Entrepreneurship in Switzerland: Opportunities and Challenges

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Entrepreneurship in Switzerland: Opportunities and Challenges

Troy Danka

Introduction

Entrepreneurs have a mindset to create things. They embody a spirit fueled by imagination and determination. Entrepreneurs are people who have the ability to turn limited resources into a successful business venture through perseverance, ambition, and calculated risks. As defined by the Organization for Economic Co-operation and Development (OECD), entrepreneurs are “agents of change and growth in a market economy,” and they can act to “accelerate the generation, dissemination and application of innovative ideas.” (Organization..., p. 11) The most influential force driving an entrepreneur is the organizational thought process behind the business venture; it is not the magnitude of the venture that makes it entrepreneurial but rather the spirit and motivation for doing it.

Entrepreneurs have been necessary since the beginning of civilization for their ability to bring new ideas, goods, and services to the marketplace. Throughout this time entrepreneurs have continually identified market demands and satisfied them through invention, innovation, and imagination. However, the task of identifying entrepreneurial traits becomes much more arduous when one attempts to apply the concept of entrepreneurship to a country. What makes the people of a country, in the collective sense, entrepreneurial, and how does one measure this level of entrepreneurial activity? Each country has its own set of practices, traditions, and views. As a result, determining what makes a country entrepreneurial without obscuring the country’s distinctive features is difficult and has only recently been attempted with systematic methods. What factors most influence the entrepreneurial level of a country?

In this paper I identify the factors that influence entrepreneurial activity with respect to Switzerland in an attempt to gain insight into the Swiss level of entrepreneurial activity. The Swiss have the resources, capabilities, and
opportunities necessary to engage in widespread entrepreneurial activity; yet the level of entrepreneurial activity is low. The rate of formation of new companies as a percentage of existing companies is 6.3 percent in Switzerland. This compares to 11.4 percent in the United States and 9.9 percent for the European Union (EU) as a whole. (Union..., p. 11) I will argue that Switzerland’s low ranking in this category is primarily a result of its collective cultural outlook on the pursuit of entrepreneurial activities—a propensity to be risk averse and a fear of failure.

Research Model

For the purpose of this paper, entrepreneurship is defined as any attempt at a new business organization or expansion of an existing business by an individual or a team of individuals. This definition was used in a recent study by the Global Entrepreneurship Monitor (GEM), an international research team set up in a collaboration effort between the London Business School and Babson College, to analyze the complex relationship between entrepreneurship and economic growth. The GEM study compared the level of entrepreneurial activity in ten countries, including many throughout Europe, the United States, and Japan. (Reynolds et al., p. 3) The study attempted to determine exactly what makes a country entrepreneurial by identifying those factors that consistently influence entrepreneurial activity within a country.

The GEM study argues that assessing the factors that make a country entrepreneurial calls for a deep understanding of the country itself coupled with a range of qualitative assessments. It then proposes a method of measurement that looks at six key factors that vary in terms of their causal proximity to start-up rates. Of the six factors, the two factors that matter most in accounting for differences in entrepreneurial activity among countries are:

1. Entrepreneurial opportunity,
2. Entrepreneurial capacity.

These two factors, in turn, are affected by the remaining four factors:

3. National infrastructure,
4. Demography,
5. Education,
6. Culture.

Admitting that there is overlap among these additional four factors, GEM concedes that it is unable to determine the independent influence of each factor until a greater number of countries can be studied for a longer period of time. (Reynolds et al., p. 19) I will discuss each of these factors below.

Entrepreneurial opportunity

The entrepreneurial opportunity that a country has greatly influences the level of its entrepreneurial activity. Any entrepreneurial initiative springs from a sense that a genuine market opportunity exists for the product or service that a new firm may provide. As described by GEM, market opportunity is, in a fundamental sense, the wellspring of entrepreneurship. (Reynolds et al., p. 19) Identifying the degree to which citizens recognize opportunity is crucial to understanding the level of a country’s entrepreneurial activity; however, measuring the extent to which the citizens of a country perceive entrepreneurial opportunity poses a substantial challenge.

