HSBC
Private Banking

2017

Essence of Enterprise


Contents


A word of welcome from HSBC Private Banking

It is my pleasure to welcome you to our second edition of the Global Essence of Enterprise report. This year we have sought insight from more than 4,000 owners and shareholders of privately-held businesses in 11 countries around the world.

As part of the HSBC Group, one of the largest banking and financial services organisations, HSBC Private Banking understands the challenges faced by entrepreneurs as they seek to create prosperity for themselves, as well as jobs and economic growth in their communities.

Our research shows that a transition is taking place and that entrepreneurial culture is changing. In this report we explore three aspects of this change:

1. Exploring the value of social capital – Driven by the technology revolution and political and economic change, entrepreneurs are increasingly focusing on their networks, their relationships and their reputation to propel their businesses forward.

This is most noticeable in the Millennial generation of entrepreneurs who are more likely to be driven by the desire to increase their influence and have a positive impact on others than their parents' generation. Those over the age of 50 are more likely to have prioritised personal autonomy and the opportunity to create wealth for themselves and their families.

The motivations entrepreneurs have when setting up their businesses have deep implications for how they will do business. This research therefore underscores that we are at the cusp of that transition in business culture.

> "Entrepreneurs are raising the value they place on their networks, their relationships and their reputation to propel their businesses forward."
>
> **Stuart Parkinson, Global Chief of Staff, HSBC Private Banking**

2. Optimising personal performance – Our research also highlights that many entrepreneurs have an effective strategy in place to manage their time and optimise their personal performance.

Indeed, 83% of entrepreneurs worldwide state they have achieved a good work-life balance, which in practical terms currently equates to an average of 10.1 hours spent each day on business tasks.

During these hours, those in the Millennial age group most noticeably are focusing more time on strategy and staff management as they seek to get the best from those around them, while simultaneously freeing up more personal time.

Looking ahead, we explore how entrepreneurs might further optimise their future performance as businesses connect more with society and the communities around them. We want to lift the lid on how entrepreneurship is changing to reflect gender and age demographics.

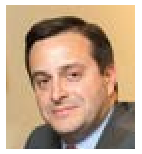
Diversity is widely acknowledged as a driver for improved business performance. Entrepreneurs face many challenges to growing their businesses and so while recognised as important, gender and age equality may not always make it to the top of the priority list.

3. Building strength in numbers – Finally, aligned with the increasing focus on social capital in business, several of our contributors comment on the vital role that mentors, networks and teams have played in their success.

Their stories highlight that successful entrepreneurship does not happen in a vacuum. A winning formula may be the result of the leadership of one individual or small group of individuals, but their ability to succeed almost always relies on others.

Entrepreneurship is often described as a journey during which individuals start, expand and exit the businesses they establish. Yet, with more than 400 million entrepreneurs globally, there are as many journeys as there are individuals.

In this year's report, we invite you to meet some of them and to learn from their stories as we explore these themes.



Stuart Parkinson
Global Chief of Staff, HSBC Private Banking

RESEARCH METHODOLOGY: The research findings referenced in this report are based on an online survey of 4,038 entrepreneurs which was carried out in September 2016. The research covers 11 markets: USA, UK, Mainland China, Hong Kong, Germany, France, Singapore, Australia, Saudi Arabia, UAE, and Switzerland.

The minimum personal wealth level of the survey respondents was USD250,000 and the average wealth of the participants in this research was USD2.1 million.

All survey respondents were major shareholders and active decision-makers in privately-owned businesses.

Meet the Owners

A new age of Entrepreneurship

If you were to draft a pen portrait of a successful entrepreneur, a number of characteristics might come to mind: they like to be the boss; their word is their bond; they have an instinct for judging character; they are experts at identifying and managing risk.

Research shows that these are all qualities that are strongly associated with the personality of entrepreneurship. However, most important of all, psychologists say, is the desire for autonomy and the desire to make money.

Autonomy is the urge that many entrepreneurs have to be the boss, to run the show and to step away from the corporate hierarchy. In fact, psychologists suggest that it is this characteristic that ultimately drives entrepreneurs to accept the risks of entrepreneurship: a heavy workload and an uncertain financial future.[1]

The desire for profit is clearer and has long been the decisive factor that tips the balance for many to go into business for themselves.

Yet, many recent studies, including research undertaken by HSBC Private Banking among 4,000 successful entrepreneurs, have found that attitudes are changing. In particular, the next generation of entrepreneurs in their 20s and 30s are much less driven by the desire to be the boss and to make money than those in their 50s.

Instead, this digital generation of Millennial entrepreneurs is emerging with a much stronger emphasis on seeking influence rather than autonomy, and social impact rather than personal wealth.

This raises the interesting question of whether the future businesses of Millennial entrepreneurs will have the same economic impact as those of entrepreneurs in their 40s and 50s?

What is clear is that getting the right blend of entrepreneurial qualities is important for success and the Millennial generation are experimenting with that formula.

Millennial entrepreneurs – new generation, new priorities

Millennial entrepreneurs in America are at the front of this curve. Here, the emphasis on autonomy is sharply in decline in the new generation of entrepreneurs. While, 49% of American entrepreneurs in their 20s say they went into business to be their own boss, this is substantially lower than the 64% of American entrepreneurs in their 50s.

Instead, the Millennial generation of entrepreneurs in America is more focused on building their influence For example, 47% said they were motivated to go into business by the desire to better themselves, 29% wanted to have a positive impact in their communities and 32% wanted to build a name for themselves. This compares to 43%, 17% and 19% of American entrepreneurs in their 50s respectively.

Building social capital – America's Millennial Entrepreneurs

Age	20s	30s	40s	50s
To build a name for yourself	32.1%	26.6%	24.4%	18.6%
To have a positive impact in your community	28.5%	27.3%	17.9%	16.6%

Q: Thinking about your personal motivation, why did you become an entrepreneur/ business owner?

At the same time, Millennial entrepreneurs are spending considerably less time on business activities like developing new business, delivering products and services, and business administration.

In fact, American Millennial entrepreneurs are spending on average 42 minutes less each day on delivering solutions to clients when compared to those over 50.

While they might be spending less time on delivering solutions to clients, theirs is increasingly a culture of "working smart, not hard". They spend more of their time focused on the strategy of their companies and managing the teams around them when compared with the Baby Boomer generation.

For them leadership is as much about inspiring and educating others as it is about leading from the front and being accountable for business decisions. As a consequence their leadership style is more diffuse and they are less hands-on in the day to day running of the business.

[1] https://www.iwkoeln.de/en/studies/beitrag/klaus-heiner-roehl-entrepreneurial-culture-and-start-ups-262911

A similar pattern can be seen in Europe, where in the UK, France, Germany and Switzerland, entrepreneurs in their 20s are half as likely as those in their 50s to say the main reason they went into business was to be their own boss. They are also more focused on having a positive impact on their communities; although in the European context this is often expressed in terms of creating employment rather than having a broader social impact in their communities.

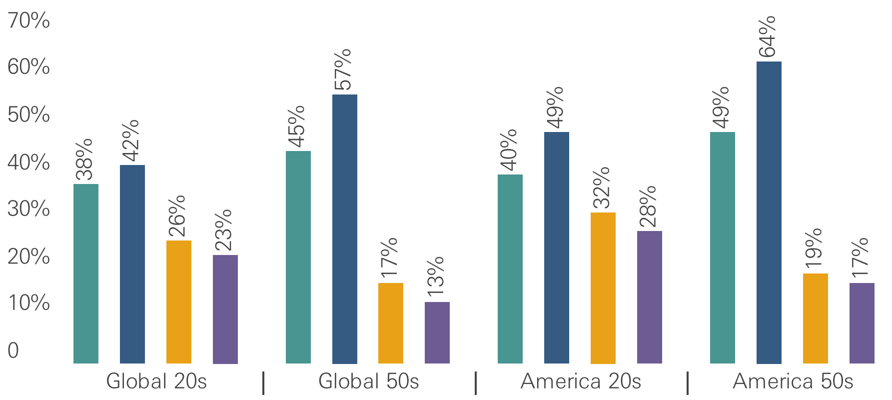
Job creation goals in Europe

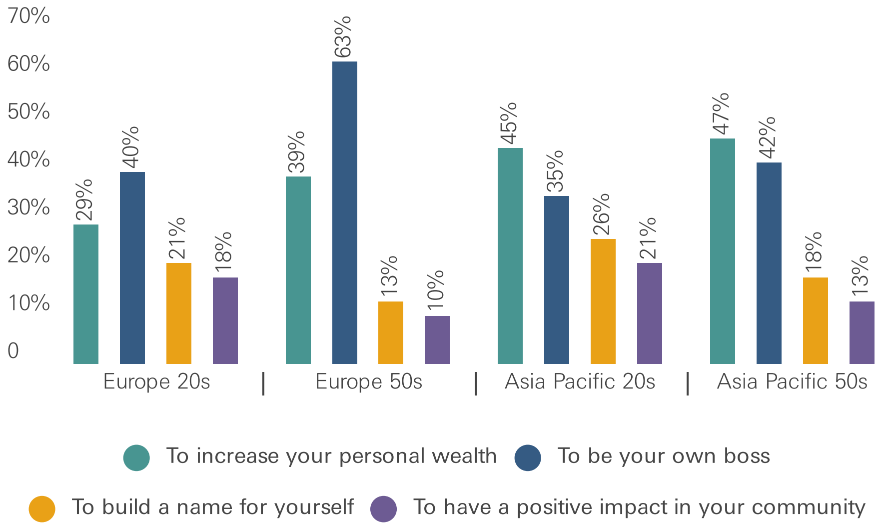
Age	20s	30s	40s	50s
Europe	28.1%	23.3%	22.8%	13.9%

Q: When you became an entrepreneur/business owner, were any of these goals important to you? (To create employment)

Like their American counterparts, Millennial entrepreneurs in Europe also report spending less time and effort on business administration tasks when compared to those in their 50s, and more time on strategy and staff management than those in their 30s and 40s.

