terms of entrepreneurship throughout the world, there are several things needed.

You have to have the idea. You need to have money available, particularly seed or startup capital, the most difficult capital to obtain.

You need to have entrepreneurs trained and willing and wanting to start new companies. These potential entrepreneurs need to feel it is desirable, and

⁴⁵ *Id.* (showing that Canada now has a total tax rate of 45.9).

⁴⁶ *Id.* (showing that China now has a total tax rate of 73.9; India's is 70.6; Austria's is 54.6).

⁴⁷ Economy Rankings, The World Bank Group, (2007) <http://www.doingbusiness.org/economyrankings/>, (showing current rankings are from 1 - 174).

⁴⁸ *Id.* (showing that now Canada is ranked as #2).

⁴⁹ *Id.*

⁵⁰ *Id.* (showing that Canada is now ranked #7, but the U.S. is still ranked #3).

⁵¹ WORLD BANK, DOING BUSINESS 2007: HOW TO REFORM 8 (2007), available at http://www.doingbusiness.org/documents/DoingBusiness2007_FullReport.pdf.

⁵² *Id.* at 97.

⁵³ *Id.* at 118.

⁵⁴ *Id.* at 141.

possible. And you need the infrastructure available to start and operate companies. When these four things are available, what happens?

One, ideas and creativity turn into businesses. While there are some differences, with some nations being more creative than others, there is creativity and ideas present in every country. The United States is very innovative and creative. One thing I monitor is the number of patents filed by U.S. versus non-U.S. citizens. Only one time in the last 20 years have more patents been filed in the United States by foreigners than by U.S. citizens.⁵⁵ As long as the U.S. continues to be innovative, I am not as worried about our competitive position. As long as Canada and the United States remain innovative, creative, and entrepreneurial, China can do what it wants to do.

Second, both countries need to have seed capital available. Again, in the United States, there is a strong angel community, and they are now getting into what is called bands of angels. I really don't know how much impact this will have because I think the real wealth will never get into a group. They like to do things individually. But we will see what happens. There are bands of angel groups operating in the United States today.⁵⁶ There are two bands in Arizona.⁵⁷ On the other hand, there is little venture capital in Arizona. The six venture capital firms are all fully funded, fully vested.

Third, entrepreneurs are more similar than different. They are like Mal and myself. We are crazy and passionate. We love what we do, and we are going to do it, no matter what it is. And finally, entrepreneurship varies greatly reflecting the infrastructure, government attitudes, and culture of a country.

That's what makes the difference. You need to challenge your Canadian government. We need to challenge the U.S. government. How are you going to help build value? How are you going to stimulate and protect innovation? How are you going to support taking technology to the marketplace by entrepreneurs?

While I sent these slides in about three months ago, I did not know Mal was going to use the same closing as I am – a Robert Frost poem. What is

⁵⁵ See generally Rachel Konrad, *Reverse Brain Drain Threatens U.S. Competitiveness*, *Study Says*, UNION TRIB., Aug. 21, 2007, available at <http://www.signonsandiego.com/news/business/20070821-2102-reversebraindrain.html> (discussing the increasing number of U.S. patents filed by foreigners).

⁵⁶ See generally JEFFREY SOHL, CTR. FOR VENTURE RESEARCH, *THE ANGEL INVESTOR MARKET IN 2006: THE ANGEL MARKET CONTINUES STEADY GROWTH* (2006), <http://unhinfo.unh.edu/news/docs/2006angelmarketanalysis.pdf> (overview of the angel investor market in the United States).

⁵⁷ See generally Arizona Angels, <http://www.arizonaangels.com> (last visited Sept. 26, 2007) (homepage for the Arizona Angels, an Arizona-based investment group); Desert Angels, <http://www.edesertangels.com> (last visited Sept. 26, 2007) (homepage for the Desert Angels, an Arizona-based investment group).

particularly interesting in the poem are the last two stanzas. You look down the road and you come to a fork. This is how Frost sets the stage in New England, one of my favorite parts of the world. Frost concludes: I looked at the fork – I knew I had a choice to take one branch or the other.⁵⁸

We have all had what I call fork-in-the-road experiences. Look at your life. There may be five, six fork decisions that radically affected your life from then on. One of mine was going to Ireland in 1984. I spent eight months living in a country helping impact its economy – an incredibly life-changing experience.

Frost ends that poem saying: “I took the one (the fork) less traveled by, and that has made all the difference.”⁵⁹ That’s what entrepreneurs do. It is the passion we have.

It is crazy, you know, to go through this process and finally make something of it and think, “Why would I do that again?” Yet you go back and do it again, again, and again. That’s how entrepreneurs are.

Thank you very much. You have been very attentive. I will be glad to answer any questions.

DISCUSSION FOLLOWING THE REMARKS OF DR. ROBERT HISRICH

MR. McILROY: We are into our Q and A session now, and we have 22 minutes. The floor is open. Who is first on deck?

DR. HISRICH: I was either very stimulating or very boring, one of the two.

DR. BARBER: So far in our discussions here, we have been worrying most about helping entrepreneurs, and you have ended up with a line, which says our governments really need some help. How do you do that?

DR. HISRICH: That’s very hard. Starting companies is relatively easy compared to that. I think there are several ways that we can assist government in doing that. At least, I am trying to do that in Slovenia, Hungary, and Russia.

It was said very nicely today before lunch, who contributes the net employment? Who contributes the number of new products to the marketplace? It is mostly the small business/entrepreneurial sector. I think one thing we can do is help the government understand this sector’s economic development.

What can you do to change the government and the rules and laws to make people more interested in forming those companies? That is a long-

⁵⁸ See ROBERT FROST, MOUNTAIN INTERVAL 75 (NEW YORK HENRY HOLD AND COMPANY 1999) (1920), <http://www.bartleby.com/119/1.html>.

⁵⁹ *Id.*