Entrepreneurial capacity

The capacity for being entrepreneurial is not simply marked by one trait; rather it is a collection of characteristics that provide the ability to recognize an entrepreneurial opportunity and start a business. The two most crucial traits that make up entrepreneurial capacity are the motivation and skill to take advantage of the entrepreneurial opportunity. GEM explains that entrepreneurship is the point at which entrepreneurial opportunity and entrepreneurial capacity meet. It is quite possible to imagine a situation rich in opportunity but impoverished in terms of entrepreneurial activity simply because few individuals have the motivation to do anything about the opportunity. (Reynolds et al., p. 21) Jeffery Timmons, a professor at Babson College who is internationally known for his work in new ventures, identifies the relative importance these two factors have on entrepreneurial activity when he states in The Entrepreneurial Mind: "Entrepreneurship is initiating, doing, achiev-
ing, and building an enterprise or organization, rather than just watching, analyzing, or describing one. It is the knack for sensing an opportunity where others see chaos, contradiction, and confusion.” (Timmons, p. 1)

**Infrastructure**

The infrastructure of a country provides an environment for its citizens to obtain financial support, land, facilities, employees, supplies, government assistance, utility costs, good transportation, tax concessions, subsidized loans and any other item or component required in producing goods or services. GEM recognizes a pattern suggesting that four aspects of infrastructure appear to have what it calls a systematic relationship to variations in entrepreneurial activity: the availability of equity financing, the availability of suitable professional services, the potential for research and development transfer within a country, and the flexibility of domestic labor markets. GEM believes that a modest improvement in these aspects of infrastructure would produce a modest improvement in national entrepreneurial activity. GEM concludes, however, that many dimensions of infrastructure do not have any significant impact on the level of entrepreneurial activity. These non-influential dimensions are: the availability of debt or loan subsidies; good legal, accounting and banking services; access to the physical infrastructure; complications with government regulations, taxes and licensing procedures; and internal market openness. GEM also notes that among those infrastructure factors that make no difference are government policies.

Proactive government policies are unable to provide the changes required for enhancing a nation's level of entrepreneurial activity. (Reynolds et al., pp. 22-23)

**Demography**

An examination of the demographic make-up of a country is important because those engaged in starting a business represent a small minority of the population. Identifying which population groups most commonly start businesses gives insight into the level of entrepreneurial activity. Three demographic dimensions identified by GEM as influencing entrepreneurial activity are the age structure of society, the level of participation by women in the entrepreneurial process, and anticipated population growth. GEM's research on its adult population sample suggests that men are much more active in start-ups than women and that the levels of activity are highest for those 25-44 years old. The research also suggests that in the three countries of the GEM study with the highest entrepreneurial activity, women participate at 58 percent of the rate for men — a rate that declines to 31 percent in the countries with the lowest entrepreneurial activity. The last demographic dimension to have a significant influence on entrepreneurial activity is an expected increase in a certain segment of the population. An expected population increase might lead to an increase in start-ups to supply goods or services to this market segment. (Reynolds et al., pp. 23-26)

**Education**

A large part of being a successful entrepreneur is having the training and know-how to accomplish the venture. This ultimately relates to the overall quality of education that a country can provide for its people. The GEM study found that there is a high correlation between the number of start-ups and the number of people in a country with a post-secondary or tertiary level of education. As GEM puts it simply, the greater a country's education at the tertiary level, the higher the rate of new firm formation. (Reynolds et al., pp. 26-29)

**Culture**

The last factor significantly influencing entrepreneurial activity is a country's culture. The culture of a society is a major force defining the thoughts and activities of its people. GEM points out that no matter how rich a
country is in opportunity and how well-endowed it is with the capacity for business start-ups, the extent to which society regards the pursuit of entrepreneurial opportunity as socially legitimate largely impacts the level of entrepreneurial activity. (Reynolds et al., pp. 29–31) There can be opportunity, education, people, and the proper infrastructure necessary to engage in entrepreneurial activities; however, without the assurance from society or a natural desire to pursue it, there will be little or no entrepreneurial activity.