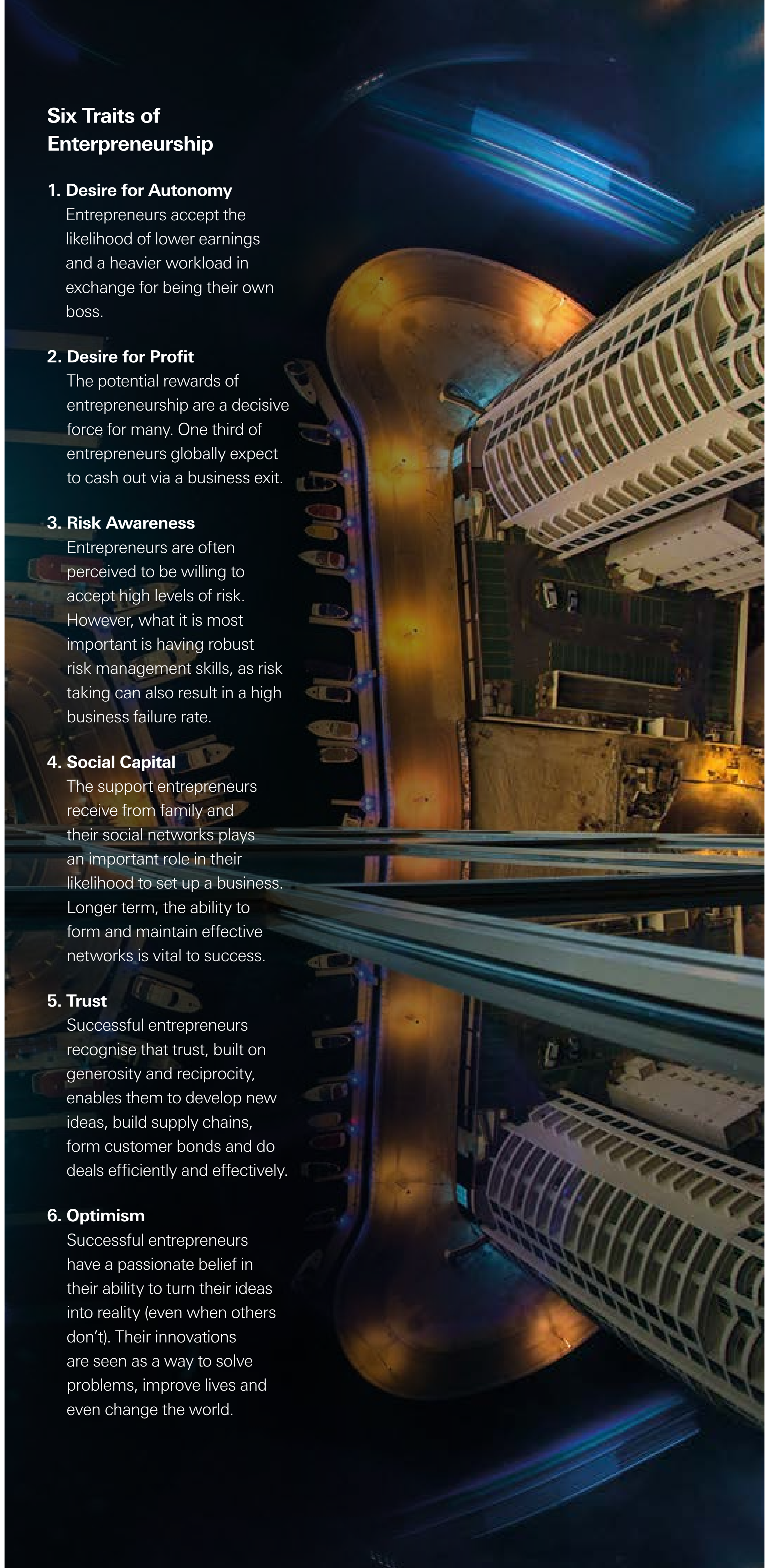
Changing priorities among Millennial entrepreneurs





Q: Why did you become an entrepreneur?

[A total of 12 responses options were provided. Respondents could select multiple options hence percentage values do not sum to 100%.]



Six Traits of Entrepreneurship

1. Desire for Autonomy
Entrepreneurs accept the likelihood of lower earnings and a heavier workload in exchange for being their own boss.

2. Desire for Profit
The potential rewards of entrepreneurship are a decisive force for many. One third of entrepreneurs globally expect to cash out via a business exit.

3. Risk Awareness
Entrepreneurs are often perceived to be willing to accept high levels of risk. However, what it is most important is having robust risk management skills, as risk taking can also result in a high business failure rate.

4. Social Capital
The support entrepreneurs receive from family and their social networks plays an important role in their likelihood to set up a business. Longer term, the ability to form and maintain effective networks is vital to success.

5. Trust
Successful entrepreneurs recognise that trust, built on generosity and reciprocity, enables them to develop new ideas, build supply chains, form customer bonds and do deals efficiently and effectively.

6. Optimism
Successful entrepreneurs have a passionate belief in their ability to turn their ideas into reality (even when others don't). Their innovations are seen as a way to solve problems, improve lives and even change the world.

The psychology of success

What is clear is that in America and Europe in particular there is a changing balance of priorities between the generations. Those from the Baby Boomer generation emphasise self-determination and personal profit.

Millennial entrepreneurs, meanwhile, are placing more emphasis on the social capital required for successful entrepreneurship, such as relationship building and reciprocity.

When considering the balance between these qualities, psychologists agree that the traits of self-determination are essential to kick-start entrepreneurs into business ownership.[2] It is the autonomy that comes from being the boss that spurs many entrepreneurs to accept the risks of potentially lower earnings and greater uncertainty. In other words, for entrepreneurs the benefits of self-determination trump the fear of failure.

Social qualities, like trust, reciprocity, relationship-building and optimism are also important. These factors combine to enable successful entrepreneurs to do deals, to build and sustain networks and keep going against the odds. What is less clear is whether these qualities in isolation can generate economic success. In this context it is interesting to compare and contrast Millennial entrepreneurs around the world.

Notably, entrepreneurs in their 20s from the Asia Pacific region show a greater balance between the six traits of entrepreneurship. On the one hand, they are aligned with the global Millennial trend that being the boss is not their primary motivation for going into business.

However, they have a stronger profit motivation than their counterparts in America and Europe. Forty five per cent of entrepreneurs in their 20s across Mainland China, Hong Kong, Singapore and Australia say they went into business to increase their personal wealth. This compares to just 29% in Europe and 40% in America.

Financial motivation: Asia Pacific and Middle East

Age	20s	30s	40s	50s
Asia Pacific	45.0%	51.1%	48.3%	46.7%
Middle East	43.5%	46.8%	58.3%	n/a

Q: Thinking about your personal motivation, why did you become an entrepreneur/ business owner? (To increase personal wealth)

This drive to make money influences their approach to the working day. Indeed, entrepreneurs in their 20s in the Asia Pacific countries on average work one hour and 24 minutes more than entrepreneurs in their 50s across the region.

They are spending similar amounts of time on developing new business and delivering solutions, but they are also committing much more time to tasks like leading company strategy and team management. In fact, on average they commit almost half an hour more each day to corporate strategy than entrepreneurs in their 50s and they are strongly focused on inspiring and educating others.

> "The journey of an entrepreneur is filled with so many beautiful moments and obstacles. Don't be afraid of failure. Failure will teach you the most amazing things, that's when you know you went wrong, but also when you know what you need to do to make it right."
>
> **Masoom Minawala, founder of StyleFiesta**

[2] http://www.sciencedirect.com/science/journal/01674870/33/2

Perhaps most interesting of all, while the businesses run by Millennial entrepreneurs in the Asia Pacific region are not as large as those run by their counterparts in America or Europe – the average turnover is $9 million – their growth aspirations are higher, with a 14% annual growth rate target, versus 10% and 12% in America and Europe respectively.

These future leaders in the Asia Pacific region may not want to be the boss to the same extent as older entrepreneurs, but they want to achieve financial rewards. More than that, they are emerging with a strong blend of the wider traits associated with successful entrepreneurship and are putting in long hours to achieve their goals.

The hive mentality

By contrast, in America, Europe and Asia, Millennial entrepreneurs are digging deep to hone their socially-oriented entrepreneurial style.

When asked which skills gaps are most likely to hold them back, Millennial entrepreneurs highlight networking, public speaking, creative thinking, people management and strategic acumen as the areas for personal development. These are all activities linked to the ability build relationships, share ideas and do deals.

In other words, their strategy for success is to refine their social capital. Moreover, their hive mentality makes them more open to other individuals and other ideas who can help nurture their talents.

On one level this is unsurprising for this most globally networked and digitally social of generations. On another level, it is generating a whole new model for entrepreneurial drive.

Where the older generation looked inward to find the resilience to withstand the rigours of entrepreneurship, the Millennial generation is looking outwards.

Perhaps most interestingly, this can be seen in their strategies for coping with failure. Where the Baby Boomer generation was self-reliant in the face of failure, the Millennial generation is more comfortable building their confidence in a network.

Many business schools now include learning from failure courses as part of the entrepreneurship curriculum and self-help networks have formed in the physical and digital worlds allowing business owners to share their experiences and learn from mistakes.

These emerging trends and attitudes among Millennial entrepreneurs globally point to the dawning of a new age of entrepreneurship, where social networks are as important and potentially more important than self-reliance.

It is hard to judge right now what the economic impact will be of this changing culture over time. Entrepreneurs who go into business at an early age often come from business owning families, which can provide a head start both in business and financially.

It is therefore not surprising to find that successful Millennial entrepreneurs are already running businesses that are on par with those in their 40s and 50s. The average turnover of businesses run by successful entrepreneurs in their 20s in America, for example, is $14.5 million, compared to $9 million of turnover for businesses run by American entrepreneurs in their 50s.

However, harnessing future economic growth will mean not just recognising, but also working to develop this new potential.

It is only by understanding the dynamics of entrepreneurship through the generations that business leaders can be supported most effectively to achieve their goals – personally, professionally, financially and, of course, socially.

> "My business adventures have been a roller coaster, there have been huge soaring highs and crushing lows. You have to treat those as battle scars; they're valuable learnings that can help you going forward. When you get knocked down, you have to pick yourself up, dust yourself off and keep going."
>
> **Michael Acton Smith, founder of MindCandy**

A sign of the rapid change and growth within Mainland China's entrepreneurial landscape is the emphasis placed on social and environmental responsibility by its Millennial entrepreneurs.

Almost half of Mainland China's Millennial business owners say they put considerable effort into social and environmental issues, compared to less than one third in the over 50s generation.

Moreover, three-quarters of them focus considerable effort on accountability; a sharp rise from a third of those in the over 50s generation.

The ongoing transition from a manufacturing base toward technology-oriented growth, as well as the rapid change in the dynamics of the labour market, is throwing the spotlight onto environmental and social issues. The next generation of entrepreneurs in Mainland China are stepping up to the challenge.

Interview with Guo Deyeng

Agri-tech innovator

"If I feel I am doing something that can bring value to society, then it can spark a passion," says Guo Deying, entrepreneur and former Chairman of Shenzhen-based smartphone manufacturer Coolpad.

Formerly an academic, Mr Guo founded Yulong Computer Telecommunications Scientific in 1993 as a technology transfer play out of Shenzhen University. His family became sole shareholders in 1999 and went on to found China Wireless Technologies as their holding company. China Wireless was renamed Coolpad Group in 2013 after the company's smartphone brand. In the same year, the phone took a top three slot in China behind only Samsung and Lenovo.

