

1. Executive summary

Over the next few years Spain will need to produce around half a million new entrepreneurs in order to ensure the sustainable development of the Spanish economy. Only on this basis will it be possible to meet the two major challenges currently facing Spain: creation of employment and the modernisation of the country's productive structure and apparatus. While the public sector can, to a certain extent, drive the labour market by creating a favourable environment, it cannot, however, generate the necessary level of employment without causing, in the attempt, serious imbalances in the shape of debt and budgetary instability.

This message must be clearly conveyed to the whole of Spanish society, which holds entrepreneurs in low esteem – even more so, and unfairly, in this time of crisis – in comparison with the other countries of Europe. This is why it is **essential to undertake an effort to explain more effectively the true economic and social importance of entrepreneurs: they create jobs, wealth and well-being and, at the same time, act as agents of innovation and progress.** This effort should be undertaken within the framework of a solid, coordinated plan of structural reforms. While the effects will only be fully appreciated in the medium to long-term, they will, in the short-term, give rise to valuable benefits in the form of credibility and confidence in economic policy.

More than a year ago now, *Círculo de Empresarios*, an association of businessmen, had already outlined some of these ideas in the document titled *Entrepreneurial Spirit: Crucial for Tackling the Economic Crisis in Spain*. This publication, circumscribed within a series of studies that our association has dedicated over the past few years to proposals for reforming Spain's productive model, highlighted that **cultural conditioning factors pose a serious obstacle to the development and deep rooting of entrepreneurial spirit on a larger scale in our country.** Among these conditioning factors, one particular cause for concern was noted: a markedly ambivalent attitude towards the prestige and social recognition of entrepreneurs and their activity, which is something that does not exist in other developed countries. This shows the extent of the ignorance about the true value of enterprise. Events in past months surrounding the economic recession, in which we are still immersed, have only caused more confusion on this front.

All this constitutes a problem for the Spanish economy, and its importance does not seem to be adequately recognised in the public debate. **From a social standpoint, there is no clear perception that entrepreneurs are part of the solution.** Our country needs to generate employment. Moreover, from a long-term perspective, Spain needs to find and consolidate a new productive structure to substitute the specialisation model, which has run its course and is becoming increasingly less competitive. **In order to create jobs and to push ahead with this**

transformation, we need more entrepreneurial spirit, more entrepreneurs and companies that are capable of creating wealth and employment through innovation, modernisation and the internationalisation of their activities.

In a modern market economy such as Spain, it is the businessmen – entrepreneurs and innovators – who, with suitable training, in the presence of an adequate institutional framework and capitalising on the market’s strengths, discover new ways in which to generate wealth – based on a more efficient use of resources – and shape a more competitive economy. A distorted image of businessmen will only serve to make entrepreneurialship less attractive to the young generations who have the option to embark upon new business projects, with the resulting high cost to the economy, which is in need of ideas, and people willing to put them into practice. Moreover, this distorted image may adversely affect Spain’s ability to maintain its existing business class and its possibilities of attracting talent from beyond our borders for the purpose of promoting business in Spain.

This document has three overriding objectives which are closely interconnected and firmly rooted in the fundamental mission of *Círculo de Empresarios*, namely, the promotion of the virtues of free enterprise and the market economy as mechanisms for generating prosperity. First, *Círculo* wishes to **stress the Spanish economy’s urgent need for entrepreneurs**. Second, it seeks to **portray the true position of entrepreneurs, a key figure in the economy**. To such end, **it aims to contribute to the necessary debate by proposing measures to facilitate business activity** and to bring society’s attitude towards entrepreneurs in line with their important economic and social function. It should not be forgotten that, according to available information, countries with a more positive attitude towards their entrepreneurs are also the ones which enjoy greater economic well-being. **The ultimate aim is to increase the number of new entrepreneurs so that they can drive employment creation and progressively modernise Spain’s productive framework.**

On this basis, the document has been structured as described below. The **first part analyses Spain’s economic situation, concluding that the problems of unemployment and loss of competitiveness can be solved with the appearance of about half a million new entrepreneurs**. The Spanish economy needs catalysts to make it more dynamic. The resulting improvements and innovations will lead to balanced growth, which will not only provide employment for millions of people but will also be self-perpetuating due to constant increases in productivity. As recent history shows, that is, the almost fifteen years of growth prior to the current crisis and the second half of the last century, a substantial business factor had to figure in any formula for such ambitious objectives to be achieved.