Entrepreneurship in Switzerland

With a comprehensive research model established, I now turn to an investigation of the level of entrepreneurial activity in Switzerland. I have utilized two sources of information for my investigation. The first is a short questionnaire that I distributed to a small group of people whom I identified as having considerable knowledge of the economic and entrepreneurial environment of Switzerland. The questions are similar to the ones asked by GEM in its report measuring the same factors. Among those polled were professors, scholars, bankers, and business people who had participated in question-and-answer periods during the Martindale group’s research trip to Zürich, Lausanne, and Geneva, Switzerland, in June of 1999. Others were professors and business people working at the Institute of Small Business and Entrepreneurship at the University of St. Gallen, the International Institute for Management Development (IMD) in Lausanne, and the École Polytechnique Fédérale de Lausanne (EPFL). The questions were aimed at gaining an understanding of the subjective factors influencing the entrepreneurial environment of Switzerland which can only be measured by gathering data on how the Swiss think, react, and adapt to their business environment. I distributed 40 questionnaires, and 10 were completed and returned. The group polled by no means represents a scientific sample, but can better be described as a convenience sample. (A list of the questions asked can be found in the Appendix.)

For my research I also used statistics provided by the Swiss Federal Statistics Office, the Union of Industrial and Employers’ Confederations of Europe (UNICE), the Organization for Economic Co-operation and Development (OECD), and related publications. I applied information gathered from these sources and from my questionnaire to each of the six factors identified by GEM as having significant influences on the level of entrepreneurial activity with reference to Switzerland.

Entrepreneurial Opportunity In Switzerland

For the first GEM factor, I measured the perceived level of entrepreneurial opportunity in Switzerland with questions from my survey. Using a five-point scale, those Swiss whom I surveyed were asked if they agreed with the statement that in the next six months (November 1999 – April 2000) good opportunities will have developed for starting a new business in Switzerland. Among the respondents, two strongly agreed, six agreed, and two disagreed. I measured the same factor indirectly by asking whether they thought that many people can react quickly to good opportunities for a new business. Five people disagreed, four were not sure, and one agreed. Those Swiss polled seem to feel that entrepreneurial opportunities are recognized in Switzerland. Again, GEM has emphasized how crucial it is to recognize opportunity in its finding that the level of perceived opportunity for entrepreneurial initiatives is dramatically higher in the most entrepreneurially-active countries. (Reynolds et al., p. 20)

Entrepreneurial Capacity In Switzerland

By researching the various factors that define Switzerland’s capacity to achieve high levels of entrepreneurial activity, one is able to more fully understand the potential of the Swiss business environment. In my survey I therefore asked several questions aimed at measuring Swiss entrepreneurial capacity. Even though the survey evidence suggests that the Swiss seem to recognize entrepreneurial opportunities, the responses from the following questions show they might not have sufficient capacity to act upon those opportunities. When the survey recipients were asked if the people
who recognize a good opportunity have the skills to take advantage of it, the responses were mixed. Half said yes, and half said no. Another question asked in the survey was whether one sees more good opportunities than there are people able to take advantage of them; two respondents strongly agreed, six agreed, and two disagreed. Clearly, the above results are inconclusive and suggest that further investigation is necessary. As GEM explains, in countries where the potential and motivation to start a new business are weak, the level of start-ups will be low regardless of the public’s perception of the availability of good opportunities. (Reynolds et al., p. 22)

Infrastructure of Switzerland

As previously discussed, infrastructure consists of the components required to produce goods or services. Since infrastructure is made up of many tangible and intangible components, they are often difficult to precisely define. Availability of land, facilities, employees, suppliers, and good transportation make up the tangible or physical infrastructure of a country. The intangible components of infrastructure include the availability of financing, government assistance, utility costs, tax concessions, and subsidized loans. GEM’s findings indicate that four dimensions of a country’s infrastructure are especially important in influencing the level of entrepreneurial activity: availability of equity financing in the country, the flexibility of the domestic labor markets, availability and costs of professional services, and potential for research and development (R&D) transfer within a country. (Reynolds et al., pp. 22–23) I will discuss each of these in turn.