Mr Guo left Coolpad in 2016 and his new venture, Springwoods, fused his interest in technology with China's growing demand for sustainable agriculture and organic food.

"Chinese consumers increasingly want food that doesn't just look good and taste good, they want to know it is good for the environment too," he explains.

In part, this is being driven by increased affluence, especially in Mainland China's major cities. Regulations around environmental protection are also becoming tighter and business practices are changing too.

"Business has always been about innovation and creating value, but Chinese business culture is maturing. It is not just about the opportunities any more: there is much more competition as more people become entrepreneurs. This means businesses have to become more customer focused," Mr Guo explains.

He believes Chinese entrepreneurs increasingly need to ask themselves what is the right industry for them? Rather than jumping on the latest trend, they should consider what interests and motivates them. He believes this will ensure Mainland China's new generation of entrepreneurs bring more passion to their businesses to drive innovation and to make their mark.

His own venture, Springwoods, is responding to China's changing food habits by bringing the latest Dutch farming technology to Shenzhen. Seeds are grown in greenhouses in a fully controlled environment to maximise the taste and nutritional quality of the produce at the same time as minimising the impact on the environment. In fact, the only thing that Springwoods has not been able to import from Holland is the predatory insects used for pest control: Springwoods uses other non-chemical methods instead.

Mr Guo was invited to view the technology first at a test site in Fujian and then in Holland. He had already been thinking about how technology could be applied to meet government goals for more sustainable farming.

"I was surprised and moved when I saw the technology in action in Holland," he says. "In China, when you think about agriculture, you think about hard work, pollution, droughts and fertilisation. Here was something completely different: I saw it was possible to combine agriculture, industrialisation and technology to support continued development in a more sustainable way."

Since then, he has been working to promote this kind of agri-technology in China.

"In the past 20 years, we have been through a communication revolution. In the next 20 years, we will use technology to change our lifestyles and our diets," he says. "Entrepreneurship is all about discovering society's direction of development, identifying demands and aligning that with your personal interest."

Mr Guo's new venture is at the forefront of a broader change that is underway among entrepreneurs in China. In 2016, two-thirds of young entrepreneurs in China said they are putting a high degree of effort into innovation and bringing new products and services to market. Further, 41% of young entrepreneurs in China said they put a high degree of effort into environmental and social issues. These figures are well ahead of the global and regional averages.

"It is not just about making money anymore," says Mr Guo, "It is about choosing an industry that is relevant to you, that you are interested in, that you understand and where you have resources to call upon. It is also about valuing customers and making sure you create value for society."

He concludes, "Being an entrepreneur sounds easy, but it is very hard, and if you don't feel a sense of social responsibility to the people and the world around you, then it would be very easy to give up."

The Tech Workout

Why being on the cutting edge requires grit and determination

The tech industry is associated with huge highs and lows and of journeys from "garage start-ups" to global behemoths. This creates a certain sense of glamour for this sector, but the reality for most tech entrepreneurs is much grittier.

To start with, tech founders set themselves ambitious growth targets. Based on our most recent research, they aim for 20% turnover growth per year, 2% above the average for start-ups, and they are starting from a base $400,000 higher than the cross-sector average.

The race to be one step ahead of competition also forces tech entrepreneurs to expand their ventures rapidly on multiple fronts, and often simultaneously at home and abroad. Right from the start-up phase, tech entrepreneurs are 10% more likely to push for rapid international expansion than founders from other industries.

This takes time and energy, meaning that tech entrepreneurs tend to work the longest hours of any sector. Their average working day is longer than 10 hours. They do not dramatically cut down on their sleep, but rather they compromise on their personal life and tend to spend less time relaxing and socialising.

In fact, our research shows that tech entrepreneurs are particularly prone to losing motivation in the start-up phase of their ventures – 10% more when compared with other sectors.

The ambitious targets of tech entrepreneurs also create a high-pressure environment and the fast pace of change in the tech industry leaves many entrepreneurs facing a significant growth challenge. One in three tech entrepreneurs worries about keeping pace with technological innovation compared to one in five in other industries.

One entrepreneur who understands how to deal with these challenges is Douglas Orr, founder of Fintech business Novastone, his third successful technology business. Mr Orr's first venture was a self-funded data storage business based in Norway that he sold in 2001, having battled through the dot-com crash in the late 1990s. He founded and was an investor in the second successful venture, before founding Novastone in London in 2014.

Serving leading international businesses, Mr. Orr's vision for Novastone is a global one. This can be a challenge in the UK, where venture capitalists tend to seek out "local heroes".

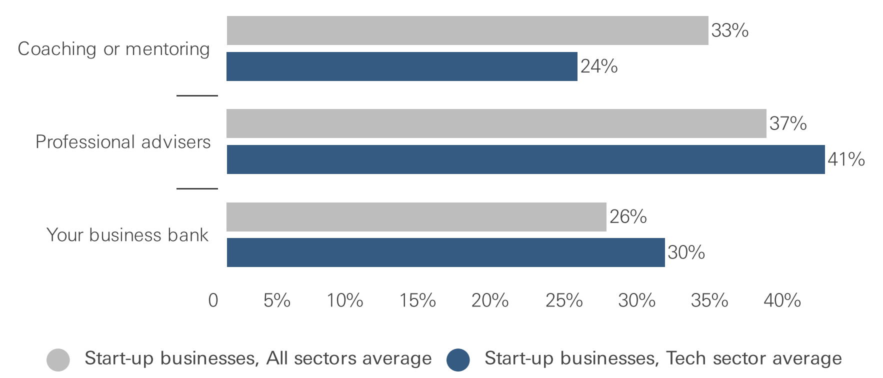
It is even more challenging in the Fintech sector, he explains. "We serve established high-end businesses in the financial and legal sector, where the sales cycle is relatively long. It requires patient funding."

He explains that many UK venture capital firms are wary of international ventures, which leaves angel investors to fill the gap. These angels have often created their wealth in financial services or property, not in the technology industry, which means they too are often cautious about the tech sector's global growth ambitions.

He likens the challenge of being a Fintech start-up to being a "small ship in a big ocean".

"To be successful in the tech industry it is simply not enough to aim to become the next 'local hero' you need to become 'a global hero'," he says.

Who to turn to: sources of advice for tech entrepreneurs



Q: Which of the following sources of professional support helped you to overcome these obstacles?

The second challenge he highlights is the difficulty finding a network that can help to access funding and provide the support and connections to help the business to grow.

In fact, our research shows that tech entrepreneurs are almost 10% less likely to be able to access coaching and mentoring than start-ups in other industries.

Mr Orr's advice for start-up tech entrepreneurs is therefore to seek out angel investors who have experience in the tech sector and can support your growth ambitions.

"I have been fortunate to find tremendous angel investors who really understand the tech industry," he says. "They understand the funding cycle and they can open doors."

Mr Orr adds that they provided a crucial sounding board that helped his idea to work and take off. In the fast paced tech sector, success is all about having the right strategy at the right time, he explains.

"You need to embrace your failures quickly: you have to fail fast. Having good mentors is a way of learning faster, which will take you more quickly to where you will be successful."

It also requires perseverance.

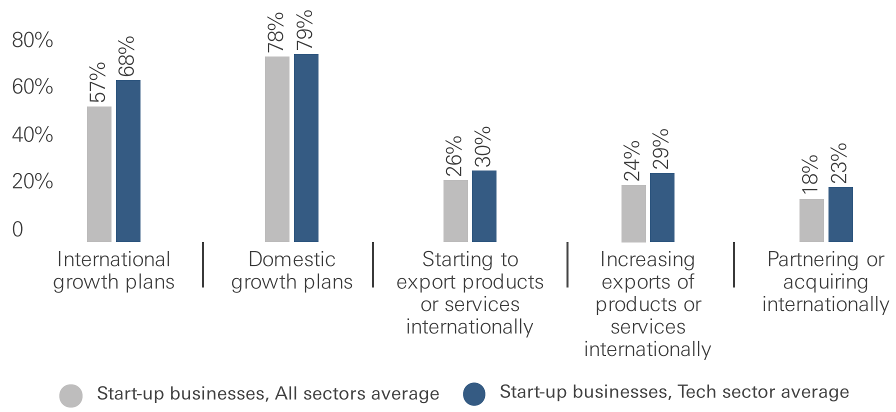
A keen runner himself, Mr Orr compares growing a tech business to running a race. "If you persevere, you are still in the race – you might be in the wrong race with the wrong strategy, but it is perseverance that will help you to get the right race plan."

Comparing the UK to Silicon Valley, Mr Orr highlights that London is a great place to grow an international business. Many talented young developers have been drawn to the city and have brought a strong entrepreneurial spirit with them.

However, the network of experienced technology entrepreneurs is still relatively thin in the UK. This, he believes, is the biggest single factor that makes building a technology business particularly challenging.

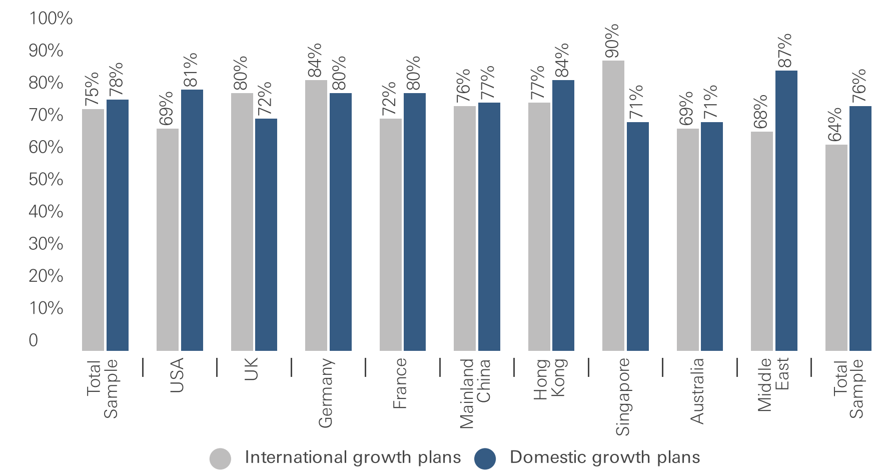
"We have a few really successful tech entrepreneurs in the UK, but we need a hundred of them. We are still very much breaking down barriers and I don't know how many years or decades it will be before we have the strong network of mentors we need to support funding, growth and exports."

Tech entrepreneurs take on the world: domestic and international growth plans



Q: Thinking about your growth plans, are you planning any of these activities in the next 12 months?

Plans for international expansion across the globe



Q: Thinking about your growth plans, are you planning any of these activities in the next 12 months?


A Day in the Life

Interestingly in the Asia-Pacific region, expectations around the work-life balance change significantly through the generations. Entrepreneurs in their 20s and 30s are willing to put in 10 hours and 36 minutes and 10 hours and six minutes at work respectively, focusing more than in Europe or in the Middle East on delivery to clients, for example.

This is enabled by limiting the time devoted to their personal responsibilities and activities.

Their assumption is that they will enjoy the fruits of their labour when they are older. Those in their 40s and 50s enjoy much more time – nearly four hours a day – to relax and socialise.

A day in the life of the world's most successful entrepreneurs

Entrepreneurs put themselves under pressure to meet challenging growth goals. Many will sacrifice sleep and forsake friends and family to invest their creative capital into their business ventures.

But those who manage to strike the golden ratio – that elusive concept known as 'work-life' balance – are richly rewarded. And here, the world's most successful entrepreneurs are showing their peers how it's done.

Our research indicates that an impressive 83% of high-net worth entrepreneurs globally believe they have achieved a comfortable division between their home and work lives. Ideal working hours are slightly longer than those of salaried professionals: 10 hours 6 minutes spent in the office, with seven hours and 12 minutes devoted to their personal priorities and slightly less than seven hours of sleep per night.

In Europe, 88% agree they have a good work-life balance. Here, the typical working day closely mirrors the ideal at nine hours 24 minutes, although there is some variation by market. French entrepreneurs appear to be the most industrious, putting in 10 hours 36 minutes a day, while UK business owners have the shortest working hours globally (eight hours and 30 minutes).

At the office, Europeans concentrate more on internal operations than external activities. Administration typically demands one hour 48 minutes of their days – and two hours and 42 minutes in France – but nowhere globally are entrepreneurs able to expend less time on this daily than an hour. Staff management also takes up considerable time – particularly in Switzerland, despite having the smallest average firm size at 125 employees (the global average is 216).

Once they get home, European business owners enjoy nearly three and a half hours of relaxing and socialising – more time to unwind than any other region. They also dedicate more time to childcare responsibilities than entrepreneurs in either Asia-Pacific or the Middle East, at just over two hours a day (this reaches two and a half hours for UK entrepreneurs).

The overall picture is similar in America: here, 86% believe they have achieved work-life balance. They spend slightly less time socialising and sleeping than their European peers and their typical working days are about 30 minutes longer. Extra time in the office is to the benefit of business development, to which they dedicate over an hour each day.

Moving to Asia-Pacific, and we find the concept of work-life balance is fluid. Entrepreneurs here are used to working long hours and the typical day at the office lasts 10 hours 30 minutes (it is longer still, at 11 hours 18 minutes, in Singapore). Yet, a high proportion (76%) of entrepreneurs are happy with their choices.

Breaking with the trend is Mainland China, here entrepreneurs report a (shorter) 10 hour working day than the regional average; they sleep longer than anywhere else (seven hours and 24 minutes each night) and manage to find three hours 36 minutes a day to unwind – again, more than all their regional peers.

At the other end of the spectrum, entrepreneurs in the Middle East work longer hours than anywhere else – as many as twelve hours and 30 minutes a day – and sleep the least, at six hours and 18 minutes each night. Even still, 86% believe they have achieved a good work-life balance.

Entrepreneurs in the Middle East enjoy some important advantages. They benefit from having the lightest childcare commitments and household management duties. As a result, they can spend at least an hour each day on community activities, more than the global average of 42 minutes.

In the United Arab Emirates, entrepreneurs dedicate an average of three hours every day to business administration – almost double the global average of one hour and 36 minutes. With workforces in Saudi Arabia up to 60% bigger than the global average, staff management takes up a further two hours and 30 minutes daily. Longer working hours also mean entrepreneurs in the Middle East devote more time than anywhere else reflecting on company strategy (nearly two hours a day) and on business development (nearly an hour and a half).

As the pace of daily life accelerates, the natural temptation is to respond by working longer and harder. But across the world, successful entrepreneurs who prioritise balance between home, work and self are showing us that there is another way.

> "When you're building a business, it's a giant problem solving task with many moving parts and it's easy to get burnt out quickly. It's about pacing yourself. How do you gracefully go through the peaks and the downturns? Having that light mind-set really helps."
>
> **Sylvia Yin, founder of Shoppr**

A day in the life of the world's most

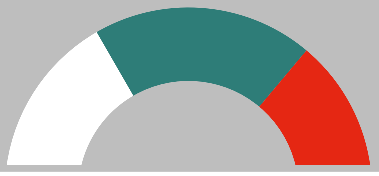
successful entrepreneurs

Europe

Personal activities
7h 48m
8h 36m

Working day
9h 24m
10h 36m

Sleeping hours
7h 48m
8h 36m



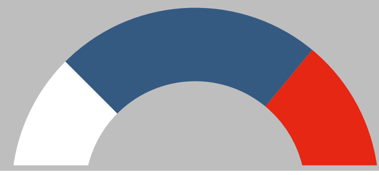
Personal Activities		Typical working day	
3h 24m	Relaxing / socialising	Business admin	1h 48m
2h 6m	Caring for children	Staff management	1h 42m
1h 30m	Household management	Focusing on company strategy	1h 24m
48m	Community activity or volunteering	Delivering to clients	1h 18m
		Dealing with suppliers	1h 12m

Asia-Pacific

Personal activities
6h 36m
7h 12m

Working day
10h 30m
11h 18m

Sleeping hours
6h 54m
7h 24m



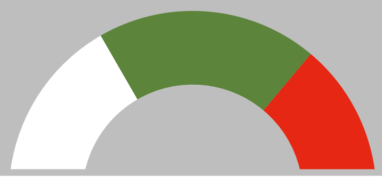
Personal Activities		Typical working day	
3h	Relaxing / socialising	Staff management	1h 42m
1h 42m	Caring for children	Focusing on company strategy	1h 36m
1h 12m	Household management	Dealing with suppliers	1h 36m
36m	Community activity or volunteering	Business admin	1h 30m
		Delivering to clients	1h 24m

United States

Personal activities
7h 36m

Working day
9h 54m

Sleeping hours
6h 30m



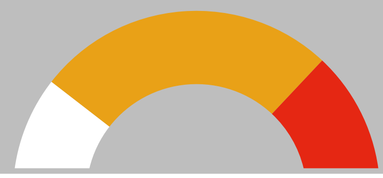
Personal Activities		Typical working day	
2h 48m	Relaxing / socialising	Staff management	1h 48m
2h 12m	Caring for children	Focusing on company strategy	1h 36m
1h 48m	Household management	Business admin	1h 30m
48m	Community activity or volunteering	Delivering to clients	1h 24m
		Developing new business	1h 18m

Middle East

Personal activities
5h 12m

Working day
12h 30m

Sleeping hours
6h 18m



Personal Activities		Typical working day	
2h 48m	Relaxing / socialising	Business admin	2h 36m
2h 12m	Caring for children	Staff management	2hr 24m
1h 48m	Household management	Focusing on company strategy	1h 54m
48m	Community activity or volunteering	Dealing with suppliers	1h 48m
		Developing new business	1h 30m

The Third Age

The third age of entrepreneurship

Over the next decade the world will face change like never before. As the internet becomes well charted territory, genetics, robotics, nanotechnology, artificial intelligence, autonomous transport and even commercial space flight are emerging as horizon technologies set to extend human possibility.

At the same time, this is also the decade of "super-ageing", with Germany, France, the UK, US, Hong Kong and many other global nations numbering one-fifth of their population over the age of 65.

The golden years have been replaced by active ageing, meaning entrepreneurship is more likely to be on the agenda for those in their 50s, 60s and 70s. The 2015 Kauffmann Index estimated one quarter of all start-ups in America were headed by entrepreneurs aged between 55 and 64, up from just 14% in the late 1990s. Meanwhile in the UK, The Prince's Initiative for Mature Enterprise estimates one in six businesses is started by people over the age of 50.

Those who start in business for the first time in their 50s are attracted to entrepreneurship by the opportunity to be their own boss and change their lifestyle. It is therefore unsurprising that they prioritise flexibility, working closer to home and enjoying what they do.

Motivation to start your business in your 50s

	To be your own boss	To change your lifestyle	To become more influential	To do the best for your family
Entrepreneurs that started their business in their 50s (& currently are in their 50s)	63%	32%	5%	32%
Entrepreneurs that started their business in their 20s (& currently are in their 20s)	51%	23%	29%	45%

Q: Why did you become an entrepreneur/business owner? [A total of12 responses options were provided. Respondents could select multiple options hence percentage values do not sum to 100%.]

While often characterised as a glide path to retirement, our research including 65 successful entrepreneurs who started out in their 50s found on average they employ slightly fewer than 100 staff and have a turnover of $6 million. The majority also have no intention to quit. Indeed, more than one-third say they have yet to achieve their goal of financial independence.

Perhaps more surprising still, one in 10 of them set up in the technology sector. Typically characterised as a high-growth, high-burn industry, the tech sector is often seen as the domain of the Millennial generation – especially the start-up scene.

However, at the same time as growing their businesses, our research shows that entrepreneurs in their 50s and 60s understand the importance of a good work-life balance. They are comfortable delegating, preferring accountability over direct responsibility, and recognise the challenges inherent in growing a business – particularly when the economic environment is uncertain.

Charlie Hoffman, Managing Director of HSBC Private Banking in London, advises leading entrepreneurs on their wealth management needs. For five years, Mr Hoffman also co-chaired the judging panel of the UK Private Business Awards, which celebrate success and achievement across the breadth of private businesses in the UK.

He attributes older entrepreneurs' different attitudes to: "the experience, wisdom and the bumps and bruises that come with age".

"Older entrepreneurs have broader and deeper networks, which is important for doing business but also for raising finance," adds Mr Hoffman. "And they have a greater sense of security so they can search out the best people for their team without feeling threatened."

However, starting out in business for the first time later in life is still relatively rare. It is more common for entrepreneurs who have built their businesses through their 20s, 30s and 40s to exit their businesses in their 50s. It is not unusual for these successful leaders to seek a second bite of the cherry.

"They are normally highly driven individuals. Many want to stay busy and active, but they also want their freedom," says Mr. Hoffman.

Success has afforded these entrepreneurs the luxury of time and the ability to choose how they continue their business-owning careers.

A few go on to start a second operating company, but many more become angel investors or take board positions to stay actively involved in business.

Indeed, it seems regardless of whether entrepreneurs are starting out for the first time later in life, or staying active in business after an exit, the same things matter.

Entrepreneurs in their 50s and 60s want to remain active and engaged, but above all they want to set their course in a way that allows them to enjoy the experience of business leadership.

Far from being the glide path to retirement, older entrepreneurs are re-charting their path to personal fulfilment and sustained success.

Priorities when starting your business in your 50s

	To have greater flexibility over working hours	To work from home or closer to home	To work on tasks you enjoy	To set your own course and take strategic decisions
Entrepreneurs that started their business in their 50s (& currently are in their 50s)	35%	40%	35%	29%
Entrepreneurs that started their business in their 20s (& currently are in their 20s)	24%	21%	24%	24%

Q: When you became an entrepreneur/business owner, were any of these goals important to you? [A total of 13 responses options were provided. Respondents could select multiple options hence percentage values do not sum to 100%.]

