

## MARKETING

# The Best Country for Entrepreneurs Is ...

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Americans tend to think of themselves as very entrepreneurial. After all, there's Silicon Valley — home of Google, Facebook and Apple — and the rise of legendary entrepreneurs such as Steve Jobs, Bill Gates and Mark Zuckerberg. Many more want to join their ranks: Sixty-six percent of American millennials want to start their own businesses, according to a recent Bentley University study. And deeper in the collective American consciousness lives the ingenuity and business acumen of the likes of Henry Ford and Thomas Edison, inventors who changed the world.

To those who study nation branding, this entrepreneurial bent is a strong part of America's brand, or the image it projects to the world. Peter Hirshberg, CEO of The Re:Imagine Group and a former Apple executive, notes that the U.S. offers an "opportunity promise" to people around the globe, a promise that includes "a deep streak of individual liberty."

But does the rest of the world put America at the top for innovation, startup activity, and all things entrepreneurial? A report this year from Wharton marketing professor David Reibstein reveals how 60 countries, including the U.S., are viewed by citizens around the globe on several issues, such as their perceived readiness for entrepreneurs. The report and interactive website, “Best Countries,” was compiled in collaboration with the Wharton School, BAV Consulting, and *U.S. News & World Report*.

### **Nation Branding: It Matters to the Bottom Line**

Reibstein and his colleagues surveyed some 16,500 global citizens — a mix of the general population, the business world, and academia — on 65 different national attributes. The attributes were then grouped into nine sub-rankings: Entrepreneurship as well as Adventure, Citizenship, Cultural Influence, Heritage, Movers, Open for Business, Power, and Quality of Life. Statistical weighting was then applied based on the correlation between the sub-rankings and the countries’ per capita GDP (based on purchasing power parity, or PPP) to arrive at the final rankings.

Why should countries pay attention to what individuals think of them? Because their national economy, in part, depends on it. “ Countries absolutely experience an economic impact resulting from their brand ,” says Reibstein. How people worldwide perceive a nation can have a significant effect — either positive or negative — on its foreign trade, foreign direct investment, and tourism.

**“Countries absolutely experience an economic impact resulting from their brand.”**

–David Reibstein

If a country wants to improve its brand overseas, a public relations campaign is not enough. It must work to achieve real changes at home. Reibstein compares this to the way a company builds its brand “by making sure the experiences people have with their products are good ones.” Hirshberg agrees, “You want your brand to be consistent with reality.”

Nowhere did the connection between a nation’s brand and economic return show up more clearly than in the Entrepreneurship sub-ranking, according to Reibstein. Of the nine sub-rankings, it correlated the most closely with GDP PPP, at 17.4%. By contrast, some sub-rankings had a much lower correlation: Heritage, for example, only scored 3.2%. “Lots of people have perceptions about nations and their heritage,” observes Reibstein. “Heritage is important

and it contributes a little bit to a country's economy, but entrepreneurship contributes a lot." He notes that the study found that entrepreneurship "has a very strong relationship with foreign direct investment and with exports."

Drilling down into the study's Entrepreneurship sub-ranking reveals that 10 types of questions fed into measuring perceptions of a country's readiness for entrepreneurs. The survey probed the extent to which people felt a country was connected to the rest of the world, had an educated population, was entrepreneurial in nature and was innovative. Additionally, did the country appear to possess easy access to capital, a skilled labor force, technological expertise, transparent business practices, a well-developed infrastructure and a well-developed legal framework?

### **Country Perceived As the Most Ready for Entrepreneurs**

When all is said and done, the top nation for entrepreneurs isn't the United States. It's Germany.

Germany grabbed the top spot for perceived readiness for entrepreneurs (and also took the overall title of Best Country). Japan came in second, and the U.S. came next. In fourth and fifth place were the U. K. and Canada. The *Best Countries* report characterizes these five as "well-established economies that have the resources to support new endeavors, both legally and financially." Furthermore, Reibstein says that the top 10 (which included Sweden, the Netherlands, Australia, Singapore, and Denmark) taken together account for a large portion (31%) of the world's GDP.

Germany scored well on perceptions of all 10 entrepreneur-related attributes measured, notably earning a perfect 10 for "well-developed infrastructure" and a near-perfect 9.8 for "educated population." The *Best Countries* e-book, a companion to the report, notes that Germany has long been friendly to small- and medium-sized enterprises, the so-called 'Mittelstand.' While these businesses continue to be recognized worldwide for precision manufacturing, since Chancellor Angela Merkel's election in 2005 "both the public and private sectors have focused more on innovative technologies and web-based enterprises." For example, Berlin is now home to "Silicon Allee" with hundreds of new startups. (Notably, it would not have been dubbed "Silicon Allee" had America's Silicon Valley not become world-famous first.)

Additionally, Germany's nation-branding influences perception, according to Reibstein. "When you think about Germany, you think of great engineering. And for technology and innovation, you think 'well, you've got to have great engineers.'"

Volkswagen has long traded on the public perception that Germany equals great engineering. For example, its 2014 Super Bowl ad, viewed by millions of Americans and others around the world, featured the idea that “every time a VW vehicle hits 100,000 miles, a German engineer gets his wings.” Of course, the 2015 Volkswagen emissions scandal put a dent in the “brand promise” both of that company and German engineering in general. The full effects are yet to be seen.

## **Berlin is now home to “Silicon Allee” with hundreds of new startups.**

Tom Lincoln, director of the Wharton Nation Brand Conference to be held in Philadelphia in October 2016, cites the American high-end razor-subscription startup Harry’s as a company that associates itself with Germany to suggest its products are top-of-the-line. “Harry’s advertises that their razor blades are German-engineered, and they promote the fact that they have a German factory,” he says. “Whether or not the Germans actually make better razor blades than other countries is not the point. The company counts on customer expectations that German engineering may lead to a better shave.”

### **The Rising Sun Rises to Second Place**

Both Hirshberg and Lincoln were somewhat surprised that Japan was perceived as entrepreneurial enough to earn second place. Lincoln says that to him, Japanese business means “large conglomerates like Sony and Toyota ... a corporate culture, not an entrepreneurial culture.” Hirshberg agrees and adds that a big component of entrepreneurship is diversity, which Japan is notorious for not fostering. In contrast, “if you look at the U.S., you go to an incubator here, a startup there, you find as many people from India or China as you do from the United States,” he says. “When you get talent from around the world, you tend to get the best people.”

Lincoln notes, however, that Japan is renowned for its innovative robotics industry, which likely contributes to the perception of entrepreneurship. (Japan ranked a perfect 10 for “innovative,” and 9.8 for “entrepreneurial.”) Some of Japan’s astonishingly human-like robots have made headlines in recent years, and the country possesses the second-largest number of industrial robots used in manufacturing, according to a recent *Huffington Post* article. (Korea had the most.)

Personal experience of a nation can affect perceptions too. Reibstein recalls taking his children along on a business trip to Japan a number of years ago, and he saw how his American kids' experience with the transportation alone altered how they viewed their home country. "We would get on the Tokyo subway, and the subway was so cool. It showed you where you were, and didn't have graffiti all over it, and was totally on time," Reibstein says. Upon arriving back in the U.S., they were greeted by the news that the shuttle bus that was supposed to take them to their luggage wasn't working. "It was pretty amazing, the stark difference of how everything ran so precisely [in Japan] ... And the same thing is really true of Germany. So I think that helps lead to some of these global perceptions."

But for Reibstein, looking back a little further in history really explains the widespread perception of Japan as highly entrepreneurial. "Think about cars — the innovation in cars — where that came from. And technology, and basically, electronics. It was all coming at that time, from [firms like] Sony and Mitsubishi, in the 1990s." Moreover, these revolutionary products were known to come from Japan and were associated in people's minds with that country. Hirshberg notes, "Your entrepreneurs and your products are really good ambassadors for what you're doing [as a nation]."

Reibstein also sees the whole thing as quite circular. "The products coming out of countries — that are *known* to come out of those countries — help contribute to the perception of that country as innovative. And the more we tend to think of these countries as innovative based on their products, the more we want to invest in their businesses and buy products from them."

**"I think the United States is often viewed as a consuming nation rather than a creating nation."**

–David Reibstein

He points to the case of Israel as a reverse example. Israel was tagged the "Startup Nation" in the 2009 internationally bestselling book of the same name, and it is home to a "huge tech industry," Reibstein says. Yet the country only ranked 21st in global perceptions of entrepreneurship. Reibstein speculates that this is because many innovative products coming out of Israel are deliberately *not* identified as such due to political controversies. "I think it's because of the nation's brand, that [some companies say] 'I don't want my product identified with being Israeli, because that will hurt my sales'... I think it's some of their own doing."

**America: The Land of Big Ideas ... or Big Macs?**

Initially, Reibstein did not expect the U.S. to receive only a third-place ranking. But he found that while America scored at or near the top in many entrepreneurial attributes (it was a 10 in “provides easy access to capital” and “connected to the rest of the world”), it fell down on the job when it came to perceptions of transparent business practices.

Another area where the U.S. got a mediocre score — and it’s an important category — was having a skilled labor force. Reibstein believes this perception stems from the widely reported lackluster performance of American students in math and science. According to the Organisation for Economic Co-operation and Development, which sponsors the Program for International Student Assessment, the U.S. most recently placed only 35<sup>th</sup> in math and 27<sup>th</sup> in science out of 64 countries.

What about America’s most well-known products? Are they viewed as innovative? On the high-tech side, we have the iPhone, Google search engine, and other Silicon Valley brainchildren such as Tesla’s electric cars. “As Tesla grows, I think it will be a huge contributor to the perception of entrepreneurship within the United States,” says Reibstein.

He asserts, though, that when many people think of America’s contributions to the world, what may be more likely to pop into their minds is McDonald’s, Starbucks or Coca-Cola. Or perhaps Hollywood movies. None of these are closely associated with entrepreneurship internationally. “I think the United States is often viewed as a consuming nation rather than a creating nation.”

“Now while I say that we are number three on this list, there are 57 countries ranked below us,” Reinbstein adds. “Clearly the United States is right up there.”