Availability of Equity Financing

A well functioning capital market is important for entrepreneurs. The Union of Industrial and Employers’ Confederations of Europe (UNICE) contends that countries need access to high quality banking products, different types of debt and equity capital, innovative risk management products and expert financial consultancy support. UNICE also notes that entrepreneurs require different forms of capital at different stages in the development of the company. In Switzerland there is a large amount of investment in equities by financial institutions. Financial institutions contribute over 50 percent of total institutional investment. However, significantly less of this capital is invested in “very risky” venture capital funds. In Europe, regulatory and cultural factors limit investments by financial institutions in private equity and in the venture capital market. (Union..., p. 22) As William Hall explains in the Financial Times, there are several reasons for Switzerland’s poor showing. Its economy is dominated by a few multinationals, such as Novartis, ABB and Nestlé. Swiss investors also have a tradition of being risk-averse. (Hall, p. 9) This tendency notwithstanding, there are signs that Switzerland is changing its attitude toward private equity investing. Recently Switzerland’s big companies have been aggressively restructuring their portfolios in a bid to boost their profitability, and this has provided a rich vein of business opportunities for private equity investors. According to Hall, Switzerland has some growing venture capital firms which could eventually challenge the dominance of the Anglo-American venture capitalists who have profited from Switzerland’s embracing of private equity investments. (Hall, p. 9)

In the survey I undertook, I addressed the matter of the availability of venture capital by asking the respondents whether they agreed that it was easy for firms to obtain financial support through business incubators or science parks. Of the Swiss polled, four agreed, three disagreed, and two said that they were not sure. Those polled were also asked if they agreed that private individuals provide major financial support for new and growing firms. Of the respondents, six disagreed and four agreed. The mixed results of my small sample suggest that although venture capital support exists, its availability may not be fully recognized.

The Flexibility of Domestic Labor Markets

Over the past 30 years, the term “labor market flexibility” has taken on a variety of meanings in OECD countries. As stated by former U.S. Secretary of Labor Robert B. Reich in
his remarks at the International Labor Organization High Level Meeting on the World Summit for Social Development, “Rarely in international discourse has the term labor market flexibility gone so directly from obscurity to meaningless without any intervening period of coherence.” (Reich) The term has been viewed as a solution to rising unemployment but also as an attack on social standards. In an attempt to make labor markets more flexible and efficient, governments have used a variety of programs. Some are targeted at strengthening employment services, while others are aimed at strengthening worker training programs. Several countries have encouraged greater geographic mobility. (Brodsky, p. 1) The sudden slump in the Swiss labor market of the 1990s made it necessary for Switzerland to alter its labor market policy and to focus on the improvement of qualifications of the unemployed. (Weber and Wolter) Unemployment in Switzerland is primarily a problem for those Swiss with few skills, for foreigners who generally have poor qualifications, and for French/Italian-speaking Swiss. (“Swiss Statistics...”) The effects of increased unemployment, however, have also been significant in that it has acted as a psychological shock, causing a notable drop in the perceived level of job security. (Wolter)

Perhaps the most serious problem in the Swiss labor market is the geographic immobility of Swiss workers caused by Switzerland’s three main ethnic regions — German, French, and Italian (65 percent, 18 percent, and 10 percent of the population, respectively). (“Swiss Statistics...”) As noted by Francois Grin and Claudio Sfreddo in an article in the International Journal of Manpower on language-based earnings differentials, Switzerland is often mentioned as an unusual “success story” in terms of its handling of linguistic and cultural diversity. (Grin and Sfreddo) However, there are also some negative aspects to Switzerland’s cultural diversity. As one respondent to my survey stated, the people of each ethnic region have a different culture, making Switzerland a unique country. The psychological costs of moving long distance to a new job are substantial because friends, neighbors, and community support systems must be given up. Such factors inhibit geographic migration. (Ehrenberg and Smith, p. 577) As a result, entrepreneurs might have difficulty attracting workers from outside their region, and this could be problematic for a struggling start-up firm if the demand for workers with a particular skill is greater than its supply.

Lastly, two additional factors that negatively affect the Swiss labor market are the principles and main objectives of the Swiss migration policy. Considering Swiss migration policy is important because the proportion of foreigners in Switzerland is the second highest of all OECD countries: 18 percent of the total population and 22.4 percent of the workforce in 1990. The objectives of Swiss migration policy are defined in the Federal Law of Abode and Settlement of Foreigners, which was enacted in 1931. As stipulated by this law, the maximum numbers of foreigners holding yearly, seasonal, and short-duration permits are set at both regional and federal levels. Accordingly, the mobility of yearly, seasonal, and short-duration workers is restricted. Those workers cannot readily change employers, occupations, or cantons. Before offering employment to foreigners, employers must also have proved that no Swiss are willing to take the job at the working conditions current for the occupation and the region. Still another restriction of the law is that the seasonal immigrant may not bring his family. The aim of this provision is to prevent permanent settlement and to encourage the rotation of foreigners. (Coulon) Taken together, these restrictions make it more difficult for Swiss entrepreneurs to employ the large proportion of foreigners living in Switzerland, thereby decreasing the flexibility of the Swiss labor market.

Availability of Professional Services

The availability of business services is important to entrepreneurs inasmuch as they enable companies with opportunities to gain access to expertise in such areas as law, finance, accounting, and marketing. Eight of the ten...
respondents to my survey agreed that it was easy for new and growing firms to get good professional, legal, and accounting services in Switzerland. The availability of people with scientific and technical skills is also a critical determinant of success for many companies. Proportionally, Switzerland has many more science graduates than other European countries, and the number of scientific researchers working in business per 10,000 of the labor force is 32, compared to 23 for Europe as a whole and 59 for the United States. (Union..., p. 35)

Potential for Research and Development Transfer

In per capita terms, Switzerland's expenditure on research and development in higher education is the highest of all countries in Europe. Switzerland annually spends €141 per capita on such R&D as compared to 65 for the EU as a whole and 98 for the United States. (Union..., p. 13) The ability to transform new scientific knowledge into products and services is important for entrepreneurs. Often start-ups spring from the knowledge discovered at universities. With a high level of expenditure on research and development at educational institutions, Switzerland provides significant opportunity for start-ups to occur. In my survey I asked whether new and growing firms had as much access to new research and technology as large, established firms. Of those responding, half said yes and half said no.

Cartels have been a feature of the Swiss infrastructure that has had a negative impact on entrepreneurial activity. Throughout much of Switzerland's history, weak antitrust laws have allowed cartels or monopolies to restrict the openness of domestic markets. Cartels are institutions that through agreements, decisions, and legally unenforceable arrangements influence the market for certain goods and services by collectively restricting competition. In particular, cartels regulate the production, sale, or prices of goods in the market. (Pestalozzi et al., p. 380) Switzerland is a country with a long history of cartels; it is therefore surprising that compared to other countries, antitrust law has not played a major role in Swiss business law. For one thing, the Swiss Federal Constitution does not provide for any prohibition of cartels. (Pestalozzi et al., pp. 381–95) Public opinion on the matter of whether cartels should be legal varies from person to person, however. Perhaps the basis for the practice of unfair competition can best be explained in the words of one Swiss businessman who commented in my survey:

Cartels still exist today but are not professional organizations anymore, but rather clubs with a high social standing. At the end of the day the Zünfte (cartels) are an expression of a specific character trait of Swiss people which probably has its roots in the 800 years of direct democracy in Switzerland: the wish to organize the different aspects of life through consensus and not through conflict.

Recognizing the undesirability of widespread cartellization, the federal government has recently reformed the Swiss Cartels Act. A new Cartels Act became effective on July 1, 1996. Unlike the practice in other OECD countries, the new law does not prohibit cartels as such because this would have required a time-consuming amendment to the constitution, and thus a referendum. Instead, the new Cartels Act prohibits the elimination of effective competition. The law contains the presumption that agreements setting prices, production volume, or territorial distribution eliminate effective competition and accordingly prohibits such agreements. (OECD..., p. 68) The effects, however, of the long-standing tradition of cartels have not disappeared and still restrict the motivation for the Swiss to engage in competitive entrepreneurial activities.

Demography of Switzerland

As mentioned earlier, GEM identified three demographic dimensions that influence entrepreneurial activity: the age structure of a population, anticipated population growth, and the level of participation by women in the entrepreneurial process. (Reynolds et al., p. 23) By examining how Switzerland fits these three demographic dimensions, we can see the effect that Switzerland's demography might have on its level of entrepreneurial activity. GEM's research suggests that those who initiate start-ups are most likely to be between 25 and 44
years old. Based on the Swiss demographic information available, in 1998 29.6 percent of the Swiss people were between the ages of 20 and 39. ("Swiss Statistics") This statistic seems to imply that a reasonably large percentage of the Swiss population fits the range of ages identified as most likely to start a business.

One notable population growth trend in Switzerland is the increasing proportion of Swiss over the age of 64. This trend, however, is similar to that in most other countries. The proportion of Swiss over 64 years made up 15 percent of the population in 1999, a figure that is estimated to increase to 20 percent within the next 50 years. ("Swiss Statistics...”) It is true that there will be lower percentages of people of working age in the years ahead; however, with an increase in the number of people over the age of 64, there will be new and larger markets emerging for this growing segment of the population.

Lastly, it is important to consider the number of women who participate in entrepreneurial activities. Among the 10 countries investigated by GEM, Switzerland has one of the highest percentages of women who are self-employed. The self-employment rate for women is 50 percent of the rate for men. ("Swiss Statistics...”) GEM’s research shows that in countries with the highest rates of entrepreneurial activity, women participate on average at 58 percent of the rate for men; this figure declines to 31 percent in the countries with the lowest rates of entrepreneurial activity. (Reynolds et al., p. 24) Switzerland’s high proportion of women who are self-employed is clearly conducive to a high level of entrepreneurial activity. In my survey, I addressed this issue directly by asking if the respondents agreed that women were free to start a business without social or domestic difficulties. Of those who responded, eight out of ten agreed that women were indeed free to start a business. Since on average men are paid higher wages than women, one explanation for this difference in participation rates could be that women choose self-employment to compensate for lower wages.

It is not surprising that proportionally more men are self-employed than women in Switzerland. This is the case in virtually all countries. However, the large percentage of Swiss women participating in entrepreneurial activity is unusual in comparison to most neighboring countries in Europe. From a demographic perspective, then, Switzerland’s statistics in all three demographic dimensions — the age structure of the population, anticipated population growth, and the level of participation by women in the entrepreneurial process — seem conducive to higher levels of entrepreneurial activity.

**Level of Education in Switzerland**

It has been argued that entrepreneurial activity will only take place when there are people with the skills and the knowledge to initiate it. Therefore, assessing the Swiss educational system is important. The Swiss educational system is best described as a federal system with the 26 cantons each having basic responsibility for schools. Depending on the canton, there are two, three, or four different types of lower secondary schools to match performance requirements. Schools receiving the most public expenditure are primary schools, vocational schools, and universities; however, the Swiss education system is changing. In recent years, the demand for schools to provide a general education has reduced the demand for vocational apprenticeships. These effects are due in part to the higher prestige associated with a university degree as well as to the fact that many students would like to postpone their career decisions until after upper secondary school. (Wettstein, p. 25)

As mentioned earlier, GEM’s research indicates that countries with high start-up rates have much higher percentages of people with education beyond the secondary or high school level. In 1998, 61.5 percent of Swiss women completed secondary education compared to 53.1 percent of Swiss men. However, 29.7 percent of men completed education past the secondary or high school level as opposed to only 12.8 percent of women. ("Swiss Statistics...”) In the survey I undertook, I asked if the quality of teaching at the state-required or secondary education level provided adequate instruction in market economic principles. Half of the respondents said yes, and half said no. In contrast, seven out of ten felt that instruction at
the tertiary or university level of education did provide adequate instruction in market economic principles. It should be noted, though, that Switzerland has several university-level institutions with excellent international reputations, including the University of St. Gallen, the International Institute for Management Development (IMD) in Lausanne, the École Polytechnique Fédérale de Lausanne (EPFL), and Technische Hochschule (ETH) in Zürich. Except for ETH, each of these institutions offers programs of study in entrepreneurial education.

More and more Swiss can be seen to be capitalizing on their research discoveries, as indicated by the number of patent applications filed in Switzerland. The research and development that is taking place at universities also create opportunity for technological “spin-offs” which, in many cases, begin with a student or faculty member patenting an idea. In 1996 the average number of patent applications by domestic residents in Switzerland was 3.8 for every 10,000 of the population. This compares to an average of 4.0 for the United States and 2.6 for the EU as a whole. (Union..., p. 25) Switzerland clearly compares favorably to other countries with respect to residents applying their technical knowledge and trying to capitalize on intellectual property ownership.

Whereas education in Switzerland up to and including the tertiary level is for the most part state-controlled and state-financed, just the opposite is true in the area of continuing education. For the most part the teaching of skills of a company-specific nature would be financed by firms, this type of knowledge being exclusively to their own benefit and clearly of no value to other firms once a worker leaves the organization. However, a strict separation has proven impossible to maintain, and an increasing amount of “free riding” has become inevitable, with a corresponding reduction in company investments in their own employees. (Weber and Wolter) Consequently, the amount of continuing education provided by firms in Switzerland is low.

There is some evidence as to why employees themselves pay little attention to continuing education. While most people are aware that they face unemployment without the skills and qualifications required by the labor market, there is a disparity between labor market requirements and individual behavior. According to Weber and Wolter, it is only the highly skilled Swiss workers who are given the financial incentives by employers to continue their education. (Weber and Wolter) This leaves the majority of unskilled Swiss workers with little incentive to do so.

Except for the small proportion of its population engaging in continuing education, the facts described above indicate that Switzerland appears to have a well-functioning educational system that is capable of producing the skills and knowledge required for people to start a business. As a result, from this standpoint Switzerland would appear to have the capacity to become a nation with a high level of entrepreneurial activity.

**Swiss Culture**

The role that cultural forces play with respect to entrepreneurial activities in Switzerland is powerful and deeply rooted in personal life. Many Swiss seem to refrain from entrepreneurial activities because of a culturally-driven fear of failure. As William Hall explains, the Swiss have a tradition of being risk-averse; and while Switzerland's universities have turned out an above-average number of Nobel Prize-winning scientists, they have not produced many entrepreneurs. (Hall, p. 9) In any country, social and cultural values, along with social, economic, and political institutions, legitimize and encourage the pursuit of entrepreneurial opportunity. (Reynolds et al., p. 29) Even though, comparatively speaking, Switzerland appears to possess many of the factors identified by GEM as conducive to high levels of entrepreneurial activity, its people seem to refrain from widespread entrepreneurial initiatives.

The long-standing reputation of the Swiss as being-risk averse, characteristics directly at odds with the fundamental nature of entrepreneurs, is evident both from various conversations with Swiss residents while visiting Switzerland and while conducting my research afterward. For example, one Swiss entrepreneur described Switzerland's attitude toward business in this way: "In the economy the Swiss think that things should be organized in consensus
and in order, instead of through pure competition — one fighting against the other.” Many Swiss attribute their risk-averse nature to a fear of failure. One survey respondent stated that when a bankruptcy occurs, the person’s name is published in the local newspapers so that all those who have claims against the debtor can come forward. Furthermore, the deleterious effect on a family name that results from a bankruptcy can often persist for several generations.

