

FAILURE IS AN OPTION

by Joel Kurtzman

Recently, I gave a series of talks in Spain about entrepreneurship, based on research I conducted on 600 start-up companies in the United States, Canada, the Scandinavian countries and Israel. These countries produce start-ups the way gardens grow weeds. They outpace the rest of the world and fill the Nasdaq and other exchanges with listings.

Spain is interested in start-ups because it sees entrepreneurship as a way to bring down its high unemployment rate and jump-start its economy. It makes sense. Sam Walton's little start-up, Wal-Mart, now employs 2.1 million people and buys just under 10 percent of China's exports to the United States. Entrepreneurship can make a big difference locally. Steve Jobs of Apple, Bill Gates of Microsoft and Ingvar Kamprad of Ikea raised the standard of living globally.

But here's the tough part: Aside from access to plentiful sources of capital, it's not exactly easy to find a reason that the entrepreneurial hotbeds of the world take off.

Take, for example, the United States. It is a highly individualistic, stable, low-personal-tax country. It has flexible labor laws that enable entrepreneurs to hire and fire as they like, especially in the early phases of growth. It has a huge market with lots of consumers enamored with shiny new things. Because of its taxation policies, entrepreneurs get to keep more of the value they create than entrepreneurs in other big countries. These reasons and a vibrant venture-capital sector create a culture where start-ups are a way of life.

But wait a minute. The Scandinavian countries, which produce lots of start-ups in a wide range of sectors — from telecommunications and software to retailing, machines and equipment, agriculture and even vehicles — are not like the United States at all. They have high personal income tax rates, a socialistic orientation to their economies, and tiny domestic markets. They're among the least individualistic societies. And yet, these countries have given birth to a wide range of new companies that have made the region a star performer on the World Economic Forum's Competitiveness Index.

Israel, which produces more start-ups per capita than any other country, especially in the high-tech and software sectors, is more like the Scandinavian countries than it is like the United States. It is a group-oriented, high-tax country with an extra set of complica-

tions resulting from uncertainties over its final borders, coupled with boycotts of its products and the constant threat of war. You wouldn't think that would lead people to start companies, but it has had that effect.

Canada might be called Scandinavia-light. Canada is a more individualistic place than Sweden or Denmark, but it has higher taxes and less flexible labor laws than the United States. Its domestic market is much more regulated than the United States and far smaller. And yet, the constant parade of new Canadian companies continues to amaze.

No one can argue with the facts. Americans, Canadians, Scandinavians and Israelis create companies. And yet, it's difficult to find the common thread. Or is it?

What's interesting about entrepreneurs is that no matter where they reside, they embody what Gary Burnison, chief executive of Korn/Ferry, identifies in his book "No Fear of Failure: Real Stories of How Leaders Deal With Risk and Change" as the capacity to learn from failure. In other words, what the countries with high rates of start-ups have in common is a widespread belief that failure is not such a terrible thing. When it happens — and it does, from time to time — entrepreneurs pick themselves up and start over again.

High entrepreneurship countries tolerate people who are willing to take risks with their money, ideas and careers.

You can't exactly tell countries that the way to foster entrepreneurship is to be more tolerant of failure. Cultures take time to develop and values run deep. But you can celebrate those who succeed by showing that the way up is more like a hike in a mountainous woods than a ride on an elevator. Prizes for taking risks help, and so do case studies.

More and more, entrepreneurship and innovation are at the heart of competitiveness, in countries, communities and companies. To really do it right means taking risks. That's true in this phase of the recovery, when resources are still in short supply. But what is the greatest risk? It's taking no risks at all. 