The **second part** examines the **social image of entrepreneurs in Spain** and looks into some of the reasons for this ambivalent attitude. More specifically, there is a discussion on the cultural, historical and economic factors that have displaced entrepreneurs from their rightful place in society. Elements such as stigmatization of failure, distrust of successful business people or preference for a salaried position with job security under the protection of the Public Administrations over self-employment have negatively affected Spain's attitude towards entrepreneurs, which hinders recognition of the main characteristics of entrepreneurialism: courage in the face of risk, independence, job creation, innovation, leadership, and so on. Fortunately, behind this ambivalence, glimpses of a more positive attitude have been discerned, which should be encouraged through the conveyance of a more realistic image of business owners.

Finally, the document concludes with a series of proposals which aim to provide a more accurate reflection of the true position of entrepreneurs and to create favourable conditions in which to foster entrepreneurialism and enterprise, for the purpose of driving recovery of a sustainable level of growth and job creation. There is clearly a connection between this document and the one published a year ago by *Círculo* on entrepreneurialism, the bulk of the proposals set out then being equally relevant to this document. Here, however, we have only dealt with the aspects set out below, all of which are interconnected and combine substantial reforms, with effects in the medium to long-term, with more immediate measures, which are essential given the urgent need to solve the problem of unemployment:

- **Structural reforms** – education system, labour market, regulation of the markets, stable public finances, etc. –, which *Círculo* has been advocating for years, are vital for the emergence and consolidation of a productive model which guarantees sustained levels of growth. Moreover, these reforms, if undertaken on the basis of a well articulated, coherent and rigorous plan, will boost confidence in the country, attracting investment and activity. In the light of this document, these reforms would make the economy more dynamic, and bring the social value of business owners to the fore. Further, they would encourage more people to set up their own business, and act, at the same time, as a more attractive incentives scheme for business activity. In this way, entrepreneurs would drive economic development which, in turn, would encourage others to venture out, like a virtuous circle.
- The **education system** should produce business-minded people who are fully aware of the contribution made by entrepreneurs to the general well-being. For the purposes of greater insight and efficiency, the business community and the education system should develop closer links. For example, entrepreneurs, through their associations, could

participate in the task of conveying, first hand, the value of their activity, fostering more favourable attitudes towards entrepreneurialship.

- The **media, public institutions and civil society** should also participate, as an exercise of social responsibility, in the common endeavour of attracting people to the profession of being an entrepreneur. The point of departure is a political awareness of the high stakes involved, which culminates in a direct, continuous and constructive exchange between the political and business powers. Through the media, and with the participation of public administrations and private institutions, information campaigns could be organised in order to explain business initiatives and good practices which are to society's advantage. It would also be of interest to set up awareness campaigns designed to eliminate counterproductive attitudes, such as stigmatization of failure and distrust of successful business people. On this point, a legal framework would need to be in place that did not penalise failed entrepreneurs but rather afforded them a second opportunity.
- Finally, Spain must **endeavour to attract talent from abroad**, while creating and employing its own talent. This clearly requires a strategy oriented towards internationalisation on several fronts. First, Spanish universities must become involved in this strategy, attracting teachers, researchers and students. The prestigious business schools in Spain are a valuable reference in this respect. Second, migration policies should set out to attract skilled workers for the purpose of fostering change in Spain's productive structure. Third, the internationalisation of Spanish businesses should be promoted, since the experience acquired abroad and in the context of other business cultures is a valuable asset for Spanish entrepreneurs and managers. Lastly, measures attracting foreign direct investment to Spain should be pursued. In truth, such measures relate once again to the pending structural reforms.

***Círculo de Empresarios*, for its part, wishes to declare its continued commitment, after 33 years of work, to the active promotion of free enterprise and the notion of entrepreneurs as generators of social well-being. Moreover, *Círculo* is always ready to collaborate with institutions that promote the image and social value of entrepreneurs, in keeping with the line set out in this document.**