In an attempt to understand why there is so little desire among the Swiss to pursue entrepreneurial activities, I asked several related questions in my survey. When asked if most people consider attempting to start a new business a desirable career choice, eight out of ten of the respondents felt that it was not desirable. In contrast, however, seven out of ten polled felt that starting a new business in Switzerland was a respected pursuit. The incongruity of these results is somewhat surprising.

A major characteristic of the Swiss economy is its dominance by large multinational companies. As a result, the Swiss have few examples of successful entrepreneurs. In my survey I asked if the respondent often saw stories in the public media about successful new business organizations or business expansions. The responses were equally divided, with 5 saying yes and 5 saying no.

In general, in countries where the motivation to be entrepreneurial is high, start-up rates are also high. It therefore seems axiomatic that Switzerland should undertake greater effort to collectively encourage entrepreneurial activities at the cultural level if the Swiss are to become more active entrepreneurs. Many of the comments made by the respondents to my survey indicate that more Swiss seem to be taking entrepreneurial risks; yet many felt that there should be even more.

**Conclusion**

The Swiss have many of the resources, capabilities, and opportunities necessary for substantially increasing the number of start-ups. Those factors having the greatest positive influence seem to be the high level of education, dynamic infrastructure, and high percentage of women participating in entrepreneurial activities. Yet the level of entrepreneurial activity remains low. Of the six factors identified by GEM that influence entrepreneurial activity, it seems to be Switzerland’s “risk-averse” culture and fear of failure that might be the biggest reason for the low number of start-ups. After all, entrepreneurs are known for their ability to turn limited resources into successful business ventures. While it is true that Switzerland’s progress in the areas of entrepreneurial education and the increasing number of venture capital sources will aid in fostering more entrepreneurship, Switzerland must collectively remove the deeply-rooted fear of entrepreneurial failure if it is to increase start-up rates by a significant order of magnitude.

**Appendix**

**Survey Questionnaire**

IMPORTANT: All responses and information will be treated as confidential. Analysis will focus on statistical results and no specific individual will be identified or discussed in any materials made public.

PLEASE CIRCLE ONE RESPONSE TO EACH QUESTION.

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1. In the next six months good opportunities will have developed for starting a new business in Switzerland.
2. In Switzerland, one sees more good opportunities than people able to take advantage of them.

3. In Switzerland, opportunities to create a truly high-growth firm are rare.

4. In Switzerland, people who recognize a good opportunity have the skills to take advantage of it.

5. In Switzerland, many people have experience in starting a new business.

6. In Switzerland, many people can react quickly to good opportunities for a new business.

7. In Switzerland, private individuals provide major financial support for new and growing firms.

8. In Switzerland, it is easy for firms to obtain financial support through business incubators or science parks.

9. In Switzerland, it is easy for new and growing firms to get good, professional legal and accounting services.

10. In Switzerland, new and growing firms have just as much access to new research and technology as large, established firms.

11. In Switzerland, people are discouraged from starting a new business because of bureaucratic obstacles in their working environment.

12. In Switzerland, women are free to start a business without social or domestic difficulties.

13. In Switzerland, the quality of teaching at the state required education level provides adequate instruction in market economic principles.

14. In Switzerland, the quality of teaching at the college and university education level provides adequate instruction in market economic principles.

15. In Switzerland, most younger people believe they should not rely too heavily on the government.

16. In Switzerland, most people consider an attempt at a new business organization or the expansion of an existing business a desirable career choice.

17. In Switzerland, starting a new business is a respected occupation.

18. In Switzerland, one will often see stories in the public media about successful new business organizations or business expansions.

For the purpose of this questionnaire entrepreneurship will be defined as “any attempt at a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business.”

Please provide a general statement of your impression of the level of entrepreneurial activity in Switzerland.
REFERENCES


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