Making Differences Matter

Male and female entrepreneurship

Optimising performance, making differences matter

Why is it that businesses that have a good balance of male and female leaders outperform those dominated by one or other of the sexes?

One recent study by the American non-profit organisation Catalyst, which focuses on researching gender issues, linked better financial results with greater gender diversity among the Fortune 500 companies. Another study by the same group found organisations with female CEOs can outperform the S&P500 by as much as three times. Meanwhile, research from Columbia University highlighted the positive correlation that exists between the performance of companies and the proportion of women it has among its top and middle management ranks.

At the same time, study after study show that the similarities between the sexes are more apparent than the differences when it comes to business.

"There's certainly a lot of speculation around what the differences are – and to what extent these differences are in fact driven by gender," says Birgit Neu, Global Head of Diversity and Inclusion at HSBC.

Ms Neu believes the clue to why a gender balance drives performance links to the diversity agenda rather than gender per se. She says that organisations that unite their people around a common goal and look to build diverse teams are more effective at blending the qualities they need for success.

"Once you have a common goal and you're looking at building diverse teams, it becomes about identifying what the right behaviours are for the people you're working with, ensuring you're enabling behaviours that encourage collaboration and teamwork," she says.

If this is the case, it raises an interesting question for entrepreneurs: how they can most effectively optimise their own performance as individuals at the top of their organisations?

As with other studies, data from our Essence of Enterprise study highlights that successful male and female entrepreneurs are similar in many ways.

For example, both men and women are, on average, aged 28 when they make their first foray into entrepreneurship, both set themselves comparably ambitious growth aspirations, and both largely agree on the top challenges facing the business community today.

Male and female business owners are also equally driven by motivations to be their own boss and do the best for their family. Indeed, approximately half of all entrepreneurs expend significant effort on obtaining financial security for their family (55%), doing something they enjoy (48%) and bringing new products and services to market (47%).

As such, when we think about how diversity contributes to success, what we are really discussing is the idea of marginal gains – or optimising performance.

In order to do this, it is important to recognise that differences do exist between men and women at all stages of the business life cycle.

Top benefits of a diverse workplace for business owners

In an ever smaller world, driven by technology and instant news, the business case for a diverse workforce becomes ever more obvious.

"Having a mix of ideas, styles and perspectives has a huge number of benefits," says Birgit Neu, Global Head of Diversity and Inclusion at HSBC. "This is called diversity of thought and it helps businesses to understand their customers, innovate, manage risk, and grow in a sustainable way."

So what are the top benefits of a diverse workforce?

1. **Drives innovation & creativity**: teams that include workers from different backgrounds and experiences can come up with more creative ideas and methods of solving problems.
2. **Improved financial performance**: a diverse workplace will better represent your consumer base, allowing you to market to them more effectively.
3. **Talents, skills and experiences**: individuals from diverse backgrounds can offer a selection of different talents, skills and experiences that may be of benefit to the organisation and their work performance.
4. **Enhanced recruitment & lower turnover**: competition is fierce for the most talented workers and research shows a diverse workplace is a key factor in recruiting top talent. Also, an inclusive workforce will entice talent to stay longer with the company.
5. **Meritocratic culture**: in an environment where employees can be their authentic self, they are more likely to demonstrate their full value, regardless of gender, age, disability or nationality. Ideally in a workplace that operates as a true meritocracy, the best people are promoted and the best ideas are implemented.

For example, when starting a business, men are slightly more likely to be motivated by financial reasons such as increasing personal wealth; while women have a tendency towards lifestyle-related motivations, such as pursuing their passion and having greater flexibility over their work-life.

When it comes to management, leadership and future growth plans, approaches can also differ. Male entrepreneurs are more likely to prioritise leading from the front and focus on business development activities – such as increasing staffing and opening new offices.

Female entrepreneurs, on the other hand, focus more on accountability and particularly the environmental, social and governance responsibilities of being a business owner. They place more emphasis on finding new solutions to old problems and inspiring and educating others. They are also less likely to perceive obstacles and barriers to growth than male entrepreneurs. To Ms Neu's point, these different traits can be blended in ways that make for a more effective team. However, that starts with individual entrepreneurs identifying their own strengths and considering how they can balance their own performance individually and through effective team building and management in order to optimise their success.

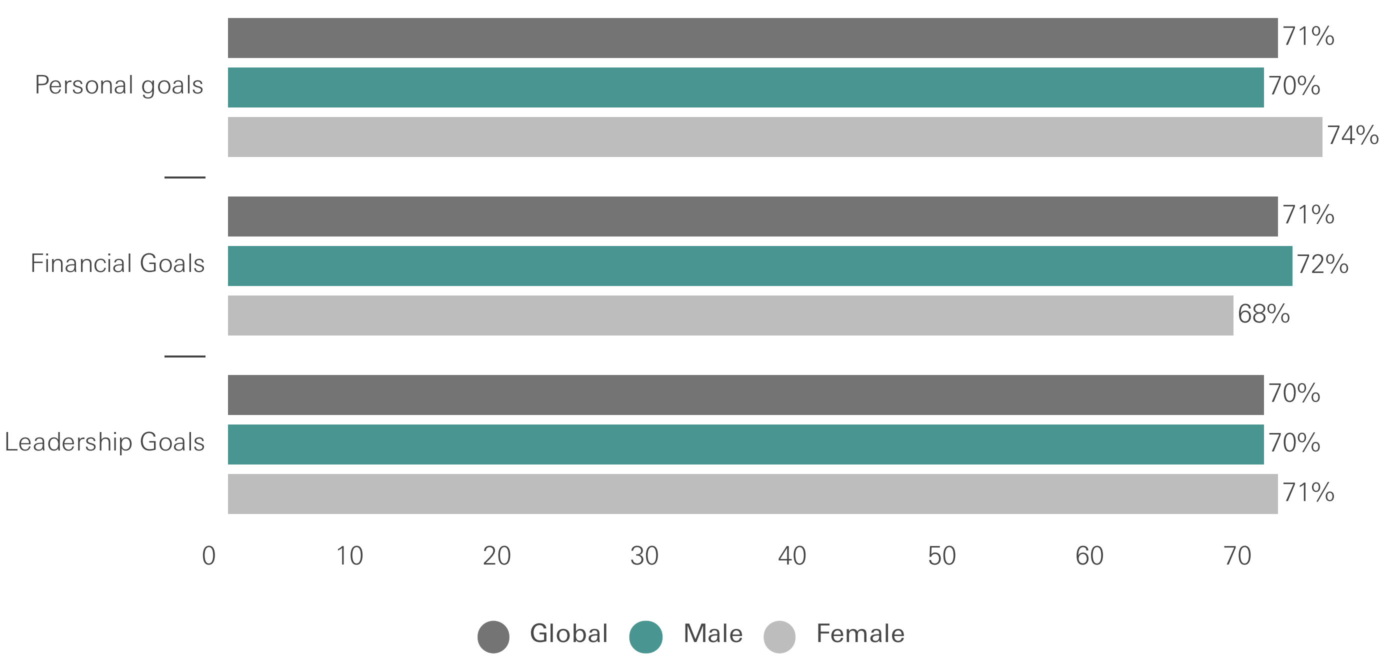
entrepreneurs report high levels of personal goal achievement. These levels of goal attainment are more or less directly aligned with the business priorities of their gender.

In turn, this suggests that the question of diversity is as relevant to independent business owners of both genders as it is to large corporates and organisations. In fact, if entrepreneurs

> "There's a lot of research that shows that women spend a lot more time concentrating on empathy, relating to their customer and being able to market very well to their customer. I think that's a huge advantage. Women should acknowledge it as an immense strength that they have."
>
> **Caroline Pugh, Chief of staff, NavHealth**

At present, however, it appears that achieving this elusive balance is a work in progress. Male entrepreneurs are much more likely to report having achieved their financial goals. Female consider how to bring the opposite male or female perspective to business decisions it could have an optimising impact not just on the bottom line, but on their own sense of achievement too.

Level of goal attainment among male and female entrepreneurs

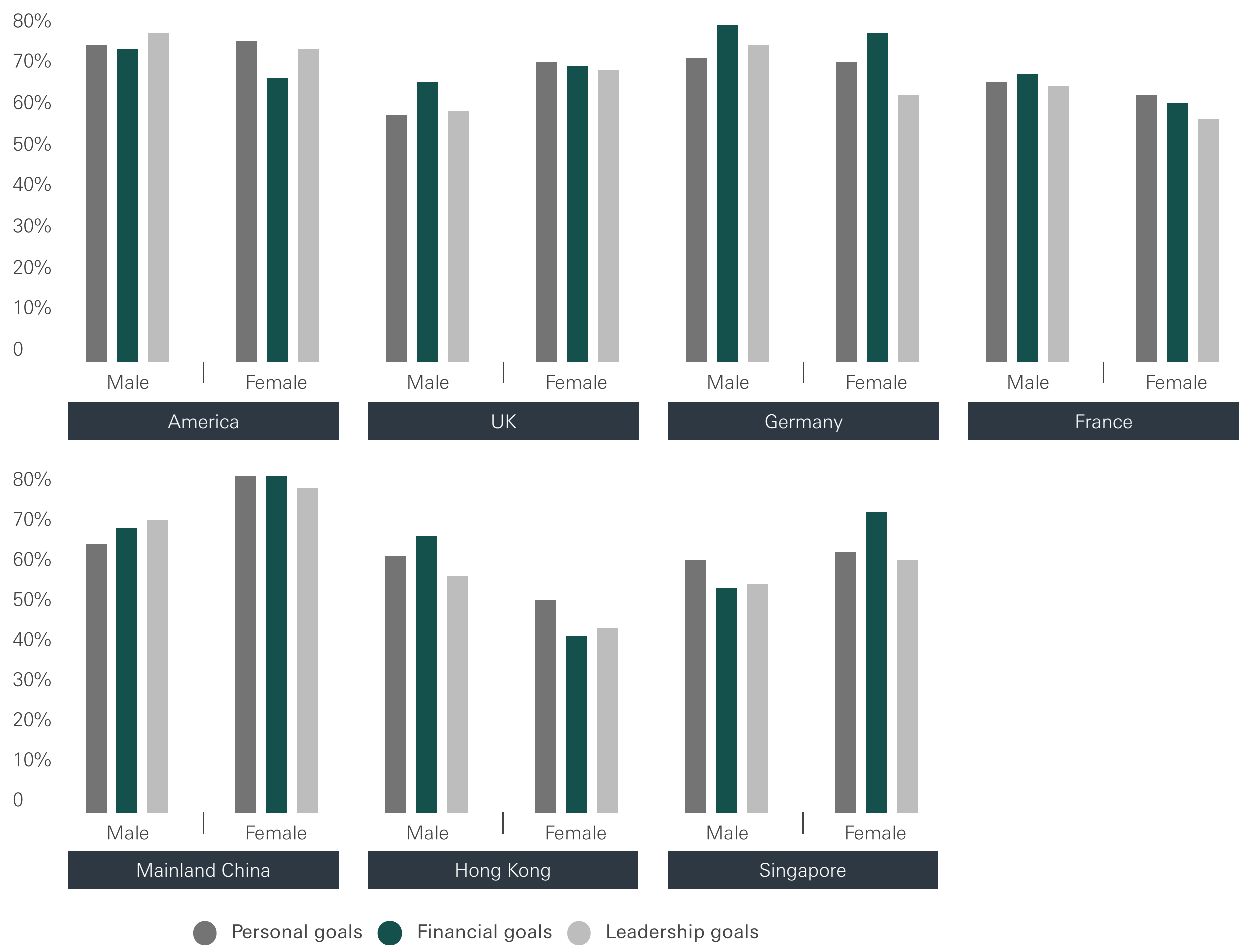


Q: To what extent have you achieved each of these goals?

Male and Female entrepreneur goal attainment around the world

Q: When you became an entrepreneur/business owner, were any of these goals important to you?

Personal goals	To have greater flexibility over working hours
	To work from home or closer to home
	To work on tasks you enjoy
	To break away from the norm in your family or peer group
	To have freedom from corporate bureaucracy
	Proving yourself to your family or that you can succeed independently
Financial goals	To achieve financial independence
	To pay yourself directly in line with your effort and success
	To set your own course and take strategic decisions
	To create employment
Leadership goals	To experience setting up, growing and selling a business
	To demonstrate leadership
	To achieve professional success outside of the corporate hierarchy



*Excluding: Saudi Arabia, United Arab Emirates and Switzerland due to limited data

Breaking Out from the Norm

Breaking out from the norm

A common denominator for success among three out of every five entrepreneurs is that they come from a business owning family. Our global research in fact highlights that 62% of entrepreneurs said they are the second or even third generation of business owners in their family.

The early experience of growing up in a business family often provides young entrepreneurs with a head start through connections and capital.

However, this means of course that for every three entrepreneurs from a business owning family, there are two who are not. This second group are the entrepreneurs who break out from the norm and strive for independent success.

For these individuals passion and motivation are key drivers, says Aurélien Drain, Head of Business Development at HSBC Private Banking in France. "It goes a long way in explaining the changing profile of today's entrepreneur."

They are also less likely to feel the pressure from family commitments. Instead, they channel their energy into pursuing impressive growth targets.

The annual growth target among self-starters worldwide is 13% compared to 10% among those with a family business background.

This ambition is not borne from a lack of experience. Rather, self-starters have gained resilience as a result possibly of struggle and are stepping forward with a certain mind-set: with higher levels of confidence relating to their leadership, creative thinking and communication skills.

Having taken the risk to go-it-alone, it is important that they make it work.

Aurélien Drain explains that today's self-starters are much more likely to use their networking and creative skills to climb the ladder quickly.

"Some of the biggest differences in the entrepreneurial journey lie in how entrepreneurs build their business and network," explains Aurélien Drain. "Today's self-starters know how to connect to and leverage the start-up ecosystem; they actively forge links with private equity firms, venture capitalists, crowd funding platforms and other actors in the system, often working collaboratively to come up with creative solutions."

However, Aurélien Drain adds that in spite of their business knowledge and drive, the early stages of business growth remain challenging for those who don't have the connections or initial capital and support.

Sixty two per cent of self-starters say they faced headwinds when looking to scale a business, compared to 48% of entrepreneurs from a family business background.

Accessing advice and "savoir-faire" is therefore particularly important as self-starters look to grow their business. In fact, this group are now more likely than their family business counterparts to access professional networks, incubation programmes and professional development.

Many also seek out mentors and if they can find one, it goes a long way to accelerating their growth, says Aurélien Drain.

"Self-starters want to be connected to successful entrepreneurs. They're looking for mentorship and credibility to add to their Board because this type of backing boosts credentials, signalling confidence in the brand and so helps to attract capital." he explains.

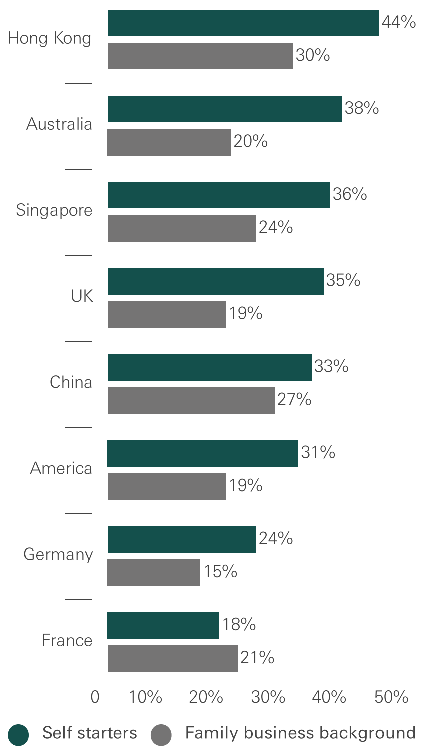
He adds that there are many rising entrepreneurs who come from different backgrounds, and a high percentage put forward new business models based on disruptive ideas. "This is something that we, as bankers, must embrace and get used to," he explains.

Aurélien Drain believes it is important for advisers and entrepreneurs to engage in dialogue early in the entrepreneurial cycle. Entrepreneurs, he says, need broad expertise and global support to realise their vision.

"These are new and exciting times," enthuses Aurélien Drain "The business code is changing, we are seeing a new entrepreneurial culture, especially through Millennial entrepreneurs, so it's important we continue to evolve and adapt our services too."

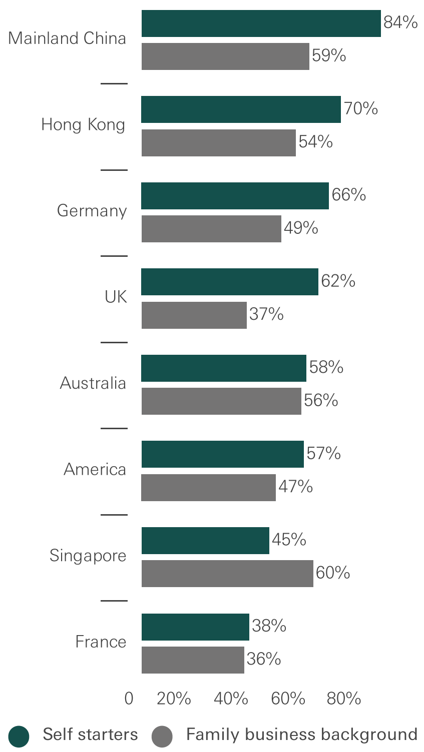
Globally, 32% of those from a non-family business background say lack of career development opportunities was a motivation for them to go into business. This compares to 21% of those from a family business background.

% of entrepreneurs prompted into business by lack of career development opportunities



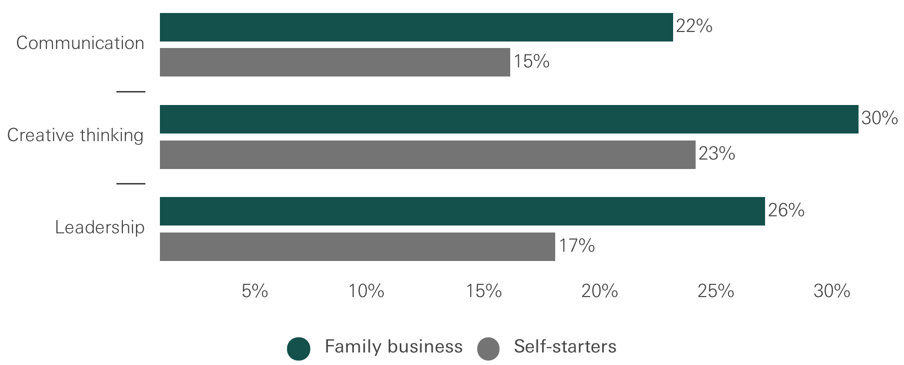
Q: Did any of the following circumstances prompt you to think about becoming a business owner or entrepreneur? (Lack of career development opportunities)

% of entrepreneurs who faced challenges when growing their business



Q: When were you most aware of business challenges? (When growing your first business)

Self-starting spirit



Q: Do you feel lack of skills/experience in any of the following has held you back?

A spotlight on Asia

Self-starters are a prominent and exciting profile in Asia-Pacific. Bucking the global trend, nearly half of entrepreneurs in Mainland China (48%) and Singapore (45%) have no history of family business ownership.

The decision to start a business usually comes after experience as an employee elsewhere. In Singapore, for example, the average age of self-starters when they first become entrepreneurs is 32, compared to 28 amongst next-generation owners. Yet once they reach their decision to leave the corporate hierarchy, they waste no time in going after their financial and leadership goals.

These individuals demonstrate a strong motivation to make their mark and impressive achievement records. For example, in Mainland China, 85% agree they have met their objective of creating employment, compared to two-thirds of those from a family background; 83% feel they have demonstrated leadership. Similar trends are observable in Singapore, where 68% are confident they have achieved financial independence (compared to three in five next-gen entrepreneurs) and 79% say they now work on tasks they enjoy.

A lack of family pressure may even be a reason for entrepreneurial success for many. Cynthia D'Anjou-Brown, Head of Philanthropy Advisory and Family Governance Adviser at HSBC Private Banking in Hong Kong explains: "Inheritors come to the family business constrained both by the past and the future. Ultimately, they have a legacy to continue and will be questioning if the decisions they take will enable the business to remain true to its roots and to prosper. Sometimes, however, the business may not be sustainable and in these circumstances it must be very difficult where there is a legacy."

"Conversely, those who start their own businesses ultimately answer to themselves so have more freedom in their decision-making."

A Born entrepreneur

Jean-Christophe Chopin

When Jean-Christophe Chopin's friends were heading off to university in their late teens, he was setting up a ski racing training camp in the French Alps.

"I had an extreme desire for independence and adventure. It was not because I wanted to make money or be the boss; I really wanted to create and to drive and to try," he explains.

The mountains became his university. His friends returned to the slopes each year from universities around the world forming a global alumni network. He rubbed shoulders with the rich and famous. He taught their children to ski and they, in turn, took an interest in this young entrepreneur.

"'You have to speak the language of those who write the cheques', was my first lesson in business," says Mr. Chopin. The entrepreneur who offered him this advice also offered him a job in Beverly Hills honing his business skills by selling housing bonds door-to-door. Not long after this, aged just 23, he did his own first deal: structuring the finance to acquire a back-catalogue of television shows from one of the studios that he could sell on to the television networks.

"Everything is possible in America."

While living on the West Coast he had become fascinated by technology and, more specifically at that time, he saw the potential for Videotex, a forerunner of the internet.

"I thought wow, this is going to change the world. Retail is going to change; people are going to buy online." It was 1988.

France's Minitel was the most successful of the Videotex networks. When Mr Chopin returned to France aged 26 he used Minitel to launch an insurance brokerage business selling directly to consumers.

However, it was another chance meeting on the ski slopes that changed the direction of his life. While living in America he had met Louis Gonda, who co-founded ILFC, the Los Angeles-based aircraft leasing company, with his father, Leslie Gonda. Mr Gonda was to become a lifelong friend and mentor. It was him who taught Mr Chopin his second lesson in business: "If you aim high, you will go high."

As the internet took off, Mr Chopin saw the potential for online financial services to expand in Europe. His insurance business was generating post-tax profits of around $1 million. The opportunity was to provide these customers with a broader range of financial products.

Mr Chopin took his proposal directly to E*TRADE's headquarters in Silicon Valley. His idea was that by including local banking and media partners in the transaction he could accelerate E*TRADE's route to market in Europe.

With Mr Gonda's backing, the deal took off and E*TRADE@NetBourse was born across six countries in Continental Europe.

"At the time, there were a lot of online brokerage companies, especially from the Nordic region, trying to expand across Europe. I think it was the ski racer in me that just made me want to beat the Swedes," he jokes.

In 1999, at the height of the dot-com boom, E*TRADE bought out Mr Chopin.

He went on to repeat this success with Verisign, the internet security business that was also looking to expand in Europe at that time.

Later, he turned his attention to Asia, all the time exploring his continued passion for technology and great design. He also became an investor in the relaunch of Balmain, the online couturier, in 2000 and co-founder of Hautlence, the master watchmaker, where he focused on the company's brand strategy.

He launched Born in 2011, a four-day event celebrating active lifestyles that brings together leading designers from luxury brands and sport to Courchevel.

"Designers from luxury car companies meet fashion designers, furniture designers, luxury watch makers and sports brands. They love to come to Courchevel – where else do they get the chance to meet and learn from each other?" he says.

Since then, Born has been going from strength to strength. Working with Land Rover, Born has extended its reach this year from the French Alps to the elegance of Milan's Design Week and the wild frontier of Alesund in Norway.

Mr Chopin has also taken the concept online with Born.com, a virtual design tradeshow once again targeting end customers. Mr Chopin aims to have 100,000 creators and brands exhibiting on Born.com by the end of this year, making beautiful functional design available to everyone.

The Born brand encapsulates the qualities that Mr Chopin values as an entrepreneur: innovation and creativity.

"Creativity is the most important thing, particularly in commerce. Without creativity, how can you do something new all the time?"

Looking back on his career so far, Mr Chopin believes his parents and grandparents gave him the confidence and spirit of adventure to forge his own path.

His parents were trainee doctors when he was born, which meant he was largely raised by his grandfather who was in French Alpine corps and his grandmother, a seamstress in the Christian Dior atelier.

"My parents never provided me with a single contact," he says, "but they always trusted me, even when I wasn't making a dime."

Then he laughs, describing the moment when he offered to buy his father a Jaguar shortly after his success with E*TRADE@NetBourse.

"I remember he just turned to me and asked me to tell him again what it is that I do."

The lessons Mr Chopin would pass onto his three children are not so very different from those he learnt from his parents and grandparents.

"You have to challenge yourself just the right amount: don't be afraid to make mistakes or to dream. You have to try, to go out, and do what you love. Passion will be your best driver, but remember you also have to have a realistic financial view."

At a personal level, his goal remains the same as always: to enjoy life filled with his passions. "The next 20 years represents only 1,040 weeks. That's 20 winters to ski with my dearest friends and children," he says. "So each week needs to be great and spent with people whose company I enjoy and who share the same philosophy: people who want to have fun while contributing to our world."

"I am fascinated by the digital space and by premium brands. We are moving into an age of design-led lifestyle. People want to feed their passions and they want to celebrate the best of lifestyle and living."

Jean-Christophe Chopin, entrepreneur

An interview with

Amanda Murphy

from HSBC Commercial Banking

Five tips for entrepreneurs

Amanda Murphy is the Head of Commercial Banking for HSBC UK. With more than 20 years' experience working internationally with HSBC's corporate clients, she has observed a number of common traits among leading business owners. Here are her tips for success.

1. Be risk aware, but not risk averse

There's a Chinese proverb – "Pearls don't lie on the seashore. If you want one, you must dive for it." You have to be prepared to take risks to succeed, and you should be confident and optimistic when you do so. A good business plan will inform you as to how much risk you can realistically take, and it is important to consult with business experts who can help you understand the risks associated with new opportunities.

2. There is a world of opportunity out there

I've been lucky enough to work in the UK, Hong Kong, Canada, the UAE and Indonesia. There's no doubt that travel broadens the mind, introduces you to new cultures, and helps you to understand the nuances of different business environments. But an international outlook is no longer restricted to those who travel the globe. Years ago if you wanted to expand into Singapore or Indonesia you had to have a presence there. Today the internet opens up many more doors and many of our customers become exporters because they have a good internet site. A 2017 report from the FSB noted that one in five (21%) small businesses currently exports, and with the right support there is potential to double this figure.

3. Understand how you'll finance your ambition

This is so often the part that becomes a stumbling block on the path to success. The numbers may be the 'dry' part of your business plan but by using the tools and expertise available you can ensure that you have a strong foundation for sustainable growth. You have to think about how you access finance and get the right services to support your business as you grow.

4. Be flexible and nimble, and you'll reap the rewards

Any business owner knows that you're going to have to be flexible, and not just with your time. The world hasn't been 9 to 5 for some time now, and when, where and how we work has seen a seismic change with the introduction of new technologies and ways of connecting. If you employ staff, you need to provide them with the same flexibility, and understand their individual needs. Investing time and resource into being flexible also means being prepared for whatever the world throws at you.

5. Seek out your peers and learn from them

If you're coming up against a challenge, chances are that someone has walked that path before you. Learning best practice from our peers is always important, especially for emerging businesses and start-ups. It helps you to understand your market and the support available to you. A strong entrepreneurial economy benefits everyone within it – so take the chance to network with your peers and share your ambitions.


The Final Mile

Planning for a business exit

The final mile

At some point on the entrepreneurial pathway – often after years of hard work – the thoughts of many entrepreneurs inevitably turn to the final destination. For many, that desired end-game will be the business exit; in fact, our research indicates that nearly two out of every five business owners (39%) globally are contemplating a future sale at any given moment.

The global context
Underpinning this statistic are some notable regional differences. Across the global sample, selling is uppermost in the minds of UK entrepreneurs – 58% state that this is their objective. However, the picture is more nuanced in the rest of Europe. It is commonly considered in Germany (46%) yet very much a minority intention in France and Switzerland (37% each).

Similar variations can be observed in Asia-Pacific and the Middle East. Exit is a popular goal in both Australia and Singapore, where nearly half of entrepreneurs say they hope to sell one day, but it is not at all a mainstream pathway in either Hong Kong (30%) or Mainland China (14%). In the Middle East, less than one in three entrepreneurs will choose this route.

International entrepreneurial exit plans
These results highlight that the decision whether to exit or not is, at least in part, a cultural one. Exiting a business can be seen in some cultures as a sign of success, but as a sign of failure in others.

However, entrepreneurs are also often influenced by the context in which they set up their firms.

Those who bought into a business, for example through a management buy-in or buy-out, are most likely to have considered their future exit from the business, observes Russell Prior, Head of Family Governance & Family Enterprise Succession at HSBC Private Banking.

Those who come from a family business background are more likely to think about continuity and business succession.

Meanwhile, business founders are most likely to focus their energies first and foremost on developing their original business idea. If part or all of the equity in the business is sold to a strategic funding partner, this might result in the opportunity or necessity for an exit.

"There are many reasons that prompt business owners to consider an exit," says Mr Prior. "Strategic growth plans, business performance, family dynamics or poor health could all be factors that may prompt business owners to consider their options, which might, of course, include an exit."

As business owners start to consider their options, it is important to have a plan. This involves preparing themselves for the sale of the business, not just preparing the business for sale, says Mr Prior. Planning should therefore be considered on two levels: the practical and the personal.

Personal motivation
Mr Prior counsels entrepreneurs to give serious consideration to their personal goals right at the start of the process.

This means really understanding their motivations and objectives. Is a sale of the business the right way forward?

This is particularly important for family businesses, where such transactions have potential implications for multiple family members including the previous and next generations (even if that generation has yet to reach adulthood).

"The personal impact of a business exit is something that entrepreneurs often miss altogether," he says. "Their business may well have been their entire life's work. If they are going to exit, they not only have to deal with letting go, they have to decide what they are going to do next and how they are going to manage their newly-acquired wealth."

He adds that it is often a challenge for entrepreneurs to think about themselves independently from their life as a business owner. In order to "let go", it is therefore important that they set aside time and energy to consider the emotional impact of the sale, on them and their family.

A key part of this, says Mr Prior, is to set in motion a personal plan that considers the professional and personal opportunities that will emerge after the sale of the business. This process can help entrepreneurs maintain a sense of identity and purpose, he explains.

Practical steps
On the business side, entrepreneurs will then need to prepare for the practicalities of the sale. A common pitfall that business owners encounter at this stage is underestimating the time and effort involved. It is a process that requires considerable stamina.

Entrepreneurs will need to be prepared to maintain their daily work routines while identifying potential buyers, going through the negotiations relating to each opportunity and finally handling the administration related to the sale. Each of these steps takes time.

"In the same way that every exit is unique, so is every buyer," explains Mr Prior. The approach will need to be tailored for each potential buyer which takes time, commitment and a willingness to be flexible.

Entrepreneurs often have a vision for how they see their business growing in the future, but a buyer might have a completely different perspective.

"For the negotiations to be successful, the entrepreneur has to be prepared to accept the vision of their potential buyer," he says. This is not always easy. If the two sides cannot achieve a meeting of minds, then there will be rejection along the path toward a final successful transaction.

