



Building faster European business success through entrepreneurial readiness

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CLAES-GORAN HAMMAR | GLOBAL MIND

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Published: September 2026

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Thinkingglobal.org

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About the Global Mind

Global Mind is an independent policy research organisation focused on the conditions that shape long-term European economic competitiveness. Its work covers innovation, safety and security, mental health, entrepreneurship and business development, policy design, labour markets, and the institutional structures that connect European ambition to European outcomes.

Global Mind's mission is simple to state and hard to do well: produce analysis that holds up under scrutiny, that ordinary readers can follow, and that policymakers can actually act on. The organisation doesn't represent any single national government, political party, financial institution or commercial interest, and its funding, governance and editorial structure are built specifically to protect that independence.

On method, Global Mind insists on verifiable, source transparent analysis. Every empirical claim in this report traces back to a named, publicly available source, whether that's official statistics from Eurostat or the OECD, European Commission and Parliament publications, peer reviewed academic research, or recognised policy institutes. Where the evidence is contested, incomplete or depends heavily on context, the report says so plainly rather than dressing up uncertainty as fact. The point of all this is practical: policymakers, journalists and other researchers should be able to test, challenge and build on what we've found here, not just take our word for it.

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The aim of the Global Mind is to contribute to the development of the European Union, and it is in that spirit that we hand over this report.

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Foreword

Europe talks about entrepreneurship in the language of ambition: more startups, more scaleups, more unicorns, a stronger position against the United States and China. That ambition is well placed and, as the Draghi and Letta reports have made clear, urgently needed. But ambition on its own doesn't build durable companies. It builds registrations, and too often it builds registrations that were never going to survive contact with a real market, a real balance sheet, or a real customer.

This report grew out of a simple, uncomfortable observation. A significant share of the businesses failing across Europe each year show, in hindsight, clear and identifiable signs that they weren't ready to be started. Not because their founders lacked ambition or courage, but because no one had asked them, honestly and in a structured way, whether they were prepared. We don't think this is an inevitable cost of a dynamic economy. Most of it is preventable.

Global Mind was set up to bring rigorous, independent and pragmatic analysis to the policy questions that decide whether Europe's economic ambitions actually turn into results, and this report is offered in that spirit. It doesn't argue for fewer entrepreneurs, more red tape or a retreat from Europe's startup ambitions. It argues for a more honest starting line, one where aspiring entrepreneurs, their families, their future customers and suppliers, and the public institutions backing them all get a moment of structured reflection before, not after, significant capital, time and wellbeing are put at risk.

Claes-Goran Hammar
Global Mind Partner

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Executive summary

Europe does not have a shortage of new businesses. It has a shortage of businesses that are ready to succeed. Every year, millions of Europeans register a company; a large share of them will not still be trading five years later, and a meaningful number of those closures cause damage that extends far beyond the entrepreneur to families, customers, suppliers, lenders, and the public purse. This report argues that the missing element in European entrepreneurship policy is not encouragement to start, but structured, verifiable readiness before starting.

European institutions have made significant progress on the conditions surrounding business creation. The EU Startup and Scaleup Strategy, adopted in May 2025 and built on the findings of the Draghi and Letta reports on European competitiveness, sets out twenty-six actions across five pillars (regulation, finance, market access, talent, and infrastructure) to help European companies start, scale, and remain in Europe. These are necessary reforms: the EU currently accounts for only around 5% of global venture capital raised, compared with 52% in the United States and 40% in China, and nearly 30% of European “unicorns” relocated outside the EU between 2008 and 2021. Yet none of the Strategy’s five pillars addresses whether the individuals founding these companies are themselves prepared, in knowledge, in financial literacy, in market understanding and in personal circumstance, to build a viable business. This report identifies that gap as founder readiness: the missing sixth pillar of European competitiveness policy.

The scale of the problem is measurable. Eurostat business demography statistics show that while roughly four out of five newly born enterprises in the EU survive their first year, only around 45% survive to their fifth year with wide variation between Member States, from lows near one in four to highs above 60%. A large share of this attrition is concentrated among businesses that, on close examination, were unlikely to succeed from the outset: ventures launched without a validated customer need, without an adequate market, without basic financial literacy, or without the personal capacity, time, health, financial buffer, or family support to sustain the demands of early-stage entrepreneurship.

The consequences of unready entrepreneurship are not confined to the entrepreneur. This report traces the damage across five stakeholder groups: the entrepreneur, who may carry debt, lost time, and health consequences for years afterward, and who is often deterred from ever starting again; families and partners, who absorb financial and relational strain; customers, left without contracted goods or services; suppliers, who go unpaid; and the state, which loses tax revenue and absorbs downstream welfare costs. Chapter 21 works through the arithmetic in detail, but the order of magnitude is worth stating here: a single foreseeably preventable business failure is conservatively estimated to cost twenty to thirty five thousand (20 000 to 35 000) euros once founder debt, lost tax revenue, and downstream welfare costs are added together, a cost multiplied across a meaningful share of the foreseeable failures among the roughly three million enterprises that close in the EU every year. A sixth, more strategic cost is added here: the competitiveness cost. Capital, time, and entrepreneurial talent tied up in ventures without a viable path to success are resources not available to the scalable, innovative companies Europe needs to close its innovation gap with the United States and China.

The report identifies the root causes of unready entrepreneurship across four levels: individual and psychological factors, including overconfidence bias and the tendency to under-invest in market validation; competence and knowledge gaps in financial literacy, planning, and team capability; structural and institutional factors, including the paradox of low barriers to company registration alongside high barriers to banking and finance, and reduced social protection when leaving employment; and a policy-level paradox in which EU and national incentives reward the volume of new business formation more consistently than their long-term viability.

The report's central recommendation is a shift in policy emphasis from startup promotion to startup readiness, not as a barrier to entrepreneurship, but as a filter that improves outcomes for the people who do start, and protects those around them. It proposes a structured pre-start framework built around five dimensions of readiness: understanding and solving a genuine customer need; ensuring the customer understands the business idea; validating that the market is large enough and profitable enough; possessing adequate financial and business literacy; and possessing the personal readiness, knowledge, experience, time, personal finances, health, will, and family or partner support, required to sustain a new venture. This framework is operationalised through "Before starting a business" ("Before Starting a Business"), a pre-start course and readiness verification model that can be integrated into existing national business registration and support systems without adding disproportionate friction for well-prepared founders.

Europe does not need more unprepared business registrations. It needs more successful companies. A more mature European entrepreneurship ecosystem should not only help people start businesses, it should help the right people start the right businesses, at the right time, with the right preparation and support. This is not an anti-entrepreneurial position. It is a pro-success, pro-responsibility, and pro-competitiveness position, and this report sets out the evidence, the framework, and the roadmap to act on it.

PART I - INTRODUCTION AND FRAMING

1. Introduction

1.1 Purpose and scope of the report

This report examines a specific and, until now, under-analysed gap in European entrepreneurship policy: the absence of structured, verifiable preparation before individuals commit capital, time, and personal wellbeing to starting a business. Its purpose is threefold. First, to establish, using official statistics and peer-reviewed research, the scale and pattern of business failure across the European Union, and to show that a meaningful share of that failure is concentrated among ventures that were foreseeably unready at the point of launch. Second, to trace the consequences of unready entrepreneurship across every party affected by it, the entrepreneur, their family, their customers, their suppliers, (the entrepreneur, their family, their customers, their suppliers and the state) and to connect this stakeholder-level damage to the European Union's broader competitiveness objectives. Third, to propose a practical, proportionate response: a pre-start readiness framework, operationalised through the “Before starting a business” (“Before Starting a Business”) course, and a set of policy recommendations for its adoption across the European Union.

The geographic scope of this report is the European Union and, where directly relevant, the wider European Economic Area. Its analytical scope is deliberately bounded. This is not a general report on SME policy, insolvency law, or industrial strategy; those subjects are addressed only insofar as they intersect with the question of founder readiness. Similarly, the report does not argue against risk-taking, ambition, or entrepreneurial failure as such, an economy without business failure would be an economy without genuine experimentation. Its concern is narrower and more specific: the subset of business failures that were reasonably foreseeable in advance, and preventable through better preparation, rather than an unavoidable consequence of market uncertainty.

The report is written primarily for an audience of EU and national policymakers, business support organisations, financial institutions, and educational providers involved in entrepreneurship policy and delivery. It is structured to move from evidence to diagnosis to solution: Parts I and II establish the scale and nature of the problem; Part III analyses its causes; Part IV quantifies who bears its costs; Part V places the European experience in international context; Parts VI and VII develop the readiness framework and its practical application; and Parts VIII and IX set out recommendations and a roadmap for implementation.

1.2 From startup promotion to startup readiness: The core argument

For much of the past two decades, European entrepreneurship policy has been organised around a single, largely unexamined assumption: that more new businesses are, in themselves, a good outcome. Policy instruments across the Union simplified registration procedures, digital incorporation, reduced administrative fees, tax incentives for new founders have been designed overwhelmingly to lower the threshold for starting a business. This is not a flawed instinct. New business formation is a genuine source of employment, innovation, and dynamism, and Europe has good reason to want more of it, particularly as it seeks to close the innovation and competitiveness gap with the United States and China.

The core argument of this report is that startup promotion, on its own, is an incomplete policy objective. A policy environment that makes it easy to register a company but does nothing to verify whether the person registering it is prepared to run one is not neutral - it systematically produces a share of ventures that fail in ways that were foreseeable, and that cause avoidable harm to the founder and to those connected to them. The appropriate corrective is not to make starting a business harder in a general, undifferentiated sense, but to add a missing layer to the existing policy architecture: structured, proportionate readiness preparation and verification before significant capital and risk are committed.

This is a shift in emphasis, not a reversal of direction. The report does not propose new licensing regimes that restrict who may start a business, nor does it propose to slow down the digital and administrative simplification that the EU Startup and Scaleup Strategy and related initiatives are pursuing. It proposes instead that readiness preparation become a normal, expected, and supported part of the founder journey, in the same way that driving lessons precede a driving licence, not as an obstacle to mobility, but as a recognised precondition for using a powerful tool responsibly. This distinction matters because policy has a habit of treating the symptom closest to hand, a slow registration process, a scarce loan, as though it were the underlying problem, when in many cases it is simply the most visible layer sitting on top of a deeper one, a founder who was never actually prepared. Removing friction from the visible layer without addressing the layer underneath tends to produce faster, cheaper failure rather than fewer failures. The remainder of this report sets out why this shift is necessary, what it should contain, and how it can be implemented without undermining the EU's parallel efforts to make Europe easier to build a business in.

1.3 Why entrepreneurial readiness matters now

Three developments make this an opportune moment to introduce entrepreneurial readiness into European policy. The first is evidentiary: Eurostat business demography statistics now provide a consistent, comparable picture of enterprise survival across Member States, showing that only around 45% of enterprises born in the EU survive to their fifth year, with wide variation between countries. This scale of attrition, sustained over many years of otherwise supportive policy, suggests that the barriers being addressed by existing reforms (registration, finance and regulation) are necessary, but not sufficient conditions for business survival.

The second is strategic. The EU Startup and Scaleup Strategy, adopted in May 2025 in direct response to the Draghi and Letta reports on European competitiveness, has placed startups and scaleups at the centre of the Union's economic strategy for the remainder of the decade. This creates both urgency and opportunity: urgency, because capital and talent misallocated to unready ventures is capital and talent not available to the ventures capable of closing Europe's innovation gap; and opportunity, because the Strategy's implementation window, with the 28th regime and the European Business Wallet now under negotiation in Parliament and Council, and the European Startup and Scaleup Scoreboard still being built, offers a natural point at which a readiness dimension can be embedded into the wider architecture, rather than retrofitted later at greater cost and resistance.

The third is social and fiscal. As European welfare systems face demographic and budgetary pressure, the state can no longer treat the downstream costs of business failure, lost tax revenue, unemployment support, health system demand linked to founder stress, as an unavoidable by-product of a dynamic economy. A single foreseeably preventable business failure is conservatively estimated, in the calculation worked through in full in Chapter 21, to cost twenty to thirty five thousand euros once founder debt, lost tax revenue, and welfare costs are combined, and Part IV of this report quantifies these costs in detail. Taken together, these three developments mean that the case for entrepreneurial readiness is no longer only a matter of protecting individual founders. It is a matter of using scarce European capital, talent, and public resources as efficiently as the Union's competitiveness ambitions require.

1.4 Defining “Readiness”: Characteristics, knowledge, and resources

This report defines entrepreneurial readiness as the degree to which a prospective founder, at the point of starting a business, possesses the personal characteristics, the specific knowledge, and the practical resources required to give their venture a realistic chance of survival and growth. This definition is deliberately built around three components, each of which is developed in full in Part VI and reflected in the structure of the “Before starting a business” course in Part VII.

Characteristics refers to the personal and behavioural qualities relevant to entrepreneurship: realistic risk appetite as distinct from overconfidence, resilience under financial and emotional pressure, willingness to seek and act on external feedback, and the discipline to test assumptions before acting

on them. Knowledge refers to the specific, learnable competencies a founder needs, understanding of the target customer and their problem, validated market and competitive analysis, and functional business and financial literacy, including cash flow, pricing, and basic legal and tax obligations. Resources refers to the practical and personal conditions required to sustain a venture through its most vulnerable early period: adequate capital or financing, sufficient time, physical and mental health, and frequently underweighted in policy discussion, the active support, or at minimum the non-opposition, of family, partners, and any business co-founders.

Readiness, as used throughout this report, is not a binary pass-or-fail judgment, nor is it a fixed threshold applied uniformly regardless of business type. A prospective founder opening a low-capital local service business faces a different readiness profile than one seeking external investment for a technology venture, and the framework developed in Part VI is explicitly designed to scale in proportion to the risk, capital intensity, and complexity of the business being started. What is common across all cases is the underlying principle: readiness is something that can be assessed, taught, and improved before a business is started, rather than something discovered, at significant cost, only after it has failed.

1.5 Methodology and sources

This report is built on four categories of evidence. The first is official statistics, principally Eurostat business demography data on enterprise birth, death, and survival rates, supplemented by OECD data on SME financing conditions and entrepreneurial ecosystems. These sources were selected for their comparability across Member States and their methodological transparency, and are cited with the specific indicator, population, and reference period used wherever figures are presented.

The second is European Union policy documentation, including the Draghi report on European competitiveness, the Letta report on the future of the Single Market, the EU Startup and Scaleup Strategy and its supporting communications, and relevant European Commission and European Parliament publications on entrepreneurship, SME policy, and the Single Market. These sources are used both as evidence of the current policy landscape and as the basis for identifying gaps, such as the absence of a founder-readiness dimension in the Startup and Scaleup Strategy's five pillars, discussed in Chapter 9.

The third is peer-reviewed academic research on entrepreneurship, drawn principally from the management, psychology, and entrepreneurship literatures, covering topics including founder overconfidence, competency deficits in failed ventures, push-versus-pull entrepreneurial motivation, and the effectiveness of pre-start training and financial literacy interventions. Where findings in this literature are contested, preliminary, or based on limited samples, this report says so explicitly rather than presenting them as settled fact.

The fourth is comparative and practice-based evidence, including national approaches to pre-start business preparation within and outside the EU, and the design and content of the “Before starting a business” course itself, which serves as this report's central worked example of a readiness framework in practice.

Throughout the report, every empirical claim is attributed to a named, publicly available source, consistent with Global Mind's methodological commitment to verifiability set out in the About Global Mind section. Two limitations should be noted from the outset. First, definitions of business “failure” and “closure” vary between national statistical systems, and this report is explicit, in Chapter 3, about which definition underlies each figure presented. Second, the academic literature on the causal effect of pre-start training on survival outcomes, while promising, is not yet large enough to support strong causal claims; this report treats such evidence as suggestive and proportionate grounds for policy action, not as definitive proof, and recommends in Part VIII that any EU-wide readiness framework be introduced with built-in evaluation to strengthen this evidence base over time.

2. The European entrepreneurship and competitiveness landscape

2.1 The political and economic case for startups in the EU

Small and medium sized enterprises make up the vast majority of active businesses in the European Union, and they are the main source of new jobs in most member states. That basic fact explains why entrepreneurship sits so high on the political agenda. A new business is visible in a way that most policy outcomes are not. It shows up as a shop opening on a high street, a job listing, a tax number, a line in a minister's speech. Politicians of almost every persuasion have good reason to want more of it, and OECD data consistently shows SMEs as central to employment and value creation across the union.

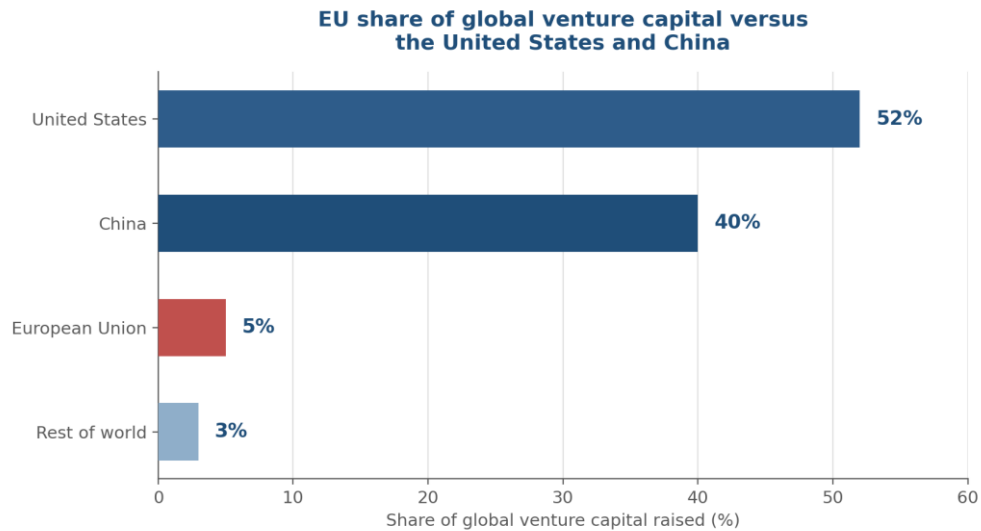
The economic case runs deeper than the political optics. New firms are one of the main channels through which an economy renews itself. They test new products, enter markets that incumbents have neglected, and force established companies to improve or lose ground. When that process works well, it raises productivity across the whole economy, not just inside the new firms themselves. This is the logic behind decades of EU policy aimed at making it easier to start a business: simplified registration, digital incorporation, reduced fees, targeted funding for early stage founders. The intent has never been to produce more companies for their own sake. It has been to produce the renewal and productivity growth that a healthy pipeline of new businesses is supposed to deliver.

The gap between that intent and the actual outcome is where this report begins. A pipeline that produces a large number of new registrations but a much smaller number of businesses that survive, grow, and compete internationally is not delivering the renewal the policy was designed for. It is producing activity that looks like progress on paper without producing the underlying economic gain.

2.2 The innovation gap: Insights from the Draghi and Letta reports

Two reports published in 2024 reshaped how Brussels talks about competitiveness, and both are essential context for this report. Mario Draghi's report on the future of European competitiveness set out, in blunt terms, how far the EU has fallen behind the United States and China on productivity growth, private investment in research and development, and the ability to build and keep large, globally competitive technology companies. Enrico Letta's report on the future of the single market made a related but distinct argument: that Europe's own internal fragmentation, different national rules, different capital markets, different tax and regulatory regimes, is itself a drag on the continent's ability to compete, because it stops promising companies from reaching the scale that a single, unified market would allow.

Read together, the two reports point to the same underlying problem from different angles. Europe is not short of ideas, researchers, or early stage companies. It is short of the conditions that let a good idea become a large, durable, internationally competitive business. Capital is harder to raise at scale in Europe than in the US or China, and the gap is large in absolute terms. The EU accounts for only around 5 percent of global venture capital raised, against 52 percent in the United States and 40 percent in China. Talent and companies that do reach a certain size often relocate abroad to access deeper capital markets and larger single markets, and close to 30 percent of European companies that reached unicorn status between 2008 and 2021 ended up doing exactly that. And a meaningful share of the European companies that do get started never reach the point where any of this matters, because they were not built to survive long enough to need it.



Source: European Commission, EU Startup and Scaleup Strategy (2025), based on Draghi and Letta report findings. See Chapter 2.2.

Figure 2.1 - EU share of global venture capital versus the United States and China

This report treats the Draghi and Letta findings as the macro backdrop against which founder readiness has to be understood. Fixing capital markets and regulatory fragmentation, which the EU is now actively attempting, will do little for competitiveness if a large share of the companies entering the pipeline each year are not prepared to make use of a better funded, more integrated system once it exists.

2.3 Key EU strategies and targets (EU startup and scaleup strategy, EntreComp, EU Inc./28th regime, Competitiveness Compass)

The European Commission's response to Draghi and Letta has been fast by EU standards. The EU Startup and Scaleup Strategy, adopted in May 2025, sets out twenty six concrete actions organised around five pillars: cutting regulatory and administrative burden, improving access to finance, opening market access across the union, attracting and retaining talent, and building better physical and digital infrastructure for founders. Its flagship instruments have since moved from announcement to legislation. On 18 March 2026 the Commission tabled the 28th regime as a regulation creating "EU Inc.", an optional company form that sits alongside the twenty seven national company laws rather than replacing them and that, once adopted, would apply directly and uniformly in every member state.

The European Council asked the co-legislators on 19 March to adopt it by the end of 2026, and the draft report of the Parliament's rapporteur already proposes 246 amendments to the Commission text, so the final design remains open. The Commission also proposed the European Business Wallet in November 2025, a harmonised digital framework for company identification and secure data exchange with public authorities, which public bodies would have to accept within 24 months of entry into force. As of early October 2026 both files are under negotiation and neither is in operation.

The Strategy does not stand alone. It is one of the flagship actions of the Competitiveness Compass, the Commission's roadmap for the 2024 to 2029 mandate, presented on 29 January 2025 as its direct answer to the Draghi report. The Compass organises the agenda around closing the innovation gap, combining decarbonisation with competitiveness, and reducing dependencies, with simplification, a deeper single market, financing and skills among its horizontal enablers. Three related initiatives matter most here. The Savings and Investments Union, launched in March 2025, aims to channel household savings into productive investment, and its Market Integration and Supervision Package is now being negotiated in the Council. The Union of Skills, adopted in March 2025, targets basic skills, lifelong upskilling and the portability of skills, including through digital credentials and micro-credentials. The Scaleup Europe Fund was established on 4 August 2026 with EQT as manager and a

target of five billion euros, and announced its first investment the following day. Its typical investment is one hundred million euros or more. Each of these works on capital, skills in general or scale. None asks whether the individual starting a business is ready.

Alongside this newer strategy sits EntreComp, the European Entrepreneurship Competence Framework, which has existed for close to a decade and defines the skills and attitudes entrepreneurship education across the union is meant to build: spotting opportunities, mobilising resources, planning and managing under uncertainty, working with others. EntreComp is widely referenced in national education policy, but it functions as a competence framework for educators rather than a readiness check for founders at the actual point of starting a business. It shapes what schools and training providers teach; it does not verify what an individual founder actually knows or is prepared for before they register a company.

Taken together, these instruments describe an EU that is serious about lowering the structural barriers to starting and scaling a business. What they do not describe is any mechanism for checking whether the person walking through the newly simplified door is ready to be on the other side of it. That gap is the subject of the next section.

2.4 The Quality / Quantity distinction: Registrations vs. viable companies

It matters, at this point, to be precise about what is actually being measured when policymakers talk about entrepreneurship. A business registration is a legal event. It says that a person has completed an administrative process, not that they have a validated product, a paying customer base, or a plan that can survive contact with a real market. Research on why startups fail repeatedly finds lack of market need among the most common causes: in CB Insights' analyses of founder post-mortems, about 35 to 42 percent of cases cited it, depending on the edition. These samples are around one hundred mostly venture-backed technology startups, so they illustrate a pattern rather than describe the typical European new business. That is not a financing problem or a regulatory problem. It is a readiness problem, and no amount of simplified registration or improved access to capital fixes it, because the underlying business was never going to work regardless of how much capital or how little paperwork stood in its way.

The same distinction shows up at the other end of the scale. Roughly 30 percent of European companies that reached unicorn status between 2008 and 2021 ended up relocating outside the EU, most often to access deeper capital markets or larger addressable markets. Those companies were, by definition, not a readiness problem. They were viable, successful businesses that Europe still failed to keep. This report is not about that group. It is about the much larger group at the other end of the pipeline, the businesses that never had a realistic path to viability at all, and whose failure was foreseeable well before it happened.

A policy framework that only counts registrations treats these two very different outcomes, a viable company that leaves, and an unviable company that never should have started, as invisible in the same way. Neither shows up as a policy problem in the headline number of new businesses formed each year. Distinguishing between them, and building policy that responds to each separately, is a precondition for taking either problem seriously.

2.5 The numbers: Startup formation, survival, and failure rates across member states

Eurostat's business demography statistics give the clearest available picture of what actually happens to new businesses across the union after they are formed. The headline figures are stark. Around four out of five newly born enterprises in the EU survive their first year. By the fifth year, that figure falls to roughly 45 percent. In other words, more than half of the businesses started in a given year in the European Union are no longer trading five years later.

The union wide average also hides very large differences between member states. Five year survival rates range from around one in four newly formed businesses in the lowest performing countries to well over 60 percent in the strongest, a gap of more than thirty percentage points between otherwise

comparable EU economies. Some of that gap reflects genuine differences in economic conditions, sector mix, and access to finance. But a gap this large between member states operating inside the same single market, the same currency area in many cases, and increasingly similar EU level support schemes, is difficult to explain by structural conditions alone. It is consistent with this report's central claim, that founder readiness, which varies by education system, culture, and national practice around business preparation, is a meaningful part of the explanation.

Chapter 3 examines these figures in more detail, including the important distinction between a controlled closure and a disorderly bankruptcy, and the ways in which official statistics likely understate the true scale of the problem. For now, the headline point is simple. The gap between the roughly four in five businesses still trading after one year and the roughly two in five still trading after five years is not primarily a story about bad luck or normal market churn. A meaningful share of it is a story about businesses that were never going to make it, and that a structured readiness check could plausibly have identified before they started.

PART II - THE SCALE AND NATURE OF THE PROBLEM

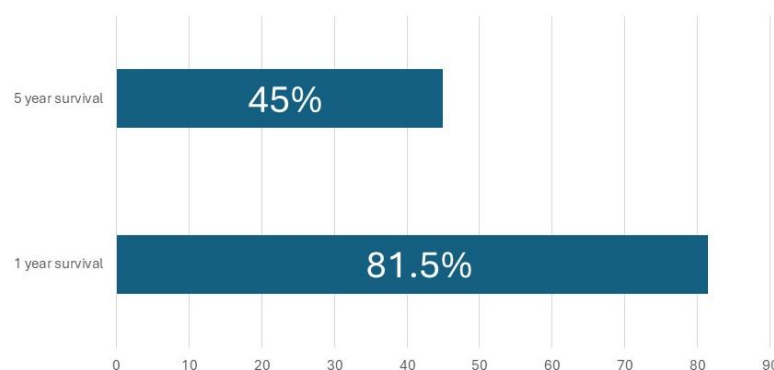
3. Startup failure and survival in numbers

3.1 Eurostat business demography: Birth, death, and survival rates

Eurostat tracks business demography by following cohorts of newly born enterprises over time. A birth counts as the creation of a genuinely new combination of production factors, not the reactivation of a dormant company or a change of legal form for an existing one, and a death counts as the cessation of an active enterprise, distinct from a merger, takeover, or restructuring. This cohort approach is what makes the resulting survival figures comparable across member states and over time, and it is the backbone of the numbers used throughout this report.

One year and five year enterprise survival rates, EU-27

Table 3.1



Source, Eurostat business demography statistics. See chapter 3.1.

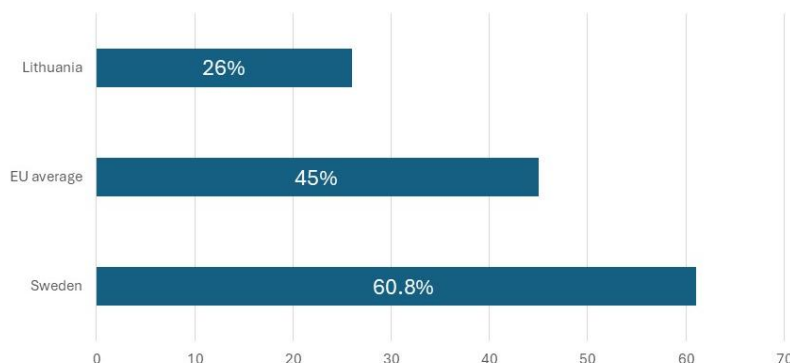
The pattern that emerges from this data is consistent year after year. Around 81 to 82 percent of enterprises born in a given year in the EU are still active twelve months later. That figure drops steadily each year after, with the steepest attrition typically occurring in years two and three, once initial capital runs low and the business has to prove it can generate real revenue rather than run on startup funds and early goodwill. By year five, only around 45 percent of the original cohort is still trading. These figures come from Eurostat's Key figures on European business (2021 edition) and refer to the five year survival of enterprises born in 2013 and followed to 2018, and the one year survival of those born in 2017. Later releases show a similar picture, with 45 percent for the cohort born in 2014. Since reference year 2021 Eurostat has compiled these statistics under Regulation (EU) 2019/2152, so older and newer figures may not be strictly comparable. In practical terms, more than half of the businesses formed in the EU in a typical year do not exist in their original form five years later.

3.2 The five-year survival gap across member states

The EU average of 45 percent hides very large differences between countries. Some member states report five year survival rates close to one in four newly formed businesses, while others report rates above 60 percent for the same cohort measure. In the 2018 data, Sweden (60.8 percent), the Netherlands (57.7) and Belgium (57.5) were highest, and Portugal (34) and Lithuania (26) lowest. Sweden is consistently among the strongest performers on this metric, while several central and eastern European economies, Lithuania among them, report figures at the lower end of the range. A gap of this size, sometimes more than thirty percentage points between economies operating inside the same single market, cannot be explained away as statistical noise.

Five year enterprise survival rates by member state

Table 3.2



Source, Eurostat business demography statistics. The full EU 27 countries range runs from about 26 percent to above 60 percent. See chapter 3.2.

Part of the explanation is structural. Countries differ in sector mix, in the depth of their capital markets, in how generous or restrictive their insolvency regimes are, and in the strength of their banking systems. But structural conditions alone struggle to account for gaps this large between economies that share a currency, trade under the same single market rules, and increasingly draw on the same EU level funding instruments. National differences in entrepreneurship education, in the informal culture of business preparation, and in whether founders are expected or encouraged to test their idea before registering a company are much harder to measure than GDP or interest rates, but they plausibly explain a real share of the gap. This report treats founder readiness as one of the missing variables behind the survival gap, not the only one, but a significant and currently unaddressed one.

3.3 Distinguishing controlled closure from disorderly bankruptcy

Not every business death in the Eurostat data represents a failure in the sense this report is concerned with. A founder who winds down a small consultancy in an orderly way after deciding to take a salaried job, having paid every supplier and served every client, has technically produced a business death, but has caused none of the stakeholder harm described in Part IV of this report. A business that collapses into insolvency owing money to suppliers, unable to deliver on customer contracts, and leaving its founder with personal debt is a very different event, even though both register identically in the standard closure statistics.

This distinction matters because it changes what the headline failure rate actually tells a policymaker. A high closure rate driven mostly by controlled, planned exits is a sign of a flexible, low friction economy where people can start and stop businesses without excessive cost. A high closure rate driven mostly by disorderly bankruptcy is a sign of a pipeline producing ventures that should not have started in the current form. Eurostat's core demography statistics do not distinguish reliably between these two categories at EU level, though national insolvency registers in most member states do record formal bankruptcies separately, and this report draws on those national sources wherever they are available to sharpen the picture in later chapters, particularly in Part IV.

3.4 Measurement problems: Why official statistics understate the issue

There are good reasons to believe the true scale of unready entrepreneurship is larger than the official survival figures suggest. First, birth counts in some member states are inflated by companies registered for tax, subsidy, or administrative reasons that never genuinely trade, which lowers the apparent failure rate simply by adding non-operational entities to the denominator. Second, an enterprise that remains legally active but stops generating meaningful revenue, sometimes called a zombie firm, counts as a survivor in the standard statistics even though it has, in every practical sense, failed to become a viable business. Third, definitions of self employment and sole proprietorship vary

enough between national statistical offices that cross country comparisons of the smallest and most readiness sensitive businesses are less reliable than the headline EU figures imply.

None of this undermines the core pattern established in this chapter. If anything, it suggests the 45 percent five year survival figure should be read as a reasonably optimistic estimate rather than a worst case one. The following chapter moves from these aggregate numbers to the specific, recurring pattern of decisions and conditions found inside the businesses that make up the failing half of each year's cohort.

3.5 What the numbers cost

It is worth pausing here to translate the percentages above into money, because a survival rate on its own can feel abstract in a way a euro figure does not. Chapter 21 works through a full, transparently sourced calculation and arrives at a conservative estimate of twenty to thirty five thousand euros as the combined cost of a single foreseeably preventable business failure, once the founder's own debt and lost income, lost tax revenue, and downstream welfare costs are added together. That figure does not yet include the harm to customers and suppliers documented in Part IV, which means it understates the true cost rather than overstating it.

Eurostat records roughly three million enterprise deaths a year in the EU, a preliminary death rate of 9.2 percent of about 34 million active enterprises in 2024, most of them very small and many of them orderly closures. Only a subset ends in insolvency, unpaid debts or the other harms described in Part IV, and this report does not claim a precise count of that subset. Applied to the share of that subset that followed the foreseeable, preparation linked patterns examined in Chapter 4 rather than ordinary market risk, the aggregate cost to founders and the state plausibly runs into the billions of euros annually, even under conservative assumptions. This report does not claim a precise EU wide total, for the reasons set out in Chapter 15, but the direction and scale of the number are clear enough to treat this as a genuine fiscal question, not only a social or personal one. The following chapter moves from these aggregate numbers to the specific, recurring pattern of decisions and conditions found inside the businesses that make up the failing half of each year's cohort.

4. The anatomy of an unready startup

4.1 Common patterns in companies that “Should never have started”

Aggregate survival statistics tell us how many businesses fail. They do not tell us what those businesses actually looked like in the months before they closed. When researchers and practitioners go back and examine failed ventures in detail, the same handful of patterns show up again and again, often in combination. None of them are exotic or hard to spot in hindsight. That is precisely the point of this chapter, and of the report as a whole. These are not unpredictable accidents of an uncertain market. They are recognisable patterns that a structured readiness check, applied honestly before launch, would very likely have caught.

The first and most common pattern is the solution without a customer. A founder builds a product or service around a problem they personally find interesting, sometimes a problem they themselves have, without ever confirming that a large enough group of other people share it and are willing to pay to solve it. The business launches on the strength of the founder's own conviction rather than on evidence gathered from real prospective customers, and it discovers, usually within the first year, that conviction and demand are not the same thing.

Closely related is the idea nobody else understands. Here the founder has a genuine insight, but has not translated it into something a customer can grasp quickly enough to buy. This shows up constantly in business to business software, where a founder deeply understands a workflow problem inside an industry but builds a product whose value only becomes obvious after a long, patient explanation that most potential buyers will never sit through. If the customer cannot explain the business idea back to

the founder in their own words within a few minutes, the business has a communication problem serious enough to threaten its survival, regardless of how good the underlying idea is.

A third pattern is the market that was never big enough. The founder correctly identifies a real, validated need, but underestimates how few people actually have it, or how much they are realistically willing to pay to solve it. This is common in highly specialised local services and in niche products aimed at enthusiast communities that are smaller and less commercially active than they appear from the inside. The business can have satisfied customers and still fail, simply because there were never enough of them to cover the founder's costs.

A fourth pattern is financial illiteracy at the core of the business. Founders in this pattern can usually describe their product well and often have real customers, but cannot accurately answer basic questions about their own numbers, what it actually costs to deliver one unit of the product, what the break even point is, how much cash the business has before it runs out. Pricing is set by copying competitors or by guesswork rather than by working back from real costs and a required margin. This pattern rarely causes an immediate failure. It tends to produce a business that looks like it is working right up until the moment the founder discovers, usually during a cash crunch, that it never actually was.

A fifth pattern is personal readiness that was never adequate to the demands of the venture, regardless of how sound the business idea itself was. This includes founders who start while working a full time job and cannot give the business the hours it needs, founders who start during a period of poor physical or mental health and are depleted before the business has a chance to gain traction, and founders whose partner or family is actively opposed to the venture, which adds a constant source of relational strain on top of the ordinary stress of a new business. This pattern is systematically underweighted in conventional business planning, which focuses almost entirely on the market and the product and treats the founder's own capacity as a given rather than a variable to be assessed.

A sixth pattern is the necessity launch, where the business exists primarily because the founder needed an income after job loss, and not because a genuine market opportunity was identified. Necessity driven founders are not doomed to fail, and many build perfectly viable businesses. But this pattern is more exposed to the other patterns in this chapter, because the venture is often started under time pressure, with limited savings, and without the space to properly validate the idea before committing to it, precisely because the founder cannot afford to wait.

A seventh and final pattern is the copycat with no real edge, a business that enters a market already served by established competitors, offering no meaningful difference in price, quality, or positioning. These businesses often survive slightly longer than the others in this chapter, because they are copying something that is known to work, but they compete purely on the founder's willingness to work long hours for thin or negative margins, and they tend to fail once that willingness runs out or once a better capitalised competitor decides to compete more aggressively.

These seven patterns rarely appear in isolation. In practice, the businesses examined for this report typically showed two, three, or more of them at once, and the case illustrations in the next section are built to show how that compounding works in practice.

4.2 Case illustrations (anonymised/composite cases)

The three cases below are composite illustrations, constructed from patterns documented across the academic and practitioner literature on startup failure rather than from any single identifiable business. They are presented to make the patterns in section 4.1 concrete, and each is followed by a short note on which readiness dimensions, developed fully in Part VI, would have surfaced the relevant warning signs before launch.

The first case is a small neighbourhood restaurant. The founder had spent years cooking for friends and family, received constant praise for it, and decided to turn that praise into a business. She found an affordable location, invested her savings and a bank loan into fitting it out, and opened without

having tested the concept anywhere beyond her own social circle. The area already had several established restaurants with loyal customers, and the new restaurant offered no clear reason for people to switch. Footfall never reached the level needed to cover rent and staff costs. The restaurant closed after fourteen months, leaving a portion of the bank loan unpaid and two part time staff without a job on short notice. This case combines the solution without a customer, since praise from friends is not evidence of market demand, with the market that was never big enough, since the founder never established that the area could support one more restaurant of this kind. A structured assessment of customer need and market size, the first and third readiness dimensions in this report's framework, would have surfaced both problems before the lease was signed.

The second case is a workplace productivity app. The founder, a former project manager, had grown frustrated with a specific inefficiency in his previous job and spent a year building software to fix it, funded by redundancy pay after being let go. He was confident the problem was widespread because he had experienced it firsthand across two employers. He raised a small amount of angel funding on the strength of a working prototype and his own domain credibility, but had not tested whether other project managers would pay for the fix, or whether they even experienced the same problem in the same way he had. The product required a lengthy demonstration before its value became clear, and most prospective customers never made it past an initial trial. The company ran out of funding within eighteen months, having acquired a small number of unpaid trial users but almost no paying customers, and the founder's angel investors lost their full investment. This case combines the idea nobody else understands with the necessity launch, since the redundancy funding created pressure to build and launch quickly rather than to validate the idea properly first. A basic test of whether prospective customers could explain the product back in their own words, the second readiness dimension in this report's framework, would very likely have exposed the communication problem months before the funding ran out.

The third case is a freelance marketing consultant who scaled into an agency too quickly. She had built a genuinely strong reputation and a healthy client base working alone, then hired three employees within a single year to take on more client work, without adjusting her pricing or building any real financial planning around the new cost base. She continued pricing projects the way she had as a solo freelancer, which had covered her own time comfortably but did not cover a team's salaries plus overhead plus a margin. Revenue looked strong on paper for most of the year, since client work was plentiful, but cash reserves quietly eroded every month. She discovered the shortfall only when she could not make payroll, by which point two suppliers were also owed money and one client's project was left unfinished mid contract. This case is a clean illustration of financial illiteracy at the core of the business: a founder who was excellent at delivering the service and at winning clients, but who never built the basic unit economics needed to price and staff the growing business correctly. The fourth readiness dimension in this report's framework, functional business and financial literacy, is built specifically to catch this pattern before it becomes a payroll crisis rather than after.

The fourth case is an online retail business, started as a side project by a founder still working full time in an unrelated job, intended eventually to replace her salary. The product itself addressed a real, tested need, and early sales were genuinely encouraging. What the founder had not planned for was the sheer number of hours required to manage suppliers, fulfilment, and customer service on top of a full time job, or what would happen to her health and her family if both had to be sustained at once for months on end. As order volumes grew, service quality slipped exactly when it should have been improving, complaints rose, and momentum that should have carried the business into a stronger second year instead stalled it. She eventually wound the business down in a controlled way, without debt, but described the year afterward as having cost her health and her family's patience for very little to show in return. Unlike the first three cases, nothing here was wrong with the idea, the communication of it, or the founder's grasp of the numbers. What was missing was the fifth readiness dimension, personal capacity, the honest question of whether the founder had the time, health, and

support structure the venture actually required, asked before the business took off rather than answered under pressure once it had.

None of the four founders in these cases lacked skill, effort, or commitment. Each had a real, sometimes considerable, professional strength that a customer, an investor, or the founder themselves could point to as evidence the business was in good hands. What each case lacked was a structured, honest check of the specific readiness gap that ultimately caused the failure, applied before capital, staff, and supplier relationships were already committed. That is the gap this report proposes to close, and Part VI sets out the framework designed to close it.

PART III - ROOT CAUSES: WHY UNREADY ENTREPRENEURS START ANYWAY

5. Individual and psychological factors

5.1 Overconfidence bias and the illusion of control

Starting a business requires a degree of confidence that most rational cost benefit analysis would not support. The base rate for survival, established in Chapter 3, is close to a coin flip over five years, and the reasonable response to a coin flip is caution, not conviction. Yet founders as a group are reliably more confident than the odds justify, and this is not a minor quirk of personality. It is one of the most consistently documented traits in the entrepreneurship literature.

Researchers studying this pattern have drawn a direct comparison between entrepreneurial overconfidence and the illusion of control identified in problem gambling, the belief that skill, effort, or personal judgement can influence an outcome that is substantially governed by factors outside anyone's control. A founder convinced that hard work and self belief will carry a venture through a weak market or a flawed product is exhibiting the same cognitive pattern as a gambler convinced that a particular ritual or level of attention can influence the fall of dice. In both cases the belief feels like discipline from the inside. From the outside, it looks like a refusal to update on evidence.

This creates a genuine policy problem, because overconfidence is not simply a flaw to be corrected out of founders before they start. A realistic assessment of the odds might deter a meaningful share of viable businesses along with the unviable ones, and some amount of unwarranted optimism plausibly has to exist for anyone to attempt something as difficult as building a company at all. The purpose of a readiness framework is not to strip founders of confidence. It is to build a structured, external check into the process that operates independently of how the founder happens to feel about their own chances, precisely because self assessment is the one mechanism overconfidence is known to distort most reliably.

5.2 Sunk cost fallacy and confirmation bias in early-stage decisions

Overconfidence shapes the decision to start. A different pair of biases shapes what happens once a business is underway and beginning to show warning signs. The sunk cost fallacy is the tendency to keep investing time or money into a course of action because of what has already been spent on it, rather than because of what the future returns are actually likely to be. A founder who has put a year of savings and evenings into a business is, understandably, reluctant to treat that year as gone regardless of what happens next. But that reluctance frequently leads to a second year of losses that a dispassionate assessment would have avoided, on the basis of an emotional attachment to costs that, from a purely forward looking perspective, are already irrecoverable.

Confirmation bias compounds the problem. Once a founder has committed publicly and financially to a business idea, they tend to notice and remember the evidence that supports the idea working, a positive customer comment, a good week of sales, a competitor struggling, while discounting or explaining away the evidence that it is not, a pattern of customers trying the product once and not returning, margins that never quite reach the level needed to break even. This is not dishonesty. It is a well documented feature of how people process information once they have a stake in a particular conclusion being true, and founders, who typically have more personal and financial stake in their business succeeding than almost anyone else involved with it, are especially exposed to it.

Together, these two biases explain a pattern that shows up repeatedly in the case illustrations in Chapter 4: founders who had real, visible warning signs well before their business failed, and who kept going anyway, not out of denial in the ordinary sense, but because the psychological mechanisms that process sunk costs and selectively weight evidence were working exactly as they are known to work in everyone. There is a physiological layer underneath this as well. Neuroscience research on stress

shows that even mild, uncontrollable stress rapidly impairs the prefrontal cortex, the part of the brain responsible for weighing evidence calmly and updating a plan in light of it, while leaving faster, more instinctive circuits relatively intact. A founder facing mounting bills and an anxious partner is, in a very literal sense, trying to do their most careful thinking with the part of the brain least equipped to do it under those conditions. This is a further argument for readiness checks that happen before financial pressure builds, while a founder can still reason calmly about their own numbers, rather than relying on the same founder to make a clear headed call once the pressure is already on. A readiness framework that only operates once, before launch, addresses overconfidence at the point of starting. It does less for sunk cost and confirmation bias, which operate after launch, and this is one of the reasons Part VII of this report recommends ongoing mentoring and structured check ins alongside the initial pre-start assessment, rather than a single one time test.

5.3 The romanticised narrative of entrepreneurship

Individual biases do not operate in a vacuum. They are reinforced by a wider cultural narrative about entrepreneurship that has become increasingly dominant across European media, social platforms, and popular business writing over the past two decades. That narrative celebrates the founder who bet everything on an idea, worked relentlessly against the odds, and won. It is built almost entirely from survivorship bias: the founders whose stories get told are, by definition, the ones for whom the bet paid off, and the underlying base rate, that most founders who take the same approach do not win, is rarely part of the story.

This matters because the narrative does not just inspire people to start businesses. It shapes what starting a business is assumed to look like, and specifically, it frames caution, validation, and structured preparation as the opposite of entrepreneurial spirit rather than as a normal and sensible part of it. A founder who spends three months testing customer demand before building anything can look, against this cultural backdrop, less committed than one who quits their job on day one and builds around the clock. The research examined in this report suggests the opposite is closer to the truth: the founders who test and validate before committing capital are the ones giving their businesses the best chance of surviving long enough to need the relentless effort the narrative celebrates.

None of this is an argument against ambition, risk, or hard work, all of which remain genuinely necessary for building a successful company. It is an argument for separating the parts of the entrepreneurial story that are genuinely useful, persistence, resilience, a willingness to work hard for delayed reward, from the parts that are actively counterproductive, the implication that preparation is a sign of weak commitment rather than basic professional competence. A readiness framework embedded early in the founder journey, discussed in full in Part VI, is partly a practical tool and partly a cultural corrective: a visible, normalised signal that structured preparation is what serious founders do, not a hurdle only the hesitant ones need.

6. Competence and knowledge gaps

6.1 Deficits in information-seeking and market validation

A study that coded fifty failed startups against a structured list of founder competencies found that the single most common deficiency was not a lack of technical skill, industry knowledge, or leadership ability. It was a failure to seek out information that was, in most cases, readily available before the business was started. Founders in the study routinely built products, set prices, and entered markets without doing the basic groundwork of talking to prospective customers, researching competitors, or testing assumptions against any evidence beyond their own judgement.

This deficit is worth separating from the psychological patterns discussed in Chapter 5. Overconfidence explains why a founder might not feel the need to seek out disconfirming evidence. It does not fully explain why so many founders also fail to seek out basic confirming evidence, the kind that would be simple to gather and would cost little beyond time. Part of the answer is that information seeking is a learnable skill and a habit, not an innate trait, and it is not systematically

taught or expected anywhere in the standard path to registering a business. A founder is never asked to demonstrate that they have spoken to a minimum number of prospective customers, or that they can describe their three closest competitors and explain how their own offering differs, before they are legally permitted to start trading.

The practical consequence is a pattern of market validation that happens, if at all, informally and after the fact, once the business is already trading and the cost of being wrong has already been incurred. A structured readiness process changes the sequence rather than the substance: the same questions a founder would eventually be forced to answer once real customers stopped buying are asked, and have to be answered with real evidence, before the lease is signed or the product is built.

6.2 Financial literacy and business planning gaps

Financial literacy gaps are among the most consistently cited causes of business failure in both the academic literature and national insolvency data, and they are also among the most straightforward to address through structured education, which makes their persistence particularly striking. The gaps are not typically about advanced financial concepts. They are about basic, foundational ones: the difference between revenue and profit, the difference between a sale and cash actually received, the true fully loaded cost of producing a unit of product or delivering an hour of service, and the minimum cash runway needed to survive the period before revenue becomes reliable.

Two specific planning failures recur often enough to deserve individual attention. The first is pricing set by copying a competitor or by simple guesswork, rather than by calculating backward from real costs and a required margin. This routinely produces prices that cannot sustain the business once the initial burst of founder owned labour, unpaid or underpaid, is factored in at its true cost. The second is a growth forecast mistaken for a cash flow plan. A founder who assumes that a strong sales pipeline will translate smoothly into available cash, without accounting for payment terms, seasonal variation, or the time lag between winning a client and being paid, frequently discovers a cash shortfall at the exact moment the business appears, on paper, to be succeeding.

These are not gaps that require a university level finance education to close. They require a founder to be able to answer a small number of specific, concrete questions about their own numbers, correctly, before starting. The financial and business literacy module proposed in Part VII of this report is built specifically around that small set of questions, on the evidence that closing this particular gap offers a high return relative to how little time it takes to teach.

6.3 Team, leadership, and co-founder competency gaps

A meaningful share of ventures fail not because of a gap in the founder's own individual skills, but because of a mismatch between the skills the business needs and the skills present across its founding team, or because of unresolved conflict between co-founders about direction, roles, or equity. A technically brilliant product built by a founder with no commercial or sales capability, and no plan to bring that capability in, faces a real and predictable readiness gap even where every other part of the business is sound. The reverse is equally common: a commercially strong founder with a product that was never built to the standard the market actually required.

Co-founder relationships add a further layer of risk that is rarely assessed formally before a business starts. Two or more people who agree enthusiastically on the initial idea frequently discover, only once real pressure arrives, that they disagree on fundamental questions: how much risk to take on, how quickly to grow, how to split decision making authority, or what to do when the business underperforms its early projections. These disagreements are ordinary and resolvable when addressed early and explicitly. Left unaddressed until a moment of genuine crisis, they have ended businesses that were otherwise performing well.

This report treats team and co-founder readiness as part of the broader personal readiness dimension developed in Part VI, rather than as a separate category, because the underlying question is the same one asked of an individual founder: does the team, collectively, have the knowledge, the working

relationship, and the agreed structure required to sustain the business through its most difficult early period. A readiness process that only examines the individual applying for a business licence, without any attention to co-founders or key early hires, misses a source of risk that the case evidence suggests is significant and currently almost entirely unexamined before a business begins trading.

7. Motivational structure: Push vs. pull entrepreneurship

7.1 Necessity-driven entrepreneurship (Unemployment, benefit transitions)

Entrepreneurship research draws a long standing distinction between founders pushed into business ownership by circumstance and founders pulled into it by opportunity. Push entrepreneurship describes someone who starts a business primarily because their alternatives have narrowed, most often job loss, an unemployment benefit system that encourages or requires self employment as a condition of support, or a lack of suitable paid work in their local labour market. The business is, at its core, a response to a closing door rather than an open one.

This pattern is not rare, and in several member states it is actively encouraged by policy. Unemployment support schemes in a number of EU countries offer a period of continued benefit payment or a lump sum grant to people who register as self employed, on the reasoning that this moves someone off the unemployment register and into productive activity. The intent is sound and the schemes have real successes. But they also create a structural incentive to start a business on a timeline set by benefit rules rather than by market readiness, and a founder motivated primarily by the need for income within a fixed window has less room to spend months validating an idea before committing to it.

None of this means necessity driven founders are destined to fail, and many build strong, lasting businesses out of circumstances that started as pressure rather than opportunity. The concern for this report is narrower: that a system which nudges people toward self employment as an exit from unemployment, without pairing that nudge with any readiness check, is likely to produce a higher share of ventures started under time pressure and without proper validation, precisely the pattern documented in the case illustrations in Chapter 4.

7.2 Opportunity-driven entrepreneurship

Pull entrepreneurship describes the opposite starting point, a founder who identifies a genuine gap in the market, often while still employed and financially secure, and chooses to leave a stable position to pursue it. The decision is made from a position of relative strength rather than constraint, which typically allows more time for the kind of validation, testing, and planning discussed in Chapter 6. The founder is not racing a benefit deadline or a shrinking bank balance. They are choosing the timing of the leap themselves.

This does not make opportunity driven founders immune to the failure patterns described earlier in this report. Overconfidence, financial illiteracy, and weak market validation appear across both groups. What differs is the margin for error. A pull founder who spends six months validating an idea before resigning from a stable job has absorbed that delay without material cost. A push founder facing the same six month validation period may not have six months of runway left, and the practical result is that opportunity driven founders self-select, to some degree, into exactly the kind of careful preparation this report recommends, simply because their circumstances allow it, while necessity driven founders are structurally pushed away from it.

7.3 Why motivation type predicts outcome

Longitudinal studies following new entrepreneurs over several years have found that motivation type is one of the stronger predictors of survival, alongside the more familiar factors of team competence and business experience. Founders whose primary driver was necessity and who also entered with high, unadjusted ambitions for growth showed the weakest outcomes of any group studied, a

combination the researchers linked to insufficient time and capability to manage a team or a growing venture under pressure that was already elevated by the founder's underlying financial situation.

The mechanism behind this finding is not that necessity itself causes failure. It is that necessity compresses the time and slack available for exactly the preparation steps described throughout Part III of this report, market validation, financial planning, honest assessment of personal capacity, at precisely the moment those steps matter most. A push founder is not less capable than a pull founder in any general sense. They are operating with less room to get the early decisions right before the consequences of getting them wrong start to compound.

This has a direct and, in the view of this report, actionable policy implication. If necessity driven entrepreneurship is going to continue to be encouraged, and there are good reasons for it to be, then the systems encouraging it carry a particular responsibility to pair that encouragement with readiness support, rather than leaving push founders to navigate the same validation and planning steps as pull founders but with a fraction of the time and financial cushion to do it properly.

8. Structural and institutional factors

8.1 Low barriers to registration vs. high barriers to finance and banking

Most EU member states now allow a company to be registered online within days, sometimes within hours, for a modest fee. This is a genuine policy achievement, built deliberately over the past two decades to remove the administrative friction that used to discourage business formation. The paradox this report keeps returning to is that the same founder who can register a company before lunch will often spend the following weeks or months struggling to open a business bank account, and considerably longer trying to secure any external financing beyond their own savings.

Business banking in much of the EU still requires in person verification, extensive documentation, and, for many new companies, a waiting period measured in weeks rather than days, driven largely by anti money laundering and know your customer obligations that banks apply cautiously to entities with no trading history. Access to credit is harder still. Early stage businesses without collateral, a trading track record, or a credit history are, from a bank's perspective, close to unassessable, and lending decisions default toward caution. It is worth being fair to the banks here. This slowness is not bureaucracy for its own sake. It is the direct result of institutions checking and verifying information carefully because they are trying to avoid losses, their own and, in the case of anti money laundering rules, the wider financial system's. A bank that skips verification takes on real risk, and the caution shown to a brand new company with no history is a rational response to that risk, not an arbitrary obstacle. The result is a founder journey that front loads the easy part, incorporation, and back loads the hard part, actually financing and operating the business, in a way that offers little practical guidance or support exactly where it would help most. Chapter 27 returns to this point directly. If a readiness certificate already confirms much of what a bank would otherwise need to verify itself, a founder's market validation, their financial planning, their basic preparedness, the bank's own verification burden shrinks accordingly, which is the specific mechanism behind the faster onboarding recommended there.

This asymmetry matters for readiness in a specific way. A founder who has cleared the low registration bar can reasonably, if mistakenly, take that as a signal that the harder parts of starting a business have also been checked and approved. They have not. Nothing about a straightforward incorporation process verifies market demand, financial planning, or personal capacity, and a founder who treats registration as a marker of readiness, because it is the only formal gate they have had to pass through, is being misled by the structure of the system itself, not by any fault of their own judgement.

8.2 Reduced social protection when leaving employment

Across most EU member states, the social protection available to an employee, sick pay, unemployment insurance, pension contributions, parental leave entitlements, is substantially reduced

or restructured the moment someone becomes self employed. Some countries have introduced adapted schemes for the self employed in recent years, but coverage generally remains thinner and the qualifying conditions stricter than those available to employees, and in several member states self employed founders must actively opt into and pay for protections that are automatic under an employment contract.

This creates a structural incentive that runs directly counter to the caution this report is arguing for. A founder deciding how quickly to leave paid employment and commit fully to a new venture is, in effect, choosing how much of their existing safety net to give up, and the answer that maximises safety, staying employed longer while testing the idea, is also the answer the social protection system makes progressively more costly the longer someone waits, since delaying the leap does nothing to improve the weaker protection waiting on the other side of it. The system does not reward a longer validation period with a softer landing. If anything, it treats the validation period itself, part time self employment alongside a job, as a grey zone that complicates rather than clarifies a founder's protection status.

The European Commission's own analysis of the Startup and Scaleup Strategy acknowledges this gap directly, noting that the transition from employee to entrepreneur often means a real reduction in social protection, and that adapting protection systems to entrepreneurs' needs could make the transition more attractive. This report treats that acknowledgement as further evidence that the structural conditions surrounding entrepreneurship, not simply the individual choices of founders, deserve close attention alongside any pre-start readiness framework.

8.3 Regulatory fragmentation across member states

A founder operating across more than one EU member state, or planning to from an early stage, still faces twenty seven distinct national systems of company law, tax administration, employment regulation, and reporting requirements, despite decades of single market integration. The Letta report identified this fragmentation as one of the central obstacles preventing promising European companies from reaching the scale their US and Chinese counterparts routinely achieve, since a company that wants to expand across borders inside the EU currently faces close to the same regulatory complexity as one expanding into an entirely separate jurisdiction outside it.

For the specific question of founder readiness, fragmentation has a subtler effect. A founder preparing to start a business has to absorb an entirely different set of rules, obligations, and support structures depending on which member state they are registering in, which means that readiness education, to the extent it exists at all today, is designed and delivered nationally, with no shared baseline of what a prepared founder anywhere in the EU should actually know before starting. The proposed 28th regime, discussed in Chapter 2, is intended to address fragmentation for company operations. It does not, on its own, address the parallel fragmentation in how, or whether, founders are prepared before they use it, which is the gap this report's proposed EU wide readiness framework, developed in Part VI, is designed to close.

8.4 Slow bureaucracy and its effect on time to return on investment (ROI)

A founder's actual exposure to bureaucracy does not end at registration, and the delays that follow are one of the more overlooked ways in which an otherwise well prepared business can still fail. Permits, sector specific licences, delayed VAT registration, health and safety approvals, and in some sectors public procurement processes with long payment terms all take time to clear, and that time is rarely priced into the cash flow planning discussed in Chapter 6. A founder who has correctly calculated their runway based on when they expect to start generating revenue can still run out of cash if the permit or licence that revenue depends on takes three months longer to clear than expected, through no error of their own.

This matters because it pushes back the point at which a business starts earning a return on the capital and time already invested in it, and every month that return is delayed is a month closer to the point where savings run out and debt has to cover the gap instead. A business plan can be entirely sound

on paper and still fail in practice because the administrative path to actually trading took longer than the founder's financial buffer could absorb. This is the same underlying mechanism discussed in section 8.1 regarding banking and finance, a founder who cleared the easy part of starting a business assuming the rest would move at a similar pace, and instead meets a much slower moving system once real operations are supposed to begin.

This risk is directly relevant to readiness in two ways. First, a realistic understanding of how long the specific permits and approvals relevant to a given business actually take, not the official processing time quoted by an authority but the time it takes in practice, is part of the financial literacy this report argues should be verified before a founder commits to a lease, a loan, or a hiring plan built around an optimistic timeline. Second, it reinforces the point made in Chapter 9 about where EU policy attention has gone. Faster permitting and administrative processing are worthwhile reforms in their own right, but until they are delivered consistently across every stage a founder actually has to pass through, not just at the point of registration, founders need to be prepared to plan around delay rather than assume it away.

9. The EU's built-in paradox: Quantity over quality

9.1 Policy incentives that reward startup volume

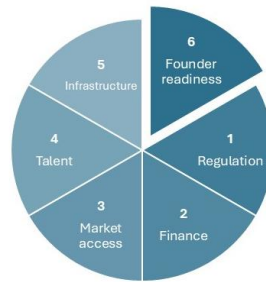
Look closely at how entrepreneurship policy is measured across the European Union, at national and EU level alike, and a consistent pattern emerges. The headline indicators are almost always counting indicators: number of new business registrations, number of startups supported by a given programme, number of participants completing an accelerator or incubator scheme, number of new self employed individuals moved off unemployment registers. Success, in the language of these metrics, is more of something happening. Almost none of the standard indicators ask what happened to those businesses two, three, or five years later.

This is not a minor technical oversight. It shapes real behaviour, because public bodies, agencies, and programme managers respond to the metrics they are actually evaluated against. A regional business support office funded partly on the basis of how many new companies it helps register has a direct institutional incentive to maximise that number, and comparatively little incentive to slow the process down in order to filter out ventures unlikely to survive, since a filtered out founder does not count toward the target either way. The same logic applies to national schemes that offer grants or reduced fees tied to registration counts, and to EU funded programmes reporting participation numbers back to Brussels as evidence of programme reach.

None of this reflects bad faith on the part of the people running these programmes. It reflects a measurement system built around the easiest thing to count, a registration event, rather than the harder but more meaningful thing to count, a business still trading and adding value five years later. Chapter 3 established that Eurostat already collects the survival data needed to build better indicators. The problem is not a lack of available data. It is that volume based indicators remain the default in how entrepreneurship policy success is defined and reported, at both national and EU level, largely because they are simpler to produce and easier to present as a positive headline figure.

The EU Startup and Scaleup Strategy's five pillars, and the missing sixth pillar

Table 9.1



Pillars 1 to 5 are the strategy adopted in 2025. Pillar 6, founder readiness, is this report's proposed addition, discussed in chapter 9.4.

9.2 Employment and tax revenue targets vs. survival outcomes

Governments have straightforward fiscal reasons to want more businesses registered in the short term, regardless of how many survive in the long term. Each new registration is, at minimum, a data point that can be reported as evidence of economic dynamism, and in many cases it also triggers immediate fiscal activity: registration fees, initial VAT registration, and, if the founder hires even one employee, a new entry in employment statistics and a new stream of payroll tax and social contributions. These effects are visible in the same budget year the business is started, while the costs of failure, a loan default, unemployment benefit claims, unpaid tax from an insolvent company, typically materialise two, three, or more years later, often under a different budget cycle and sometimes under a different government.

This mismatch in timing creates a quietly perverse incentive structure. A policy that maximises short term registration numbers can look successful on every measure a government reports in the year it is introduced, even if a large share of the businesses it helped create are foreseeably headed for failure within five years. The fiscal cost of that failure, explored in detail in Chapter 15, lands later, is harder to attribute back to the original programme, and is distributed across different institutions, the tax authority, the unemployment insurance system, sometimes the health system, rather than concentrated in a single budget line that would make the true cost visible in one place.

The practical result is that the fiscal case for readiness screening is currently invisible in the way public budgets are typically structured, even though the underlying economics likely favour it. A euro spent helping an unready founder avoid a foreseeable failure is a euro that avoids a larger, delayed, and more diffuse set of costs down the line. But because those future costs are not booked against the original registration decision, the short term calculation that governments and support agencies actually see continues to favour volume over screening, and will keep doing so until survival and downstream cost outcomes are built into how entrepreneurship programmes are funded and evaluated in the first place.

9.3 Where EU simplification agendas may amplify the problem

The EU's own simplification agenda, an unambiguously positive development for reducing unnecessary friction on legitimate businesses, carries a secondary effect that has received little attention: it also reduces the number of moments at which an unready founder might, even informally, encounter a piece of advice, a document requirement, or a conversation with an official that prompts them to pause and reconsider. A multi step, paper based registration process that once required a founder to visit a local chamber of commerce in person had an unintended screening function alongside its intended administrative one, simply because it created friction and human contact at the point of starting. A same day digital registration process removes that friction entirely, which is the correct policy goal, but it also removes the accidental checkpoints that used to exist alongside it, without replacing them with anything designed on purpose.

The instruments now moving through negotiation and rollout under the EU Startup and Scaleup Strategy, the 28th regime, the European Business Wallet, further digitalisation of company administration across member states, are all explicitly designed to compress the founder journey and remove friction wherever it is found. This is the right response to the problems Draghi and Letta identified. It also means that whatever informal, accidental screening still exists in today's more fragmented, more paper based national systems is likely to disappear further as these reforms roll out, unless a deliberate readiness step is built into the new, streamlined journey to replace it.

This is not an argument for slowing down simplification, and this report does not make that argument anywhere. It is an argument for timing. The two central instruments are no longer on the drawing board, but they are not finished either. The 28th regime and the European Business Wallet are both formal proposals under negotiation in Parliament and Council, and under the Commission's draft the 28th regime would apply only twelve months after entry into force. That leaves a real but narrowing window, now set by the legislative calendar rather than by design work: amendments can still be tabled, and national registers and the central interface still have to be built. Once the text is adopted and the systems are optimised end to end for speed, adding any further step will face far greater institutional and political resistance than it does today.

9.4 What the startup and scaleup strategy does not address: Founder readiness as the missing sixth pillar

The EU Startup and Scaleup Strategy, adopted in May 2025, is organised around five pillars: cutting regulatory and administrative burden, improving access to finance, opening market access across the union, attracting and retaining talent, and building better infrastructure for founders. Reading through the Strategy's twenty six actions in detail, every one of them addresses a condition surrounding the founder, the regulatory environment they operate in, the capital available to them, the market they can sell into, the people they can hire, the infrastructure they can build on. Not one of them addresses the founder themselves: whether the person starting the business has the knowledge, the validated idea, and the personal capacity to make use of everything the other five pillars are working to provide.

The Scaleup Europe Fund illustrates the pattern. Established in August 2026 with a target of five billion euros and typical investments of one hundred million euros or more, it is aimed at companies that have already shown they can scale. That is the right use of capital at that stage, but by design it sits far from the point where a founder decides whether to start.

This is not a criticism of the Strategy's authors, who were responding directly and competently to the specific competitiveness gaps that Draghi and Letta identified, gaps that are genuinely about capital markets, regulatory fragmentation, and scale, not about founder preparation. It is an observation about scope. A strategy built to fix the environment around founders was never going to, and was not trying to, also fix the preparation of the founders entering that environment. But the effect of the omission is the same regardless of the reason for it: a founder who is not ready to build a viable business will not be made ready by easier access to capital, a simpler regulatory regime, or a larger addressable market. Those conditions make it easier for a ready founder to succeed. They do very little for an unready one, and in some cases, by removing friction and speeding up the path to launch, they may make it easier for an unready founder to fail faster and at greater cost.

This report proposes founder readiness as the missing sixth pillar of the EU's competitiveness agenda, positioned not as a replacement for any of the existing five, but as the pillar that determines how much value the other five actually deliver. A more efficient capital market benefits the economy in proportion to how many of the founders accessing it are prepared to deploy that capital toward a viable business. A simpler regulatory environment benefits the economy in proportion to how many of the founders using it are building something that will still exist in five years. Without a readiness pillar, the other five risk optimising the conditions for business formation while leaving the underlying quality of what gets formed exactly where it is today, which the survival data in Chapter 3 suggests is

not good enough for a union trying to close a competitiveness gap with the United States and China. Part VI of this report sets out what that sixth pillar could concretely look like.

9.5 Why the people running the system have little reason to fix it

The volume bias described throughout this chapter is not only a measurement problem. It is also a straightforward principal agent problem, and naming it plainly is more useful than describing it only in the abstract. A civil servant running a business support scheme, or a politician announcing it, draws a salary and builds a career regardless of what happens to the founders that scheme actually produces. The entrepreneur who takes out a loan, signs a lease, and puts years of unpaid effort into a venture is exposed to genuine personal risk that the official designing the scheme is not. This asymmetry is exactly what economists mean by a principal agent problem, the person making the decision does not bear the consequences of that decision, and it explains, more directly than any lack of goodwill or competence, why volume metrics persist even after the evidence in this report has made their limits clear.

This is not a call for better intentions from public officials, which is rarely an effective policy lever on its own. It is a call to redesign what they are actually rewarded for, since the goal is not to make bureaucrats care more, it is to make caring more the same thing as succeeding at their job. Four specific changes would do most of the work. First, change the headline metric itself, from the number of businesses started this year to the share of supported founders still trading three or five years later, so that the figure a minister quotes in a speech and the figure that determines whether readiness actually mattered become the same figure, exactly the shift already argued for in chapter 19.1.

Second, delay the evaluation window on purpose. A scheme judged on this year's registration count carries no cost for chasing volume, because by the time the resulting failures appear the responsible minister has often moved on and the budget cycle has closed. Judging the same scheme on outcomes measured three years after the fact, tied to the same cohort it originally supported, forces today's volume driven choices to show up in tomorrow's official results, which is the direct fix to the timing mismatch described in chapter 9.2.

Third, keep the measurement external. A scheme that reports its own success is grading its own homework, and a support agency has an obvious interest in a number that flatters its own performance. Survival data published independently, by Eurostat or a national audit body with no stake in how any single scheme looks, removes the ability to bury a weak outcome inside a favourable press release, and is precisely why chapter 25 recommends that certified and uncertified founders be tracked separately by Eurostat rather than by the bodies delivering the framework themselves.

Fourth, where private or third sector providers deliver part of the framework, courses, mentoring, advisory support, pay them for the outcome, a founder still trading after two years, rather than for the activity, a founder who attended a course. A provider paid per completion has every reason to process as many founders as quickly as possible. A provider paid per founder still trading two years later has a direct financial reason to be honest about who is actually ready and to invest real effort in the founders who need it most, which turns the same profit motive currently pointed at volume into a profit motive pointed at outcome instead.

None of these four changes asks anyone in government to behave more altruistically than people generally do. Each one simply moves the personal incentive of the official or provider closer to the actual outcome this report cares about, so that pursuing readiness and pursuing one's own career or budget stop being two separate, competing goals. Part VI of this report sets out what that sixth pillar could concretely look like.

10. Social and cultural factors

10.1 Stigma of failure and delayed help-seeking

Attitudes toward business failure vary significantly across Europe, and those attitudes have a measurable effect on how founders behave when their business starts to struggle. In cultures and communities where a failed business is treated as a lasting mark against the founder's judgement or character, rather than as a normal, sometimes even valuable, part of a working economy, founders facing early warning signs tend to delay acting on them for longer than founders in more forgiving environments. Admitting that a business is not working is, in these settings, close to admitting personal failure in a way that carries social cost well beyond the business itself, and people, understandably, delay conclusions that carry that kind of cost for as long as they can.

This delay is rarely neutral. A founder who recognises a struggling business early has real options: restructure the offering, cut costs before debts accumulate, wind the business down in an orderly way that pays suppliers and avoids personal insolvency, or seek advice while there is still enough time and cash for that advice to matter. A founder who recognises the same signs only much later, having spent months or years hoping the situation would resolve itself rather than confronting it, typically has far fewer options left by the time they act, and the eventual outcome shifts from the controlled closure discussed in Chapter 3 toward the disorderly bankruptcy that causes real harm to suppliers, lenders, and the founder's own financial position.

Stigma also shapes whether founders seek help at all, at any stage. Business advisory services, mentoring programmes, and restructuring specialists exist in most member states and are, in many cases, available free of charge or at low cost through national SME support schemes. Take up remains low relative to the number of businesses that would clearly benefit, and stigma is a significant part of the explanation, since seeking help can itself feel like an admission that things are going wrong, in a way that many founders would rather avoid until avoiding it is no longer possible.

The variation between member states on this point is informative. Countries with more established cultural norms around second chances for founders, often reinforced by insolvency law that distinguishes clearly between honest business failure and fraudulent or reckless conduct, tend to show faster help seeking and more controlled closures. This is not only a cultural question. Since 2019, the EU's own Restructuring and Insolvency Directive has set a binding minimum standard across all member states, giving honest, insolvent entrepreneurs the right to a full discharge of debt after a maximum of three years, with any related professional disqualifications lifted at the same time. Before this directive, discharge periods varied enormously between member states, and the difference was large enough that over indebted founders sometimes relocated to another member state purely to access a shorter path back to a clean financial start. The directive explicitly excludes dishonest or reckless conduct from this protection, so the safeguard applies only to founders who acted in good faith, not to anyone using bankruptcy to escape debts incurred through fraud or misconduct.

The scale of the problem this directive was built to address is worth stating plainly. In the European Commission's own research ahead of the reform, fear of bankruptcy was the single most common reason Europeans gave for not starting a business, ranked ahead of both income uncertainty and job insecurity. Norway offers a related, if less entrepreneur specific, model worth noting alongside the EU directive. Its general debt settlement scheme, gjeldsordningsloven, gives anyone with unmanageable debt, business or personal, a structured repayment plan set against their actual income and living costs, typically running around five years, after which the remaining debt is written off. It can only be used once in a lifetime, and it treats business and personal debt under the same process rather than forcing a founder through two separate systems. Chapter 26 returns to what full implementation of the EU directive should look like in practice at member state level.

10.2 Family, peer, and social pressure to “Just start”

The romanticised narrative of entrepreneurship discussed in Chapter 5 does not operate only through media and popular culture. It operates directly through the people closest to a prospective founder, family, friends, former colleagues, whose encouragement, however well intentioned, frequently pushes toward speed rather than preparation. A founder sharing an early idea with people who care about them tends to receive enthusiasm and support for the decision to start, and comparatively little pushback or probing questions about whether the idea has actually been tested, because pushing back can feel, to a friend or family member, like a lack of belief in someone they want to see succeed.

This dynamic is compounded by a specific and common failure of interpretation, already touched on in Chapter 4: founders routinely mistake enthusiastic feedback from their own social circle for genuine market validation. A friend, a parent, or a former colleague saying they would definitely buy a product is not the same evidence as a stranger with no personal stake in the founder's success actually paying for it, but the two are easy to conflate, especially when the founder wants the idea to be validated and their social circle wants to be supportive. The case of the neighbourhood restaurant founder in Chapter 4, opened on the strength of praise from friends and family with no wider testing, is a direct illustration of this pattern.

Peer pressure operates on a longer timescale as well, particularly within certain professional and social networks where entrepreneurship has become a marker of status or ambition. In environments where several peers have started businesses, sometimes successfully and visibly, the social cost of not starting one, of staying in a conventional job while friends build companies, can itself become a motivating pressure that has little to do with whether a specific founder has identified a specific, validated opportunity. This report does not suggest that social encouragement toward entrepreneurship is inherently harmful. It suggests that encouragement to start needs to be balanced by an equally normalised social expectation that starting well means testing first, and that this second expectation is currently much weaker and less visible than the first across most of the communities and networks examined in preparing this report.

Family pressure cuts in the opposite direction as often as it pushes someone toward starting. A partner or parent who is anxious about financial risk can discourage a founder from pursuing a genuinely well validated opportunity, out of caution rather than informed judgement about the specific business. Both dynamics, pressure to start without adequate testing and pressure not to start despite adequate testing, point to the same underlying gap: family and social networks are rarely equipped with the structured information needed to give a founder useful guidance either way, because that information, the kind a proper readiness assessment would surface, does not currently exist in a form anyone outside the founder's own head can easily evaluate. A visible, structured readiness process, of the kind proposed in Part VI, gives families and peers something concrete to point to and discuss, rather than leaving the decision to start resting entirely on social confidence and personal conviction, in either direction.

PART IV - WHO BEARS THE COST: A STAKEHOLDER DAMAGE ANALYSIS

11. The Entrepreneur

11.1 Financial loss, debt, and long-term consequences

The most direct cost of an unready business falls on the person who started it. Savings put into the venture are gone. A bank loan taken out to cover a lease deposit, equipment, or initial stock does not disappear when the business closes, and in most member states a founder who borrowed as a sole trader or gave a personal guarantee for a company loan remains personally liable for that debt regardless of what happens to the business itself. This is the mechanism behind the restaurant founder in Chapter 4, who closed within eighteen months and carried the loan for years afterward. It is a common outcome, not an unusual one.

The scale of the loss is often larger than the headline capital invested, because it also includes the opportunity cost of the time spent. A founder who puts two years into a failing business has also foregone two years of salary they could have earned elsewhere, two years of pension contributions, and two years of career progression in whatever field they left. None of this shows up in a simple accounting of how much capital was lost, but it shows up clearly in a founder's financial position five or ten years later, particularly for founders who started later in their working life and have less time remaining to recover the lost ground.

Debt taken on to fund a failed business also behaves differently from other forms of personal debt in one important respect: it is rarely a single, clean liability. It typically accumulates across several sources at once, a bank loan, unpaid personal tax, a credit card used to cover a cash shortfall, sometimes money borrowed informally from family. This fragmentation makes the debt harder to restructure or negotiate down than a single larger loan would be, and it means the founder is often dealing with several separate creditors, each with their own timeline and tolerance for delay, at exactly the point when they have the least capacity to manage that complexity.

The consequences extend well beyond the years immediately following closure. A poor credit history arising from business debt can affect a founder's ability to rent a home, secure a mortgage, or access consumer credit for years afterward, entirely separate from any question of whether they would make a good employee, tenant, or borrower going forward. This is one of the clearest, most measurable ways in which an unready business converts a single early decision into a multi year financial burden that outlasts the business itself by a considerable margin.

11.2 Health, stress, and psychological impact

Running a struggling business is one of the more sustained sources of stress a person can experience, precisely because it rarely resolves quickly in either direction. Unlike a single acute crisis, a failing business typically produces months of uncertainty: will next month's revenue cover the rent, will a key client renew, will the bank extend the overdraft again. This kind of prolonged, low grade uncertainty, rather than a single dramatic event, is what the research on founder wellbeing consistently identifies as the more damaging pattern, because it does not allow the stress response to resolve the way it would after a shorter, sharper setback.

The financial and psychological pressures reinforce each other in a way that makes each harder to manage on its own. A founder losing sleep over cash flow is less able to make the clear headed decisions that might actually improve the cash flow situation, and the resulting mistakes add further financial pressure, which produces further stress. This cycle is visible across several of the case illustrations in Chapter 4, and it is one of the reasons this report treats personal readiness, including a realistic assessment of a founder's capacity to sustain sole responsibility for a stressful, uncertain

undertaking, as a genuine and measurable dimension of readiness rather than a soft or secondary consideration.

Isolation compounds the effect. A salaried employee under work pressure typically has colleagues facing similar demands, a manager with some responsibility for their wellbeing, and formal structures, occupational health support, defined working hours, that at least in principle limit how far the pressure can extend. A sole founder usually has none of these buffers. The business succeeds or fails on their judgement alone, there is often no one else in the organisation who fully understands the scale of the problem, and the working hours required to keep a struggling business afloat routinely extend well beyond what any employment contract would permit, with no external structure setting a limit.

This report does not attempt to diagnose or quantify specific mental health conditions among failed founders, which would require clinical data beyond its scope. What the available evidence does support is a clear pattern: sustained financial and operational stress of the kind common among failing businesses is a recognised risk factor for poor mental and physical health outcomes, and founders experiencing this level of sustained pressure benefit from early access to support, whether through business advisory services, ordinary healthcare, or simply a structured off ramp that ends the uncertainty sooner rather than later. This has a practical, not just a wellbeing, dimension. The neuroscience discussed in Chapter 5.2, showing that stress impairs exactly the prefrontal function a founder needs to make a clear headed exit decision, means that the same sustained pressure damaging a founder's health is also damaging their ability to recognise, and act on, the moment a controlled closure would serve them better than continuing. A readiness process that reduces how many founders enter this situation in the first place is, among its other effects, a meaningful public health intervention, even though it is rarely framed or funded as one.

11.3 The barrier to future entrepreneurship

One of the more overlooked costs of an unready business is what it does to the founder's willingness and ability to try again. A founder who closes a business owing money, having exhausted savings and personal credit, faces a genuinely different set of options for a second attempt than a founder who has not been through that experience. Access to a bank loan is harder with an impaired credit history. Access to savings to self fund a second attempt is harder because there are no savings left. And the psychological willingness to take the same risk again, having experienced the stress and loss described in the previous section, is often, understandably, much lower.

This matters for a reason that goes beyond the individual founder. Some of the strongest evidence in entrepreneurship research points to serial founders, people building their second, third, or fourth business, as disproportionately likely to succeed, since each attempt carries forward hard won knowledge about what does and does not work. An economy that wants more successful founders over time needs a reasonable share of first time founders to be able to try again after an early setback. A system that allows unready businesses to fail in the most damaging way possible, through disorderly bankruptcy and personal debt rather than controlled closure, is systematically reducing the number of people able to become the experienced, more successful second time founders the European economy actually needs.

This is one of the clearest points of alignment between the protective aim of this report, reducing avoidable harm to individual founders, and its competitiveness aim, strengthening Europe's pipeline of successful companies. A founder protected from an unnecessarily damaging first failure is a founder who remains available, financially and psychologically, to try again with better preparation the second time. A founder who has lost everything and is carrying debt for a decade afterward, most often is not.

It is worth being direct about how disproportionate the old consequences of honest business failure could be. A founder who made no dishonest choice at all could, before recent reform, face years of payment defaults, credit blacklisting, and unresolved debt, a burden that in practical, day to day terms

outlasted and in some cases outweighed the consequence faced by someone convicted of a minor criminal offence. A short custodial sentence ends. A decade of unresolved business debt, with no access to normal credit or banking in the meantime, does not, and it falls on someone whose only failing was that a legitimate business did not work out. This asymmetry helps explain why fear of bankruptcy has consistently ranked, in the European Commission's own research, as the single most common reason Europeans give for not starting a business, ahead of income uncertainty or job insecurity, and why it discourages exactly the risk taking a competitive economy depends on.

The EU's 2019 Restructuring and Insolvency Directive, discussed in chapter 10.1, is the clearest corrective to this imbalance so far, giving honest entrepreneurs a right to full debt discharge within three years rather than the much longer, inconsistent periods that used to apply across different member states. The readiness framework proposed in Part VI is designed to prevent as many unready ventures as possible from starting in the first place, but where a business does still fail despite genuine preparation, which will always happen given the underlying uncertainty of any market, this report also argues, in Part VIII, for full and consistent implementation of that three year discharge standard across every member state, precisely so that founders who fail honestly retain the option of trying again rather than carrying a penalty out of proportion to what they actually did wrong.

12. Family, partners, and dependents

12.1 Economic spillover onto households

A founder rarely absorbs the financial cost of a failed business entirely alone. Household finances are shared in practice even where debts are legally held by one person, and a partner's ability to plan for a mortgage, save for retirement, or cover an unexpected expense is affected by the same cash shortfall that is straining the business, often well before the business actually closes. Savings that were meant for a family purpose, a house deposit, school costs, a parent's care, are frequently the same savings drawn on to keep a struggling business running for another few months.

Where family members have lent money directly, formally or informally, the spillover is more direct still. It is common for a founder to raise early capital from parents or a partner rather than from a bank, on terms far more forgiving than a commercial lender would offer, and precisely because those terms are informal, the loss when the business fails rarely triggers the kind of structured recovery process a bank would pursue. The money is simply gone, and the family member who lent it absorbs the loss quietly, often without ever describing it, even to themselves, as a business failure they were personally exposed to.

Children in the household are not immune to this either, even where they have no direct stake in the business. A prolonged period of financial strain shapes decisions about schooling, activities, and daily routine in ways that are rarely visible in business statistics but are entirely real to the people living through them. This report does not attempt to quantify these effects precisely, since good data at this level of detail is scarce, but the direction of the evidence is consistent enough to state plainly: the financial consequences of an unready business extend, as a matter of course, beyond the person whose name is on the registration.

12.2 Relational and wellbeing effects

The stress described in Chapter 11 does not stay contained to the founder. A partner living with someone under sustained financial and psychological pressure experiences a version of that pressure themselves, often without the information or agency to do much about it, since major decisions about the business are usually made by the founder alone even when the consequences are shared. Long hours, preoccupation, and financial anxiety are difficult to keep separate from a couple's daily life and relationship, and relationship strain during a period of business failure is a common, if under documented, pattern reported by founders and their partners alike.

Where the strain is severe or prolonged enough, the relationship itself can become another casualty of an unready business, and separation adds its own financial and emotional cost on top of whatever the business has already caused, at exactly the point when neither party is well positioned to absorb it. This report does not suggest this outcome is typical of every business failure, most relationships withstand considerably more strain than a single difficult business venture. It suggests only that the risk is real, rarely discussed openly, and worth naming plainly as part of the full cost of unready entrepreneurship, rather than treated as a private matter unconnected to the policy questions this report is concerned with.

The practical implication for the readiness framework developed in Part VI is direct. Family and partner support is already one of the five dimensions this report treats as part of personal readiness, and the reasoning behind including it is not sentimental. A founder starting a business without the understanding, or at minimum the informed acceptance, of the people they live with is starting without one of the more significant buffers available to absorb a difficult early period, and is placing that same buffer at direct risk if the business struggles. Asking the question honestly before starting, rather than discovering the answer under pressure months later, protects the founder and the people closest to them in equal measure.

13. Customers and the value chain

13.1 Undelivered Goods and Services

When a business fails, its unfinished obligations to customers rarely disappear cleanly. A deposit paid for a kitchen renovation, a prepaid course of treatment, a booking for an event months away, all of these represent real money handed over in exchange for a promise the business is no longer able to keep. Customers in this position are usually unsecured creditors in any formal insolvency process, near the back of the queue behind secured lenders and tax authorities, which means the practical odds of recovering what they paid are often low even when a legal claim technically exists.

The disruption goes beyond the money itself. A business commissioned to deliver something specific and time sensitive, a wedding supplier, a building contractor partway through a renovation, a software vendor a client has already begun to depend on, leaves a gap that is often costly and inconvenient to fill on short notice. The replacement supplier found under pressure is rarely the cheapest option, and the customer absorbs both the direct financial loss from the failed business and the premium cost of solving the problem in a hurry.

This risk falls disproportionately on the customers of small, newer businesses, precisely the businesses this report is most concerned with. A well established company with a long trading history offers a customer some implicit reassurance simply by virtue of having survived this long. A brand new business offers no such signal, and a customer engaging with one has, in effect, no reliable way of judging in advance whether the business behind the transaction has the readiness this report argues should have been checked before it opened its doors.

13.2 Costs of Renewed Procurement and Trust Erosion

For business customers, the cost of a failed supplier extends well past the value of the specific contract lost. Sourcing a new supplier takes time, and for anything beyond a simple commodity purchase it usually involves a proper procurement process, evaluating alternatives, negotiating terms, and onboarding a new relationship from scratch. For a small or medium sized business that had built a workflow around a particular supplier, this disruption can affect its own delivery to its own customers, passing the original failure further down the chain rather than absorbing it at the point where it occurred.

There is also a quieter, longer term cost that is harder to put a figure on. A buyer who has been burned by a supplier failure becomes more cautious about working with newer, smaller businesses in future, even ones with no connection to the one that failed. This caution is entirely rational from the buyer's

perspective, but in aggregate it makes the market slightly less hospitable to legitimate new entrants, who now face a higher bar of proof before a customer is willing to take a chance on them. Each unready business that fails in a damaging way makes the next well prepared founder's path marginally harder, which is one more reason the costs examined in this chapter are not contained to the specific transactions involved.

14. Suppliers and business partners

14.1 Unpaid invoices and cascading financial risk

Suppliers are usually the last people to know a business is in trouble and among the first to feel the consequences. A struggling founder facing a cash shortage tends to prioritise the payments that will cause the most immediate visible damage if missed, rent, payroll, tax, and delays the payments where the consequences feel more distant or negotiable, which in practice often means supplier invoices. This is rarely a deliberate decision to avoid paying suppliers. It is a sequence of individually reasonable short term choices that, repeated over several months, leaves a supplier holding an invoice that will never be paid in full, if at all.

The case of the marketing consultancy in Chapter 4 illustrates this pattern directly. Two subcontractors went unpaid for several months while the founder tried to restructure the business back to a sustainable size, not because the founder had decided not to pay them, but because the cash simply was not there once fixed costs had already outpaced income. This is the ordinary mechanism through which supplier harm occurs. It is rarely dramatic and rarely intentional, which is part of why it receives less policy attention than it probably deserves relative to its actual frequency.

For a supplier that is itself a small business, and most suppliers to small businesses are small businesses, an unpaid invoice is not simply a bad debt to write off. It is a direct hit to their own cash position, and if that supplier is operating close to its own margins, which many small businesses do, a single significant unpaid invoice can be enough to create genuine financial strain of its own. The risk does not stay contained to the original failed business. It transfers directly onto the balance sheet of every supplier that extended credit to it, in proportion to how much of that supplier's own revenue depended on the relationship.

This transfer is largely invisible in how business failure is usually discussed and measured. National statistics record a business closure or a formal insolvency as a single event attributed to a single company. They do not routinely trace or report the number of other businesses whose own financial position was weakened by that one closure, even though the underlying mechanism, one company's unpaid debt becoming another company's cash flow problem, is well understood in principle and is precisely the kind of contagion risk that financial regulators take seriously in other contexts, such as banking.

14.2 SME financial stress and contagion effects (OECD SME financing outlook)

The OECD's SME Financing Outlook tracks indicators of financial stress among small and medium sized enterprises across member economies, including late payment patterns, use of short term credit to cover cash gaps, and rates of business insolvency. The underlying picture these indicators paint is one of interconnection: SMEs are, on average, both more reliant on timely payment from their customers and less able to absorb a payment shock than larger firms with deeper reserves and broader access to credit facilities. A small supplier is, in a very real sense, financially exposed to the readiness of every unready business it agrees to work with, whether or not it has any way of assessing that readiness in advance.

This exposure compounds through a supply chain rather than stopping at the first link. A small supplier weakened by one client's unpaid invoice may, in turn, delay payment to its own suppliers or draw on short term credit to cover the gap, passing a milder version of the same strain further along the chain. Multiplied across the volume of unready business failures documented in Chapter 3, this contagion

effect represents a meaningful, if diffuse and hard to isolate, drag on the financial health of the wider small business sector, distinct from and additional to the direct harm suffered by the original failed business's own founder.

There is also a behavioural response worth noting. Suppliers who have been burned once by a client's failure tend to adjust how they extend credit in future, shortening payment terms, requiring deposits upfront, or declining to work with newer, less established businesses at all. This is a rational individual response to a real risk, but at the level of the wider economy it tightens the informal trade credit that many small and newly founded businesses rely on in their first year, before they have built the trading history needed to access more formal financing. In this way, the downstream effects of past unready business failures make it marginally harder for the next generation of founders, including well prepared ones, to get the informal financial support that a functioning small business ecosystem depends on.

None of this suggests suppliers should simply refuse to work with new businesses, which would undermine the dynamism the EU is actively trying to encourage. It suggests that supplier exposure to business failure is a real, measurable, and currently under addressed cost of the readiness gap this report is concerned with, and that reducing the number of foreseeably unready businesses entering the market would have a direct, positive effect on financial stability further down the value chain, an effect that current SME policy discussion, focused primarily on financing access for founders themselves, has largely left unexamined.

15. Society and the state

15.1 Lost tax revenue and public cost of business failure

A business that fails within its first few years typically leaves the state worse off in several distinct ways at once. Corporate tax that would have accrued from years of continued trading never materialises. VAT that was collected from customers but never remitted, common in the final months of a struggling business when cash is diverted to more immediate priorities, becomes a direct loss rather than simply forgone future revenue. Payroll taxes and social contributions on jobs that existed briefly and then disappeared add a further gap, smaller per business than the losses linked to a larger company but significant in aggregate given how many small businesses fail each year across the union.

Insolvency itself carries administrative cost to the state, separate from the tax revenue lost. Formal bankruptcy proceedings involve courts, insolvency practitioners, and public registries, all funded at least partly through public budgets, and a higher volume of avoidable insolvencies means a higher ongoing administrative burden on these systems for cases that a proper readiness check could plausibly have prevented from reaching this stage at all. None of this is a large sum relative to overall public finances for any single failed business, but multiplied across the scale of business failure documented in Chapter 3, it represents a real and currently unmeasured drain on public resources.

There is also a less direct fiscal cost worth naming. Public money is regularly spent supporting business formation in the first place, grants, subsidised loans, incubator places, advisory services, often provided free or below cost specifically to encourage more people to start businesses. Where that public investment goes toward a venture that was foreseeably unready and fails within a short period, the return on that investment is effectively negative once the downstream costs described above are included, even though the original spending would have been recorded, at the time, as a straightforward support success.

15.2 Labour market and welfare system effects

A founder whose business fails frequently re enters the labour market, or the welfare system, in a weaker position than before they started. Time spent running a failed business is time not spent building experience or seniority in paid employment, and re entering a career after a multi year gap running a business that did not survive can mean starting several steps behind where the founder

would otherwise have been. For founders who left secure employment to start the business, discussed in Chapter 7 as pull entrepreneurs, this represents a real, measurable setback to their own labour market position, on top of the direct financial losses covered in Chapter 11.

For founders who started under push motivation, often as an alternative to unemployment support, business failure frequently means returning to the same welfare system the original venture was meant to be an exit from, sometimes in a worse position than before, given any debt accumulated during the attempt. This is a particularly direct illustration of the argument made in Chapter 7 and Chapter 9: a policy that encourages necessity driven business formation without a matching readiness check can end up cycling people through a period of business ownership and back into the welfare system, having added debt and lost time along the way, without having achieved the durable exit from benefit dependency the original scheme was designed to produce.

Employees hired by a failing business face their own version of this disruption. A small business that hires one or two people and then fails within a year or two has given those employees a short, often insecure period of employment followed by an unplanned return to job seeking, which interrupts continuity of employment and, depending on national rules, can also affect entitlement to certain unemployment protections that require a minimum period of continuous contribution. This is a smaller effect than the founder's own labour market disruption, but it is a real one, and it means the employment gains counted at the moment a small business hires its first staff member are not always as durable as the headline job creation statistics discussed in Chapter 9 suggest.

15.3 Aggregate economic cost: Estimating the true price of unready entrepreneurship

No single, authoritative figure currently exists for the total EU wide cost of unready entrepreneurship, and this report does not attempt to manufacture false precision where the underlying data does not yet support it. What can be said with confidence is that the components are individually real and individually measurable, lost tax revenue, unemployment and welfare costs, administrative costs of insolvency proceedings, the productivity cost of founders and employees cycling out of stable work, the contagion cost to suppliers documented in Chapter 14, and the harder to quantify but still real costs to founder and family wellbeing documented in Chapters 11 and 12.

Building a reliable aggregate estimate would require linking data currently held separately across tax authorities, insolvency registers, and welfare systems in each member state, which is a genuine data and coordination challenge rather than a conceptual one. This report recommends, in Part VIII, that the European Commission and national statistical offices develop exactly this kind of linked estimate, both because it would strengthen the evidence base for readiness policy and because a single, credible aggregate figure tends to carry more political weight in budget discussions than a list of separate, smaller costs, however well documented each one is individually.

In the absence of that aggregate figure, the individual components documented across this chapter already support the core argument of this report on their own. Each euro spent helping an unready founder recognise that gap before starting is a euro that plausibly avoids a larger, delayed, and currently uncounted set of public costs. A competitiveness agenda genuinely focused on using European capital and talent efficiently has strong reason to treat these costs as real budget items, not as an unfortunate but unavoidable by product of a dynamic economy.

16. The competitiveness cost: How unready entrepreneurship undermines Europe's global position

16.1 Diluted innovation capacity and resource misallocation

Every euro, every hour, and every skilled person committed to a business that was never going to become viable is a euro, an hour, and a person not available to a business that could have. This is a simple point of arithmetic, but it is rarely stated plainly in European competitiveness discussion, which tends to focus on the total volume of capital and talent flowing into entrepreneurship rather than on

how efficiently that volume is allocated across ventures of very different quality. A pipeline that channels a large share of its capital and talent toward foreseeably unready businesses is, by definition, allocating less of both to the ventures capable of the kind of innovation and scale the Draghi report identifies as Europe's central competitive weakness.

This misallocation operates at the level of individual people as much as capital. A skilled engineer, designer, or operator who spends two years inside a business that was never going to work has not simply lost personal time and money, documented in Chapter 11. They have also spent two years of genuinely valuable professional capability on an outcome that produced no lasting economic value, capability that a better prepared venture, or an existing scaling company, could have used productively during the same period. Multiplied across the scale of business failure documented in Chapter 3, a meaningful share of Europe's most entrepreneurial, risk tolerant talent, precisely the people the EU most wants to keep and deploy well, is cycling through ventures with no realistic path to success rather than contributing to ones that have one.

Angel investors, early stage funds, and public co investment schemes face a related version of the same problem. Investment decisions at the earliest stage of a company's life are made with limited information, and this report does not suggest that a readiness framework could or should replace investor judgement about market opportunity or technical merit. What it can do is remove a specific, avoidable category of failure from the pool investors are drawing from, ventures where the founder was not prepared to run a business at all, regardless of how sound the underlying idea might otherwise have been. Investors currently have no reliable, standardised signal to distinguish this category from genuine market risk before committing capital, which means some share of Europe's already scarce early stage capital, discussed in Chapter 2 as a fraction of the US and Chinese totals, is being spent on a type of failure that a modest amount of upfront verification could plausibly have avoided.

The innovation cost compounds over time in a way that is easy to underestimate. Innovation ecosystems benefit from density and from the accumulated, informal knowledge that circulates between founders, investors, and experienced operators in a given sector or region. A pipeline that produces a high volume of short lived, unready ventures generates activity but comparatively little of this accumulated knowledge, because the businesses do not survive long enough to develop it, hire and train people who carry it forward, or become the informal mentors and angel investors that a mature ecosystem depends on. A smaller number of well prepared ventures that survive and grow contributes more to this compounding effect than a larger number of ventures that appear and disappear within a year or two, even though the larger number looks more impressive on a simple registration count.

Illustrative composition of a single foreseeably preventable business failure

Table 16.1

Note: Conservatively estimated at 20,000 to 35,000 euros in total. (see chapter 21.4)



Plus an unmonetised competitiveness cost, capital and talent diverted from ventures capable of scaling, chapters 16.1 and 16.2. This cost is real but not included in the euro figure above. Illustrative breakdown, not a measured statistic.

See Chapter 16.1 for full definitions of each estimation.

16.2 Opportunity cost: Capital and talent diverted from viable ventures

Capital markets, even well functioning ones, do not perfectly separate good opportunities from poor ones in real time, and early stage entrepreneurial finance is one of the least efficient corners of any capital market precisely because the information available at the point of investment is so limited. In this environment, a viable business competing for a bank loan, an angel cheque, or a grant is competing directly against unready businesses making similarly confident pitches, and the reviewer or investor on the other side of the table often has no reliable, low cost way to distinguish between a founder who has done genuine market validation and one who has not, since both can sound equally convincing in a pitch meeting.

This is a direct opportunity cost to viable businesses, not merely an abstract inefficiency. Every hour a bank loan officer, a public grant assessor, or an angel investor spends evaluating and processing an application from an unready venture is an hour not spent supporting a venture that could have used the capital productively, and every euro that ultimately goes to a business that fails within two years is a euro that a genuinely promising business, perhaps one competing for the same limited pool of early stage funding, did not receive. Given the scale of the survival gap documented in Chapter 3, roughly half of all new businesses not trading five years later, this is not a marginal effect at the edges of the system. It describes a substantial share of where European early stage capital and institutional attention are actually being spent.

The distortion extends to publicly funded support infrastructure as well. Incubators, accelerators, and business advisory services operate with finite capacity, a limited number of advisor hours, mentor relationships, and programme places in any given year. A readiness framework applied before a founder enters this system would allow these limited resources to concentrate more heavily on ventures with a genuine chance of success, rather than spreading thinly across a mixed pool that includes a large share of ventures no amount of mentoring or acceleration was likely to save. This is not an argument for excluding unready founders from support altogether. It is an argument for directing the right kind of support, readiness education and honest feedback rather than acceleration and scaling advice, to founders who are not yet ready for the latter.

There is a final, more strategic dimension to this opportunity cost. The EU Startup and Scaleup Strategy is explicitly designed to help European companies reach the scale needed to compete globally and to reduce the incentive for successful companies to relocate abroad, the pattern behind the unicorn relocation figures discussed in Chapter 2. That effort depends on a healthy supply of companies reaching the point where scaling decisions become relevant in the first place. A pipeline that loses a large share of its ventures to foreseeable, preventable failure before they ever reach that point is quietly undermining the raw material the Strategy's later stage instruments are designed to work with, regardless of how well those later stage instruments themselves are eventually built.

16.3 Linking readiness to the broader innovation gap (Draghi/Letta Framing)

The Draghi report frames Europe's competitiveness challenge primarily in terms of productivity growth, investment in advanced technology, and the conditions needed for companies to scale to global size. None of these framings mention founder readiness directly, and this report does not claim they should have, since Draghi's mandate was to diagnose macroeconomic and structural competitiveness gaps, not the micro level conditions under which individual businesses are formed. But the connection between the two levels of analysis is closer than the separation between them suggests. A macroeconomic strategy to close an innovation gap ultimately depends on a large number of individual, successful decisions to start, build, and grow specific companies, and the quality of those individual decisions is exactly what this report's readiness framework is designed to improve.

The Competitiveness Compass, which the Commission presented in January 2025 as its response to Draghi, turns that diagnosis into an agenda that lists financing and skills among its horizontal enablers. Founder readiness fits within both without requiring a new institution. It is a skills measure that improves how the financing is used.

Letta's emphasis on single market fragmentation points to a similar connection. A more integrated single market, easier cross border expansion, and a genuinely EU wide capital market, the reforms Letta calls for, will disproportionately benefit companies that are already well prepared to use them: companies with validated products, sound financial management, and founders capable of managing growth across multiple jurisdictions. These are precisely the capabilities this report's five dimensions of readiness are built to establish before a business even starts. Fragmentation reform and readiness reform are not competing priorities. They address different stages of the same pipeline, and reform at the later, scaling stage delivers more value when paired with reform at the earlier, formation stage, rather than pursued in isolation.

There is a useful analogy in how the EU has approached other areas of economic policy where individual level preparation feeds into a macroeconomic goal. Financial literacy initiatives aimed at ordinary consumers are justified, in part, on the grounds that a population better equipped to manage debt and savings produces a more stable financial system overall, not simply better outcomes for individual households. The same logic applies directly to entrepreneurial readiness. A population of founders better equipped to assess market need, manage cash flow, and judge their own capacity produces a more competitive, more resilient business formation pipeline overall, not simply better outcomes for individual founders, and the aggregate effect is precisely the kind of structural competitiveness gain that Draghi and Letta were tasked with identifying.

This report's central claim, introduced in Chapter 1 and developed throughout Part III and this chapter, can now be stated in its fullest form. Europe's competitiveness gap with the United States and China is not only a story about capital markets, regulation, and scale, the terrain Draghi and Letta cover in detail and that the EU Startup and Scaleup Strategy is now acting on. It is also a story about how well prepared the founders entering the pipeline are in the first place, a variable that current policy leaves almost entirely unaddressed. Closing the capital and regulatory gaps without also closing the readiness gap means building a faster, smoother pipeline that still loses roughly half its contents before they reach the point where any of those other reforms can help them.

PART V - COMPARATIVE AND INTERNATIONAL PERSPECTIVES

17. How other regions approach entrepreneurial readiness

17.1 Licensing, certification, and pre-training models outside the EU

Germany offers the clearest example within Europe's own regulatory tradition of formal, mandatory readiness verification, even though it was built for a different reason than the one this report argues for. Under the Meisterpflicht, more than forty regulated skilled trades, including roofers, electricians, and several construction professions, require a founder to hold a master craftsman certificate before they may register a business in that trade, a qualification that combines technical competence with proof of business management knowledge, including bookkeeping, pricing, and cost accounting. The requirement was deregulated for many trades in 2004 in the name of competition and lower barriers to entry, then partially reinstated by the German parliament in December 2019 for twelve professions, including tilers, organ builders, and parquet flooring installers, explicitly as part of a wider move to correct the effects of that earlier deregulation. Germany's own policy history therefore already contains a live example of the exact tension this report is concerned with: barrier reduction producing a volume of new entrants whose preparation was judged, on reflection, to be inadequate, followed by a partial policy reversal to restore a verification step.

Outside the EU, the United States offers an instructive and more complicated comparison. Registering a business in most US states is faster and cheaper than in the majority of EU member states, and there is no federal or state requirement for pre-start training or readiness verification of any kind for a general small business. Despite this, US Bureau of Labor Statistics data on private sector establishments shows a one year survival rate of roughly 78 to 80 percent and a five year survival rate of approximately 48 to 49 percent, figures that are close to, and on the five year measure modestly better than, the EU average of around 45 percent documented in Chapter 3. On the surface, this appears to weaken the case for formal readiness requirements: a system with essentially no registration friction and no mandatory preparation achieves comparable, even slightly better, survival outcomes than the EU. This comparison is not like for like. The US figures cover establishments with employees, whereas 83 percent of newly born EU enterprises in 2023 consisted solely of self-employed individuals, a population whose survival is likely to differ. Eurostat also publishes a series for enterprises with employees only, and a fairer comparison would use that.

Looking more closely at the US system complicates that reading considerably. The absence of a formal, mandatory readiness requirement does not mean the absence of a readiness infrastructure. The federally supported Small Business Administration operates alongside SCORE, a nationwide volunteer mentoring network of experienced business owners and executives who provide free, structured guidance to prospective and early stage founders, delivered through hundreds of local chapters across the country. This creates a widely accessible, voluntary, informal equivalent to parts of the readiness framework this report proposes, absorbed into the culture of American small business support rather than imposed as a formal legal gate. The comparable survival statistics between the EU and the US are therefore not strong evidence against readiness preparation. They are more plausibly evidence that some meaningful share of American founders are accessing preparation and mentoring voluntarily, through a different institutional channel than the one this report proposes for Europe.

The same causes of failure, examined earlier in Part III for the European case, also dominate the American evidence: cash flow management and a genuine lack of market need are consistently the two most cited reasons small businesses fail in US analyses, in broadly similar proportions to those found in European and CB Insights data. This consistency across two very different regulatory environments, one with extensive administrative barriers and one with almost none, suggests the underlying readiness gap this report is concerned with is not primarily a European regulatory artefact. It appears to be a more general pattern in how individuals approach starting a business wherever the

option is available, which strengthens rather than weakens the case for addressing it directly through preparation, rather than assuming it will resolve on its own as registration barriers fall.

17.2 Lessons from national best practices within the EU

France already built, ran, and later dismantled almost exactly the kind of mandatory readiness mechanism this report proposes, which makes its experience directly relevant. Since a 1982 law, prospective artisans registering a craft business in France were required to complete the Stage de Préparation à l'Installation, a thirty hour course delivered by the regional Chambre de Métiers et de l'Artisanat covering business accounting, tax obligations, social protection, market analysis, and commercial strategy, essentially a compact version of the five readiness dimensions this report develops in Part VI. Completion was a precondition for registration, with limited exemptions for founders who could demonstrate equivalent prior training or experience.

In May 2019, the loi PACTE, France's broad business simplification law, removed the mandatory status of the SPI, making it optional for all founders, including artisans, while requiring the Chambres de Métiers to continue offering it on a voluntary basis. The stated reasoning was consistent with the wider European simplification agenda examined in Chapter 9: founders should be free to choose the support that suits their own level of existing knowledge and experience, rather than being required to complete a standard course regardless of their starting point, and the change also brought artisans into line with the already voluntary equivalent course for shopkeepers and other independent traders. Parliamentary questioning after the reform recorded continued concern from within the sector that making the course optional could weaken outcomes for exactly the founders who would have benefited most, an argument closely aligned with the concerns raised throughout Part III of this report about who is least likely to seek out preparation voluntarily.

This report has not identified a published, controlled comparison of French artisan business survival before and after the 2019 reform specific enough to draw a firm causal conclusion, and it does not claim one here. What the French case offers instead is something arguably more useful at this stage: a fully specified, real world template for a mandatory pre-start readiness course, tested at national scale for nearly four decades, covering broadly the same content areas this report's own framework proposes, together with a live natural experiment now underway on what happens to preparation levels once the requirement is relaxed. Part VI of this report draws directly on the SPI's structure, length, and delivery model, through regional chambers rather than a centralised body, as a validated starting point for the EU wide framework proposed later in this report.

Sweden's position as one of the strongest performers on the five year survival measure discussed in Chapter 3, at 60.8 percent against an EU average of around 45 percent, invites a similar note of caution about causal claims. Sweden has no equivalent to the French SPI and no mandatory pre-start readiness course of its own. Its strong survival figures more plausibly reflect a combination of factors examined earlier in this report, including comparatively strong social protection for the self employed discussed in Chapter 8, a well resourced network of regional business advisory services accessed on a voluntary basis, and a national education system that has embedded entrepreneurship and basic financial literacy content relatively deeply into general secondary education under the EntreComp framework discussed in Chapter 2. Sweden's outcome is best read as evidence that multiple different national approaches, some regulatory, some educational, some based on social protection design, can each contribute to stronger readiness outcomes, rather than as evidence that any single mechanism, including the one this report proposes, is the only effective path. The framework in Part VI is designed with this plurality in mind, as a common EU wide baseline that individual member states can implement through whichever institutional channel, a chamber based course as in France, an education system pathway as in Sweden, or a new dedicated structure, fits their own existing support architecture best.

18. What the evidence says about prevention

18.1 Does pre-start training improve survival? Reviewing the evidence

The honest answer is that the evidence is positive but modest, and it depends heavily on how a programme is designed. Early studies in this field, including a widely cited evaluation of a Peruvian microfinance programme that added business training for female microentrepreneurs, found little measurable change in revenue, profit, or employment. For a period this pulled the wider policy conversation toward scepticism, and a common line in development economics literature by the late 2010s was that formal business classes offered only limited impact once rigorously tested.

That scepticism has since been revised as more and better studies accumulated. A recent reassessment combining the older literature with newer studies produced a pooled estimate across the available randomised evaluations showing business training showing that business training raises profits and sales by 5 to 10 percent on average. An effect of that size is too small for most single experiments to detect, which helps explain the earlier scepticism, and the range across individual studies is wide. A separate meta-analysis covering forty four studies and sixty eight distinct managerial skills programmes found consistent positive returns on management practices, productivity, profits, and survival, with the strongest results coming from programmes that combined training in human resources, marketing, and finance and accounting, and that were delivered by local organisations rather than distant or centralised providers.

The clearest lesson from this body of work is not that training works uniformly, but that design determines outcome. Programmes that are narrowly technical, teaching accounting formulas in the abstract, tend to underperform. Programmes that connect the same content to the founder's own actual numbers, delivered close to the point of decision rather than as generic classroom instruction, perform considerably better. This is directly relevant to the design principles for the readiness framework set out in Part VI, which is built around a founder's own specific business idea and financial situation rather than generic course material. One further limit applies throughout: much of the randomised evidence comes from low and middle income countries, where entrepreneurs, markets and support institutions differ from those in the EU, so the size of the effects should not be assumed to transfer.

18.2 Financial literacy and mentorship programmes: Outcomes

One of the more striking findings in this literature concerns what kind of content actually moves the needle. A randomised trial in Togo compared traditional business training, focused on accounting, marketing, and financial management, against training focused on psychological factors such as personal initiative, goal setting, and proactive problem solving. The psychological training produced larger gains in firm profits and sales than the traditional business training, a result since echoed in similar studies elsewhere. This does not mean financial literacy content is unimportant, the evidence for its value is well established in its own right, but it does mean that a readiness framework built purely around technical knowledge is likely to underperform one that also addresses the behavioural patterns discussed in Chapter 5, overconfidence, sunk cost reasoning, and the tendency to avoid seeking out disconfirming evidence.

Financial literacy interventions specifically show a reliable and, importantly, durable pattern of impact on basic business practices. Studies from several developing economy contexts find improvements in record keeping, the separation of business and personal household finances, and general asset management following training, and these improvements tend to persist well beyond the immediate post training period rather than fading out, unlike some behavioural interventions whose effects decay quickly once the programme ends. This durability matters for policy design, since a one time pre-start course that successfully instils a habit of separating business and personal accounts is delivering a lasting change in practice, not a temporary boost in knowledge that will be forgotten within a year.

Mentorship and structured support delivered after launch, rather than only before it, may add a further layer of benefit, but the evidence is weaker than for training and should be read with care. A frequently cited comparison of accelerator graduates reports survival roughly 23 percent higher than other new businesses, but it compares graduates with general business statistics, and accelerators choose whom to admit, so the gap may reflect who gets in rather than what the programme does. Studies with matched control groups are less encouraging. An analysis of five German incubators found no statistically significant survival advantage and, in three locations, a lower one, and an Italian comparison of accelerated and non-accelerated startups found that participation alone did not influence survival. These programmes differ from the course proposed here and the samples are small, so they are not evidence against it, but the 23 percent figure cannot be used as a forecast. The case for pairing a one time pre-start assessment with ongoing mentoring therefore rests on design logic and on the training evidence in 18.1, and it is one of the questions a pilot should test.

18.3 OECD entrepreneurial ecosystem diagnostics

The OECD's Entrepreneurial Ecosystem Diagnostics, published in 2025 and covering all thirty eight OECD member countries, offers the most comprehensive comparative picture available of the conditions surrounding entrepreneurship across advanced economies. Rather than producing a single ranking, the framework scores each country across ten distinct ecosystem elements, institutions, culture, networks, infrastructure, markets, finance, knowledge, talent, leadership, and intermediate services, built from around forty underlying indicators, alongside separate measures of entrepreneurial outputs such as startup rates and business survival, and a further measure of how evenly entrepreneurship is distributed across social groups and regions within each country.

This framework is valuable for this report in two ways. First, it confirms empirically that entrepreneurship outcomes are genuinely multi causal, shaped by the interaction of several distinct ecosystem elements rather than any single factor in isolation, which is consistent with this report's own argument that readiness is one significant piece of a larger picture rather than the sole explanation for the survival gap documented in Chapter 3. Second, and more pointedly, the framework's own design illustrates the gap this report is concerned with. Of the ten elements measured, Knowledge comes closest to touching on founder readiness, but the OECD's own methodology treats it as a system level, aggregate property of a country's research, education, and information infrastructure, not as an individual level measure of whether a specific founder, at the point of starting a specific business, actually possesses the knowledge required to succeed. A country can score well on the Knowledge element of the OECD framework while still allowing large numbers of individual founders to start without the specific, applied readiness this report is concerned with, in the same way a country can have excellent hospitals while individual patients still skip their own checkups.

This is not a criticism of the OECD's framework, which was designed to diagnose system level bottlenecks for policymakers, a genuinely different and valuable purpose from assessing individual founder preparation. It is, instead, further confirmation of the structural gap identified in Chapter 9. Even the most comprehensive existing diagnostic tool available for comparing entrepreneurial ecosystems across advanced economies operates entirely at the level of national conditions and does not, and was never intended to, measure the thing this report proposes to measure directly: whether the person about to start a specific business is ready to do so. Part VI now turns to building that missing, individual level measure.

PART VI - THE CASE FOR READINESS REQUIREMENTS

19. Reframing the policy objective: From startup volume to startup viability

19.1 “Europe does not need more unprepared business registrations”

Parts II through IV of this report have built a single, cumulative case. Registration counts are the wrong measure of success because they say nothing about survival. Survival itself is lower than it should be, and a meaningful share of the gap traces back to identifiable, foreseeable readiness failures rather than ordinary market risk. Those failures carry real costs, for the founder, for families, for customers and suppliers, for the state, and for Europe's own competitiveness ambitions. None of this points toward wanting fewer entrepreneurs. It points toward wanting a policy objective that actually tracks the outcome that matters.

Europe does not need more unprepared business registrations. It needs more successful companies. That distinction sounds close to a slogan, but it carries a specific, testable policy implication. A strategy built around registration volume succeeds whenever more people start businesses, regardless of what happens to them afterward. A strategy built around viability succeeds only when more businesses survive, grow, and contribute value over time, which means the relevant question shifts from how many people can be encouraged to start to how many of the people who do start are actually prepared to build something that lasts.

It is worth being concrete about what tracking viability instead of volume would actually change in practice, because the difference is not merely rhetorical. A national business support agency evaluated on registration counts has every incentive to process applicants as quickly and as many at a time as possible. The same agency evaluated on five year survival rates among the founders it supported would have a direct incentive to slow down exactly where slowing down helps, spending more time with a founder whose plan has an obvious gap, flagging a business idea that has not been tested against a real customer, before that founder commits capital rather than after. The metric a system is judged against shapes the behaviour of everyone working inside that system, and this report's central recommendation in Part VIII is precisely to change what gets measured and reported, at both national and EU level, so that the incentives described in Chapter 9 point toward preparation rather than away from it.

This report treats that shift as the natural next step in an argument the EU has already half made itself. The Startup and Scaleup Strategy discussed in Chapter 2 explicitly reframes success around scaling and competitiveness rather than simple business counts, at least for the companies that reach the scaleup stage, where nobody would seriously argue that the number of scaleups founded matters more than how many of them actually scale successfully and remain in Europe. What this report proposes is applying the same logic one stage earlier, at formation rather than scaling, where the volume mindset identified in Chapter 9 still dominates almost entirely unchallenged. There is no obvious reason viability should matter at the scaleup stage but not at the formation stage, other than that formation stage data has, until recently, been harder to track consistently across member states, a gap Eurostat's business demography work, examined in Chapter 3, has now substantially closed.

A fair objection to this reframing is that some share of business failure is healthy, even desirable, evidence of a dynamic economy willing to experiment and let unsuccessful ideas fail quickly rather than propping them up indefinitely. This report agrees with that objection as far as it goes, and nothing here argues for a target of zero business failure, which would be both impossible and undesirable given the genuine uncertainty involved in any new venture. The distinction that matters, developed at length in Chapter 3 and again in Chapter 4, is between failure that follows genuine market uncertainty despite reasonable preparation, which this report is not concerned with, and failure that was reasonably foreseeable in advance because basic preparation was never done, which is the

specific target of the reframing proposed here. A viability oriented metric does not need to punish the first category to meaningfully reduce the second.

19.2 Pro-success, Pro-responsibility, Pro-competitiveness: Reframing the narrative

A shift from promotion to readiness will, inevitably, be heard by some as an argument against entrepreneurship, an attempt to make starting a business harder or to gatekeep who gets to try. That reading gets the proposal backward. Nothing in this report argues for restricting who may register a company, and Part VI is explicit that any readiness framework must remain proportionate and avoid becoming a new barrier in its own right, a concern developed fully in Chapter 21. The argument is for adding preparation, not restriction, to a process that currently offers founders almost none.

Reframed this way, readiness is a pro-success position because it improves the odds for the founders who go through it, not by filtering them out but by closing the specific, identifiable gaps documented in Part III before those gaps turn into the failures documented in Part IV. A founder who completes a structured readiness process and still chooses to proceed has not been slowed down for its own sake. They have had the opportunity to test their pricing, confirm their market, and check their own capacity before, rather than after, committing the capital and time that a mistake in any of those areas would otherwise cost them. Success, in this framing, is not measured by how many people are allowed to start. It is measured by how many of the people who do start are still building something real five years later, which is the only measure that ultimately matters to the founder themselves.

It is a pro-responsibility position because it takes seriously the fact that a founder's decisions affect people who never agreed to take on the risk themselves. A partner absorbing financial strain, discussed in Chapter 12, a supplier left unpaid, discussed in Chapter 14, a customer left without a service they already paid for, discussed in Chapter 13, none of these people had any say in whether the founder was actually ready to start. Responsibility, in the ordinary sense the word carries in most other areas of economic life, includes a duty to consider the foreseeable effects of a decision on others before making it, not only on oneself. A readiness framework gives founders the tools to weigh that responsibility honestly before committing others to it, rather than discovering the scale of that responsibility only once something has already gone wrong.

And it is a pro-competitiveness position because, as Chapter 16 set out in detail, an economy that prepares its founders better allocates its scarce capital and talent more efficiently toward the ventures capable of the growth Europe needs to close the gap identified in the Draghi and Letta reports. This is, in the view of this report, the strongest single argument for treating readiness as a competitiveness policy rather than only a consumer protection or social policy measure, since it means the reframing proposed here sits squarely inside the EU's own current strategic priorities rather than competing with them for political attention and budget. A union trying to build more companies capable of scaling globally has a direct interest in making sure fewer of its founders and fewer of its early stage euros are lost to ventures that were never going to reach that stage in the first place.

None of these three framings, pro-success, pro-responsibility, and pro-competitiveness, depends on the others to be true, which is part of why this report treats the case for readiness as unusually robust across different political and institutional starting points. A policymaker primarily concerned with protecting individual founders from avoidable harm, a policymaker primarily concerned with fairness to the families, customers, and suppliers who bear downstream costs, and a policymaker primarily concerned with European competitiveness against the United States and China can each arrive at the same recommendation from their own separate starting point, without needing to be persuaded by the other two arguments first. The remainder of Part VI turns this reframing into something concrete. Chapter 20 defines readiness precisely, across five measurable dimensions. Chapter 21 sets out the principles a workable EU wide framework needs to follow, including how to avoid the exact trap this section has just addressed, a framework that ends up excluding legitimate founders rather than preparing them.

20. Defining entrepreneurial readiness - Five dimensions

This chapter turns the definition of readiness introduced in Chapter 1 into something a founder can actually be assessed against. Each of the five dimensions below answers a specific question a founder should be able to answer with real evidence, not intuition, before starting. Together they map directly onto the recurring failure patterns documented in Chapter 4 and onto the five modules of the “Before starting a business” course developed in full in Part VII, so that the framework defined here and the practical course that delivers it are built from the same underlying logic rather than two separate systems that happen to share a name.

The five dimensions of entrepreneurial readiness

Table 20.1

	Areas	
1	Customer need	Is there a real, identifiable customer group with a problem worth paying to solve, confirmed through direct conversation, not assumption.
2	Customer comprehension	Does the customer understand quickly and in plain language why this offering solves that problem for them.
3	Market and profitability	Is the reachable market large enough, and the pricing realistic enough, to cover costs and leave a working margin.
4	Financial and business literacy	Does the founder know their true costs, break even point, and cash runway using real numbers, not templates.
5	Personal readiness	Does the founder have the time, health, financial buffer, will, and family or partner support the venture actually needs.

See Chapter 20 for full definitions of each dimension.

20.1 Understanding and solving a genuine customer need

The first question a readiness assessment should ask is simple to state and, based on the evidence reviewed in Chapters 4 and 6, rarely answered honestly before a business starts. Does a specific, identifiable group of people have a real problem, and is the founder's product or service actually the thing that solves it for them, confirmed through direct conversation or a real transaction rather than assumed from the founder's own experience. CB Insights' analysis of failed startup postmortems found no real market need among the most cited causes of failure, present in roughly a third to two fifths of the cases studied, which makes this the highest value question in the entire framework relative to how little it costs to ask.

A founder demonstrating readiness on this dimension should be able to describe who their customer is in specific terms, not a broad category like young people or small businesses but a defined group with a shared, identifiable problem, and should be able to point to evidence gathered directly from members of that group, conversations, surveys, a pilot sale, a waiting list, that confirms the problem is real and painful enough that people will pay to solve it. The bar here is not a perfect market research report. It is evidence that goes beyond the founder's own conviction and beyond encouragement from friends and family, the specific failure mode documented in the restaurant case in Chapter 4 and discussed again in Chapter 10.

20.2 Customer comprehension of the business idea

A real need and a genuine solution are not enough if the customer does not understand, quickly and clearly, why this particular offering is the answer to their problem. This dimension addresses the second pattern identified in Chapter 4, a business that assumes a working product will explain itself, and it matters most for offerings that ask a customer to change an existing habit or understand something unfamiliar, new technology, a new business model, a service category the customer has not used before.

Readiness here means the founder can explain their offering to someone outside their own industry or social circle, in plain language, and have that person correctly describe back what the product does and why it matters to them, without the founder needing to clarify or correct the explanation. This is a deliberately low tech test, but it is a genuinely informative one, and its simplicity is part of its value: a founder who cannot pass it with a stranger in five minutes has identified a real gap that no amount of later marketing spend reliably fixes, because the underlying confusion sits in the offering itself, not in how it is being communicated.

20.3 Market size and profitability validation

The third dimension addresses the pattern documented in the restaurant case in Chapter 4 and discussed at the aggregate level in Chapter 2, a real need and a well understood offering sitting inside a market that is too small, too price sensitive, or too saturated to support the business at the scale the founder has planned for. Readiness here means the founder has estimated, with real numbers rather than optimistic assumption, how many potential customers exist within a realistic reach, what they are actually willing to pay, and what competitors or substitutes are already serving the same need.

This dimension also requires the founder to have worked through basic unit economics, what it actually costs to acquire and serve one customer, and what margin remains once that cost is covered, before scaling the model to a full business plan. A founder who can answer these questions with evidence, rather than with the phrase there is definitely demand for this, has cleared the bar. A founder who cannot has identified, before signing a lease or ordering stock, exactly the gap that closed the restaurant in Chapter 4 within eighteen months.

20.4 Financial and business literacy

The fourth dimension is the one most directly supported by the evidence reviewed in Chapter 18. Readiness here does not require an accounting qualification. It requires a founder to be able to answer a small, specific set of questions correctly about their own numbers: what does it actually cost, fully loaded, to produce one unit or deliver one hour of service, what is the minimum monthly revenue needed to cover fixed costs, how many months of cash does the founder have if revenue takes longer than expected to become reliable, and what is the difference, in their own business, between a confirmed sale and a hoped for one.

These are the exact questions the consultancy case in Chapter 4 illustrates a founder failing to ask before scaling, and they are, as Chapter 18 sets out, some of the most reliably teachable and durable gains available through structured training. A founder who can walk through their own cash flow model, correctly, using their own real numbers rather than a generic template, has demonstrated readiness on this dimension in a way that is straightforward to verify and unusually high value relative to the time required to check it.

20.5 Personal readiness: Knowledge, experience, time, personal finances, health, will, and family/partner support

The final dimension addresses the founder as a person rather than the business as a plan, and it is the dimension most directly connected to the stakeholder harm documented in Part IV. It asks whether the founder has the practical capacity, not just the enthusiasm, to sustain the demands of the business they are proposing to start. This includes relevant knowledge and experience for the specific type of business, realistic time availability given other commitments such as existing employment, a financial buffer sufficient to cover a personal income gap while the business becomes established, current physical and mental health adequate to the demands involved, a genuine and tested willingness to persist through a difficult early period rather than an assumption of it, and the informed support, or at minimum the informed acceptance, of any partner, family, or co-founder whose life will be affected by the venture.

This dimension is deliberately the broadest of the five because the evidence in Chapters 11 and 12 shows it is the one most often skipped entirely, treated as a private matter rather than a business

question, right up until it becomes the reason a viable business fails, as in the online retail case in Chapter 4. Readiness here means the founder has asked these questions honestly, in advance, with the people affected by the answers, rather than discovering them under pressure once the business is already underway. Chapter 21 now sets out how these five dimensions can be built into a single, proportionate assessment framework without becoming an obstacle to the founders who are genuinely prepared.

21. A readiness framework for the EU

21. A Readiness Framework for the EU

21.1 Principles for a harmonised approach

A readiness framework that member states are free to implement however they see fit risks recreating the fragmentation problem discussed in Chapter 8, a patchwork of different national standards that leaves founders moving between member states facing yet another inconsistent system layered on top of company law, tax, and employment rules that already differ. This report recommends a common EU wide baseline instead, built around the five dimensions defined in Chapter 20, with member states given latitude in how they deliver that baseline rather than whether they deliver it.

That baseline should be light enough to sit inside existing national registration processes rather than requiring a new institution in every member state. France's *Chambre de Métiers* model and Sweden's education based approach, both discussed in Chapter 17, show that the same underlying content can be delivered through very different institutional channels. The EU's role, in this report's view, is to define what a prepared founder should be able to demonstrate, not to dictate which national body delivers that preparation.

21.2 Balancing accessibility with accountability

A framework that is hard to access defeats its own purpose, since the founders least likely to seek out preparation voluntarily, discussed in Chapter 10, are also the ones a mandatory baseline is most intended to reach. This means the course itself, developed in full in Part VII, needs to be free or near free, available in the founder's own language, deliverable online as well as in person, and short enough to complete within days rather than weeks.

Accountability sits alongside accessibility rather than in tension with it. A founder should not be able to register a business without demonstrating, through a short, practical assessment rather than a lengthy exam, that they can answer the specific questions set out in each of the five dimensions in Chapter 20, using their own numbers and their own business idea. The assessment is the accountability mechanism. The free, accessible course is what makes passing it realistic for every founder, not only those who could already afford private advice.

21.3 Avoiding new barriers to legitimate entrepreneurship

The clearest risk in any readiness framework is that it becomes, in practice, a new administrative hurdle of the kind the EU has spent two decades removing, discussed in Chapter 9. Three design choices guard against this. First, the framework should be proportionate to risk, a low capital, low complexity business such as a sole trader service should face a lighter version of the assessment than a venture seeking significant external investment or hiring staff from day one. Second, it should never function as a judgement of the business idea's merit, only of whether the founder has done the basic preparation this report defines, a founder should never be rejected for having an unconventional idea, only for not having tested it.

Third, and most important, the assessment should be designed to be passable by any founder who genuinely does the preparation work, not as a filter with an arbitrary failure quota. A founder who cannot yet answer the five dimensions correctly should be told exactly what is missing and given the chance to close that gap, through the course or through their own further work, rather than being

turned away. Readiness, in this report's framing, is a bar every willing founder can clear with honest preparation, not a scarce credential rationed to a select few.

21.4 An illustrative cost-benefit calculation

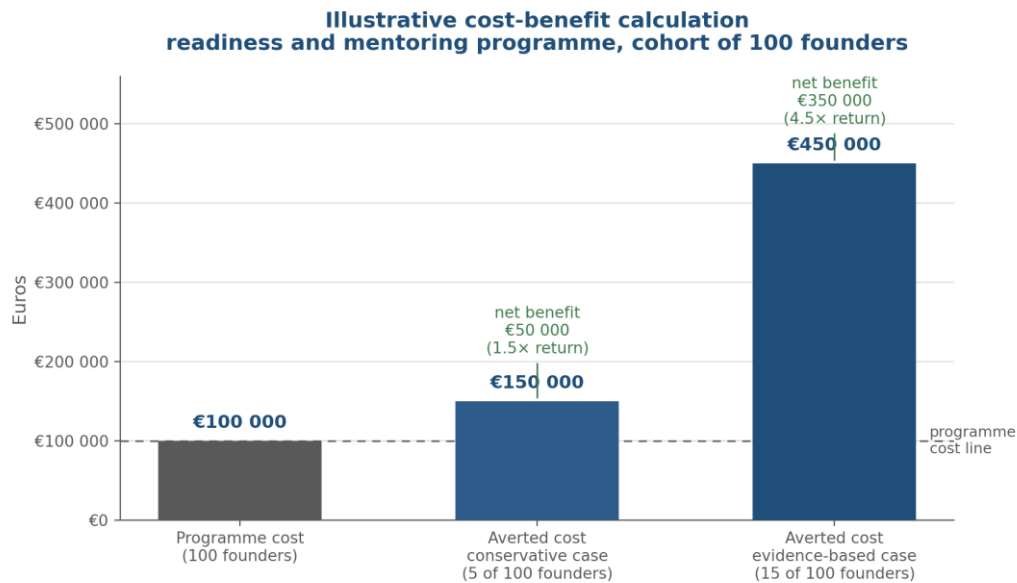
The case for a readiness framework should also hold up in plain fiscal terms, and it is worth working through a simple, transparent calculation to show that it does. No official EU wide figure yet exists for the aggregate cost of unready entrepreneurship, a gap Chapter 15 recommends closing. In its absence, the following is an illustrative, clearly labelled order of magnitude estimate, built from figures already established elsewhere in this report, not a claimed precise forecast.

Start with the cost of a single foreseeably preventable business failure, the kind documented in Chapter 4, where basic validation, financial planning, or personal readiness was missing from the outset. Drawing together the components discussed in Chapters 11 and 15, founder debt and lost income, lost tax revenue, unemployment and welfare costs, and the supplier and customer harm documented in Chapters 13 and 14, a conservative composite estimate for a small business failure of this kind falls somewhere in the range of twenty to thirty five thousand euros per case. This report uses thirty thousand euros as a round, deliberately conservative working figure for the calculation below.

Now consider the cost of the programme itself. France's Stage de Préparation à l'Installation, discussed in Chapter 17, cost artisans between about two hundred and three hundred euros depending on the chamber for thirty hours of structured preparation, a real, tested reference point for the readiness course alone. Adding a light mentoring layer during the first year of trading, built on the volunteer and low cost mentor network model used by SCORE in the United States and also discussed in Chapter 17, brings a reasonable combined estimate for the course and mentoring together to roughly one thousand euros per founder, and this report uses that figure as its working assumption.

Take a cohort of one hundred founders going through the combined course and mentoring programme. The total cost of delivering it to all one hundred is one hundred thousand euros. The programme does not need to prevent every failure in this cohort to justify that spend, only enough of the specific, foreseeable, preparation linked failures documented throughout Part III. If the programme shifts the outcome for just five of the hundred founders, either by preventing a foreseeably unready venture from starting at the cost of significant capital, or by closing a specific gap that would otherwise have caused the business to fail, the averted cost is five multiplied by thirty thousand euros, or one hundred and fifty thousand euros, already fifty thousand euros more than the entire programme cost for all one hundred founders, including the ninety five for whom nothing needed to change.

The evidence reviewed in Chapter 18 does not settle whether the real effect is larger than this conservative five in a hundred assumption, but pooled evaluations of business training show positive effects on profit and survival, so a larger effect is plausible. The evidence on mentoring is weaker and is not relied on here. If the programme shifts outcomes for fifteen founders in a hundred, an optimistic scenario rather than a forecast, the averted cost rises to four hundred and fifty thousand euros against a programme cost of one hundred thousand, a return of roughly four and a half euros for every euro spent. Even at the deliberately pessimistic end of this range, the arithmetic favours the programme by a wide margin, and this report recommends that any EU or national pilot of the readiness framework include the data collection needed to replace these illustrative figures with real, measured ones.



ite. Assumes €30 000 average cost per foreseeably preventable business failure and €1 000 programme cost per founder. See Chapter 21.4 for full assumptions.

21.5 Guarding against bias by background

The five dimensions in Chapter 20 are designed to measure preparation, not identity, but two of them can slide into measuring identity if the assessment is not built carefully. A founder assessed in a language they do not speak fluently can look less able to explain their business, discussed in Chapter 20.2, for reasons that have nothing to do with whether they actually understand it. A single parent, a carer, or a person with a disability can look less personally ready under Chapter 20.5 simply because their time and capacity look different from a founder with no caring responsibilities, even where they have planned around that difference just as carefully as anyone else. Neither case is a genuine readiness gap, and an assessment that treats them as one is measuring the wrong thing.

This report recommends two safeguards. First, the assessment itself should be built around a fixed, published checklist tied strictly to the five dimensions, so an assessor is confirming specific, defined evidence rather than forming a general impression of the founder, and the course and assessment must be available in every official language of the member state delivering it, consistent with the accessibility principle in Chapter 23.2. Second, member states should track certification outcomes by demographic group, in the same way Chapter 25 already recommends tracking survival by certification status, using the same kind of variation measure the OECD's own ecosystem diagnostics apply to entrepreneurship more broadly in Chapter 18.3. A framework built to reduce harm should not be allowed to quietly introduce a new one, and the only reliable way to catch that is to measure for it deliberately rather than assume good design is enough on its own.

There is a third, more personal source of bias worth naming directly. Whether an assessor simply likes or dislikes a given founder can influence how generously borderline evidence gets read, in exactly the way research on unstructured job interviews has shown personal chemistry can outweigh actual competence when nothing structural stops it from doing so. A checklist tied to specific evidence, as recommended above, guards against this in part, but not completely, since an assessor can still choose to interpret ambiguous evidence favourably or unfavourably depending on how they feel about the person in front of them. This report recommends that any rejection or borderline result be automatically referred to a second, independent assessor before it becomes final, a standard safeguard against exactly this kind of individual, subjective influence, and one that costs little given how rarely a genuine borderline case should arise if the checklist itself is well designed.

21.6 The limits of what certification attests to

The certificate described throughout Part VII confirms one specific thing: that a founder completed the five dimension process honestly and produced genuine, specific evidence for each part of it, verified by an assessor as set out in Chapter 22.3. It does not, and cannot, confirm that the underlying business will succeed. Genuine market uncertainty remains after any amount of preparation, a point already made in Chapter 19.1, and no readiness process can remove it entirely.

This distinction needs to be explicit wherever the certificate is used elsewhere, particularly the financing uses recommended in Chapters 23.5 and 27. A bank or public funder treating the certificate as a signal that may be correlated with better odds of survival, a hypothesis the pilots in Chapters 25 and 27 are designed to test, is using it correctly. A bank treating it as a guarantee, or a court treating a certified business's later failure as evidence that the assessor or mentor was negligent, would be applying it to a purpose it was never designed for. This report recommends that any legislation or administrative rule creating the certificate state plainly that it attests to completion of a defined preparation process, not to the likelihood or certainty of business success, and that neither the assessor, the mentor, nor the issuing body carries liability for the later performance of a certified business. Without this boundary stated clearly from the outset, the first well publicised failure of a certified founder risks being read as a failure of the framework itself, rather than what it actually is, ordinary business risk that no preparation process was ever meant to eliminate.

PART VII - THE PROPOSED SOLUTION: “BEFORE START-UP”

22. Overview of the pre-start course and requirements

22.1 Course objectives and learning outcomes

The before starting a business course aims to do one thing well. It is to take the five dimensions of readiness defined in chapter 20 and turns each one into something a founder actually produces and can show, rather than something they merely read about. The course is not designed to teach entrepreneurship in general or to cover everything a business owner might eventually need to know. It is designed to close the specific, recurring gaps documented throughout part III, the ones that show up again and again in the failure patterns examined in chapter 4.

By the end of the course, a founder should have produced five concrete things, not five sets of notes. Evidence that a real customer group has a real problem, gathered through actual conversations rather than assumption. A plain language explanation of their offering that a stranger can repeat back correctly. A market and pricing estimate built from real numbers rather than hope. A cash flow model using their own costs and their own runway. And an honest, written answer to the personal readiness questions in chapter 20.5, discussed with whoever in their life the business will actually affect. These five outputs are the learning outcomes. The course is judged on whether founders leave with them, not on attendance or a passing grade on a written test.

This framing matters because it keeps the course grounded in the founder's own business rather than in generic theory. A founder does not learn about market validation in the abstract and then apply it later. They validate their own specific idea, this week, with their own numbers, while going through the course. This is the same design principle chapter 18 identified as the difference between training that works and training that does not, content tied to the founder's own real situation rather than delivered as a standalone lecture.

Structure of the Before starting a business course modules

Table 22.1

	Module	Duration	Key activity	Output
1	Customer need	5 hrs	5 documented customer conversations	One page confirmed need summary
2	Customer comprehension	4 hrs	Plain language test on an outsider	Finished explanation plus notes
3	Market and profitability	7 hrs	Reach, pricing and unit economics	Completed market and pricing worksheet
4	Financial literacy	7 hrs	Cash flow model and runway	Working cash flow model
5	Personal readiness	5 hrs	Guided conversation with family or partner	Written reflection

Total course length is about 30 hours, including final assessor/mentor review and mentoring handover. See chapter 22.2.

22.2 Course structure: The five readiness modules

The before starting a business course is built around five modules, one for each readiness dimension, delivered in the sequence a founder would naturally need them, need first, then communication, then market and money, then the founder themselves. The whole course is designed to take roughly thirty hours, in line with the tested benchmark set by France's SPI course discussed in chapter 17, delivered as a mix of short guided lessons and structured, hands on exercises rather than long lectures. It is available online, self paced within a set completion window, and in person through the same regional business support channels member states already use for other founder services, so that no new institution needs to be built from scratch to deliver it.

22.2.1 Module 1 - Understanding and solving the customer's need

The first module walks a founder through identifying, in specific terms, who their customer is and what problem they actually have. The core exercise is simple and deliberately uncomfortable. The founder has to go and have five real conversations with people in their target customer group, not friends or family, and come back with notes on what those people actually said, not what the founder hoped they would say. The module includes a short guide on how to ask questions that do not lead the answer, since a founder asking would you buy this will get a different, less honest answer than one asking how do you currently deal with this problem.

22.2.2 Module 2 - Ensuring the customer understands the business idea

The second module is built around the plain language test described in chapter 20.2. The founder writes a short explanation of their offering, then tests it on someone outside their own industry and records whether that person can correctly explain it back. If they cannot, the module walks through common reasons why, usually jargon, an unclear benefit, or an assumption that the customer already understands something they do not, and asks the founder to revise and retest until the explanation lands cleanly.

22.2.3 Module 3 - Validating sufficient market size and profitability

The third module asks the founder to build a simple, honest estimate of their market. How many potential customers can they realistically reach, what are those customers currently paying for alternatives or substitutes, and what would it cost the founder to acquire and serve one customer. The module provides a short worked template rather than a theoretical framework, and asks the founder to fill it in with their own researched numbers rather than industry averages pulled from a generic source.

22.2.4 Module 4 - Business and financial literacy

The fourth module covers the specific financial questions identified in chapter 20.4. The founder builds a basic cash flow model using their own costs and their own expected revenue timing, and calculates their own runway, how many months they can operate if revenue arrives later than planned. The module deliberately avoids abstract accounting theory and focuses entirely on the founder's own business, since chapter 18 shows this is where training produces the most durable, lasting change in behaviour.

22.2.5 Module 5 - Personal readiness assessment

The fifth module is a structured, honest conversation rather than a written exercise. It walks the founder through the personal readiness questions set out in chapter 20.5, time, health, financial buffer, and family or partner support, and asks them to have this conversation with the people it actually affects before finishing the course. This module is the one most often skipped informally, as chapter 12 discusses, which is exactly why it is built into the course rather than left to the founder's own initiative.

22.3 Assessment and certification requirements

Completion of a before starting a business course is verified through the five concrete outputs described in section 22.1, reviewed by a trained assessor (mentor) through the regional business support channel delivering the course, not through a written exam. The mentors's job is to check that the outputs are genuine and specific to the founder's own business, five real customer conversations rather than five invented ones, a cash flow model using real costs rather than a blank template, not to judge whether the underlying business idea is good. A founder who completes all five modules honestly receives a certificate that satisfies the readiness requirement discussed in chapter 21, regardless of how promising or modest their business idea turns out to be.

Where an mentor finds a specific output incomplete or clearly not genuine, the founder is told exactly what is missing and given a defined window to redo that part of the module, rather than being rejected

outright or made to restart the whole course. This keeps the requirement proportionate, in line with the principle set out in chapter 21.3, a real barrier only to founders who have not done the preparation at all, not to founders whose first attempt at an exercise needs revision.

22.4 The mentor, a single point of continuity

This report recommends that the same person who reviews a founder's five module outputs at the end of the course then stays on as that founder's mentor for the following twelve months, rather than treating assessment and mentoring as two separate relationships handled by two different people. The assessor has already read the founder's actual customer conversations, their actual market numbers, and their actual cash flow model, and already knows exactly where the founder's own thinking was thin or strong. Handing that knowledge to a different mentor a few weeks later means repeating work that has already been done once, and losing the specific context a fresh mentor would need time to rebuild.

The mentoring relationship that follows is not meant to be heavy or constant. A short structured check in soon after the business registers, then further check ins at roughly quarterly intervals through the first year, gives the mentor a natural opportunity to ask about exactly the areas flagged as weaker at assessment, and gives the founder a standing, low pressure point of contact before a small problem turns into the kind of crisis described in chapter 5.2, where sunk cost thinking and confirmation bias make it progressively harder to act on bad news the longer it goes unaddressed. Chapter 23.3 sets out the fuller design and funding model for this mentoring layer, including how it draws on the accelerator evidence discussed in chapter 18.2.

23. