YOUNGER ENTREPRENEURS CHOOSE SOCIAL IMPACT AS THEIR TOP BUSINESS PRIORITY

HSBC Private Banking research shows new generation of entrepreneurs are prioritising social impact and embracing angel investing over their older peers

A new wave of global entrepreneurs are setting up their businesses with the aim of making a positive impact on society, according to a new report from HSBC Private Banking. The Essence of Enterprise report found that the younger generation of entrepreneurs are leading this trend, with 24% of entrepreneurs aged under 35 motivated by social impact compared to 11% of those aged over 55. The report, now in its third year, is one of the largest, in-depth studies into the motivations and ambitions of entrepreneurs, researching the views of over 3,700 successful entrepreneurs in eleven countries. The report also found that this new generation of entrepreneurs is embracing angel investing, viewing it as a way to connect and collaborate with their peers.

A socially minded brand of entrepreneurship

One in five entrepreneurs considers social responsibility, being active in the community, or environmental responsibility as their top priority as a business owner, rather than prioritising areas such as maximising shareholder value or economic prosperity. Those who prioritise social impact have a greater propensity to engage in angel investing, (55% of impact-focused entrepreneurs versus 44% of entrepreneurs who prioritise commercial factors), and report a stronger willingness to rely on mentors for advice and support (75% of impact-focused entrepreneurs versus 66%).

The report also suggests a strong relationship between an emphasis on social impact and entrepreneurial ambition. 33% of the entrepreneurs projecting high growth ambitions state that they started their ventures with the intention of creating positive social impact, compared to 28% of those projecting the lowest growth. This suggests social impact should be seen as an integral part of the recipe of entrepreneurial success, and not separate from it.

A new investment style

Almost half of respondents (47%) have invested in other private, non-listed businesses, funnelling both capital and expertise back to the entrepreneurial community. However, the research reveals that a new younger generation of entrepreneurs is investing at a much higher rate than their older peers, with 57% of entrepreneurs under 35 undertaking angel investing compared to 29% of entrepreneurs aged over 55.

Differences also exist between the generations in how they perceive and approach angel investing. Over half of younger entrepreneurs (57%) view angel investing as a way to connect and collaborate with peers, staying up to date with industry progress and disrupters and to grow their knowledge and expertise. Entrepreneurs of an older generation view angel investing as a way to diversify and grow their investment portfolio, approaching angel investing in a more informal style, through their own network of personal contacts. 43% of those over 55 view friends as the best route to new business, while 44% of those under 35 turn instead to professional advisers to source new investment opportunities.

HSBC Private Banking Global Chief Investment Officer Stuart Parkinson said: 'It's clear younger entrepreneurs want to do good, and we would be wrong to dismiss this as youthful idealism that will act as a brake on financial success. They know that their business cannot have the impact they want without sustainable growth, and they are focussed on achieving both. They see a similar virtuous circle when it comes to angel investing; they are happy to invest in the wider business community, to contribute to each other's successes and to learn from one another."

Differing approaches across the globe

The report also brings to light the differences in the entrepreneurial mind-set in markets around the globe. Entrepreneurs in the Middle East (66%) are the most active angel investors, with the US (54%) and Mainland China (53%) next in line. By contrast, 45% of UK entrepreneurs are angel investors, along with 35% in Germany and 33% in Switzerland.

Regional traditions have paved the way for different approaches to angel investing between these markets. In the US, angel investing is highly professionalised; investors source new opportunities through formal channels, such as financial or professional advisors. In comparison, entrepreneurs in the Middle East source new opportunities informally, mainly through friends (Use financial advisors US 51%, Middle East 38%) (Use friends US 45%, Middle East 53%) They also perceive their role to be supportive, cultivating business development and leadership skills. In the US, entrepreneurs view their role as a challenger, optimising the performance of the management team by challenging their thinking and strategy.

In Europe, investors are more likely than those in other regions to perceive angel investing as a way to grow and diversify their portfolio, rather than as a way to build their network and share expertise.

In relation to social impact, entrepreneurs in the US and China show a greater emphasis on environmental concerns – 8.1/10 prioritise environmental issues in their business planning compared with 6.7/10 in the UK, Singapore, Switzerland and Australia. When asked about their desire to contribute to communities, entrepreneurs from the Saudi Arabia (64%) and UAE (62%) are most likely to reference being active in the community and civil society as important to their business operations compared to the global average of 44%.

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- For further findings of the Essence of Enterprise research, visit: http://hsbcprivatebank.com
- High Growth (HG) firm is one with growth of more than 20% CAGR
- Lower Growth (LG) firm is one with 10% and less CAGR
- CAGR - Compound annual growth rate is calculated as self-reported current annual turnover compared with target turnover in the next 5 years.

Notes to editors:

About the research:
The research was conducted by Scorpio Partnership between December 2017 – January 2018. There were 3,725 respondents all of whom a) were major shareholders and active decision-makers in privately owned businesses and b) had an average wealth of USD 2.52 million. The research covered mainland China, Hong Kong, Singapore, UK, Germany, France, US, Switzerland, Australia, the United Arab Emirates and Saudi Arabia.

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