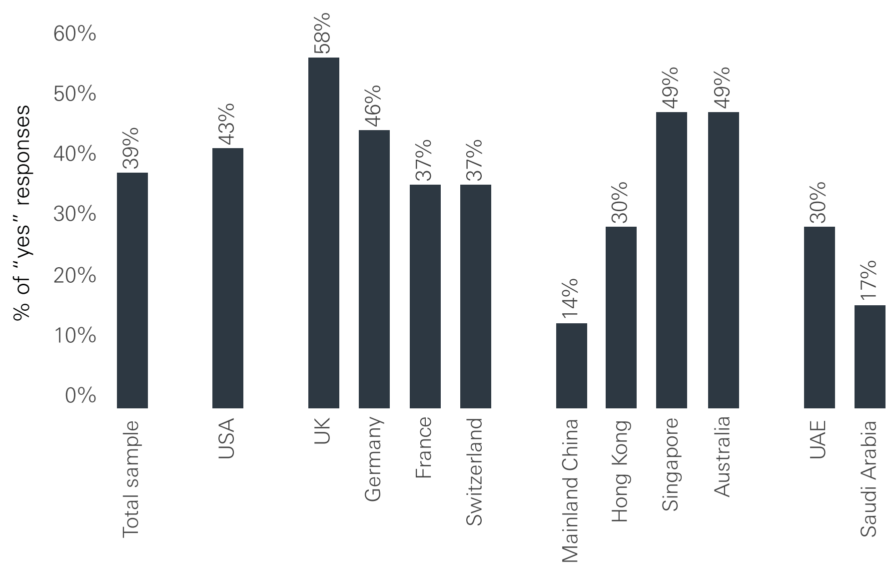
His advice is to remain focused on your strategic goals and to accept that these challenges are all part of the process.

Mr Prior also counsels entrepreneurs not to underestimate the amount of focus on the business's administration required to conclude a transaction. On this point, his advice is to make sure the business's administration is organised, up-to-date and ready for review before embarking on the process of identifying a future suitor.

In summary, selling a business is not something to be undertaken lightly, says Mr Prior. Anyone contemplating a transaction must first weight up the pros and cons fully taking into account the needs of the business, of themselves and their family. Failure to do so can have deeply negative consequences, which Mr Prior characterises as "sellers' remorse".

"We do see situations where people regret selling their business when they did," he says "and, of course, they only realise this after the sale has taken place."

International entrepreneurial exit plans



Q: Do you feel lack of skills/experience in any of the following has held you back?

A seller's checklist

Selling a business that you have built is one of the toughest decisions and processes that you are likely to face. It is likely to absorb a significant amount of time and energy and will engender many and varied emotions. But like many of life's tough decisions, it can be made easier by preparation and planning. In this guide we set out a number of steps to help you prepare for the sale of your business.

1 The sale objectives

Entrepreneurs need a clear understanding of their objectives. While the most obvious objective is price maximisation, a number of other objectives might be important. A quick, clean, sale with your immediate departure from the business may be your strong preference or alternatively a partial exit. You may wish to protect key employees, the physical location of the company, or even some element of the product and services of the company.

2 The Story

At the heart of getting the story right is to align what you're selling with what they're buying. As buyers come in many forms their perception of value may not be what you expect, and just as likely it might not be in the area of the business you've been focusing on.

Don't just think about what a buyer would see when they walk through the door to your business, think about how your business is perceived in the markets in which it operates, what's written about your business, and what appears online. What questions will they ask, what information are they going to want to see? Any acquirer is going to undertake extensive due diligence. Ahead of the sale, ensure the following are accurate and up to date:

- All sales, operations and finance data and systems,
- Customer contracts and other sales documentation,
- Financial accounts and accounting policies,
- Ensure that all production facilities are adequately presented, that asset values and depreciation make sense, quality reviews and safety records or other regulatory and compliance documentation are in order.

3 The management team

While selling your business is hard enough, tackling the issue of owner dependency can be even harder. What interests the buyer is the successful delivery of the value. Critical to this is the development of a management team with a sufficient track plan. So, ask yourself, is there a strong management team in place to take the business forward once you've left.

4 Time and timing

The circumstances in which a business sale takes place are likely to drive the time and timing of the sale process. Selling at the right time in the economic cycle or the cycle for your industry or market sector are obvious factors. Perhaps harder to work out is the optimum time to exit in terms of the prospects for your business. Selling too early might mean that the acquirer and not you will enjoy the benefits of the growth of the company. Wait too long and the business's prospects may have flattened out, with a knock-on effect on the value.

5 The buyers universe

- **Trade buyers** typically operate in the same industry or sector and are looking to create synergy with their existing business.
- **Financial buyers** are generally seeking to acquire a business for the potential return that can be generated on their investment. Their actions within an acquired company will be very much in line with what is required to generate that financial return.
- **Management buyers** where some or all of the management seek to buy the company, with a view to continuing its success. It's not unusual to see management teams pair up with financial buyers to finance a transaction.

6 Business plan and valuation

As the seller of a business, you will have to form a view as to its value, with the minimum acceptable value to you being a very important number. At the core of this will be the trading prospects of the business, as well as the profits and cashflows that can be generated. Buyers will have specific areas of interest that underpin their generation of value, and while it might be in the business as a whole, it's equally likely that they will have an interest in a specific part of the business.

7 Team of advisers

Given the nature and importance of the transaction you face, assembling the right team of advisers is going to be important. You will need to assess advisers' track record and experience in business sale transactions in your sector, at a level relevant to the size of your business and the likely transaction value. But personal chemistry is important too, as the process may well require them to present or handle issues that are a challenge for you to confront or deal with. You need a team that you feel is on your side, pulling for you the entire time, even when times are difficult.

Interview with

Ian Smith

serial entrepreneur

Ian Smith is the founder and CEO of Gospel Technology. Founded in 2016, Gospel offers an enterprise data sharing platform based on Blockchain and is his second technology venture. In 2009, he co-founded Butterfly Software, an advanced data analytics business. When Butterfly was acquired by IBM in 2012, he became IBM's worldwide executive leader for storage software product management.

As a serial entrepreneur, Mr Smith describes his experiences of selling and exiting his first business and what he has learnt and applied to his latest venture.

1. How did you plan for your sale and then your exit from the business? When did you do this?

Our business was founded in 2009 and sold via trade sale within 36 months of its inception.

Our objective was not to sell a business – it was to build a great software company, which is what we did and why we were attractive to potential buyers. Of course, businesses are as much about the people in them as the products and solutions that are built. That means there must be a degree of responsible planning when it comes to considering a change of ownership: the impact on the leadership and wider team should be assessed before any change is considered.

From a practical perspective, any business sale – and particularly ours which went to a large US corporation – has a highly formal and detailed due-diligence process. This is extensive and covers all aspects of the products and business itself. Any intellectual property or product value will be analysed from its conception.

This is why it is so important to build good practice from the very beginning. The legal structure has to be right and documentation and contracts should be managed and stored. I have found creating and maintaining a virtual 'data room' is certainly the best way. That means you are always prepared, not only for a sale, but for an audit of any type – internal or external.

Dreaming and aspiring is the fuel behind business growth, but these must be tempered by the financial and practical reality. If the business case is well made, it is likely that large corporations and organisations will see value in the acquisition through scaling of the product. So rather than planning for sale, I feel the focus should be on a compelling vision, backed by good business practice and strategic management.

2. What were the most challenging parts of the whole process?

The hardest part for me was definitely during the sale. Your personal financial interests are on the table and are yours to lose, but you also have your responsibilities to your partners and the business.

It is incredibly draining. You can gauge the value of the transaction in pounds, but what you cannot gauge is the cost to yourself. There is huge personal cost and it can take a long time to recover.

The key thing is to understand that both parties want to get the deal done and the negotiations will be turbulent. Openness and honesty are vital attributes in this process. Genuine confidence in the potential and structure of the business, including the intellectual property, assets and talent will set anyone in a sound position. It is important not to take things personally; understanding differing viewpoints and clear communication are key.

Leadership throughout the process can be tough. It can be polarising in the opinions and needs of different executives and team members. And as a leadership team, you have to know the point at which you are all prepared to walk away and you have to remember why the transaction is occurring: it is because you built a great business. Its performance brings options and that should take pressure off any potential deal.

While you go through this process, there is also a whole new workload and set of demands, and the most important part – the client base must continue unaffected in the services that they have purchased and are subscribed to. Strong leadership is essential to keeping people and departments focused on the day job whilst the business as a whole contemplates a new direction.

Inevitably, all staff become concerned with the personal impact of the sale on their life, which requires a sensitive, understanding and honest approach on all topics.

3. At what point did you start to think about life after your business?

You always expect there is going to be a point when you feel you have sold your business – a moment of elation, if you like, but it is not like that.

In my experience of a large tech acquisition, even when the ownership of the business is handed over, there is still a retention phase (normally a lock-in or through deferred consideration) and a feeling of accountability. It is important to realise that any critical person in the business should take the responsibility to successfully transition the value of the business to the acquirer.

Creating, scaling and keeping a company fresh goes beyond the 9 to 5. It is intrinsic to our very being as entrepreneurs and business leaders; it forms our identity. The sale of this identity can feel very much like loss: the momentum behind the business and the strategy guiding it changes suddenly.

For example, in a small business, if you want to drive strategy, you can affect change immediately. In the corporate environment, it can take months. It is about building consensus and support among a wider group of people and getting sponsorship from key players. I was lucky to identify a great mentor who helped me to temper my approach before it became disruptive behaviour, to find workarounds and to engage with the right networks.

For me, this meant that thinking about life after the business only really started a couple of years after the actual transaction. At that point, it was important to realise there actually was life after the business and to stay grounded.

One thing I learnt was to keep as many things as stable as possible throughout the whole process. When you go through an exit that makes a material difference to your life, you think you can afford to do all the things you ever wanted. However, it is actually very easy to become isolated if you remove yourself from what is normal for you. You need to eat the same food, go to the same places and spend time with your friends and family.

4. If you were to go through the experience again, what would you do differently?

Building businesses is a great endeavour and the journey is the important part: the acquisition of knowledge, the experience of applying that, and the people you meet along the way. I now see the absolute value in that learning experience, as opposed to the value only being in some sort of material exit.

Few technology entrepreneurs in the UK go on to found a second business, which is linked to the way we deal with failure in our society: it can be brutal. The best analogy I can think of is from the music industry, when a band has had a successful first album; they often struggle with the second. That fear of failing and not reaching the bar for a second time can incapacitate you. You have to get your confidence back.

I started again by doing small deals to get myself back on track. In fact, going through the experience of building a business again has made me realise that I have so much more to learn!

For example, I have learnt not to get hung up on having the business idea first. I am actually applying the skills that I learnt at IBM: building the right team and creating consensus, because they will be important to defining the business.

Be comfortable in the fact that you won't know everything on day one, and don't let it stop you from starting!

It's going to be a roller coaster - learn to enjoy it and buffer the impact of good days and bad. Stay focused on the vision and weather the turbulence. Have patience as the business grows and take faith in that a solid structure is resilient. There will never be that "knock-out punch", rather an aggregation of small, incremental steps that get you to your destination. Take enjoyment and pride in each one. Respect and be kind to people on the journey and remember that any material exit – isn't an 'exit' …it is an entry to something else.

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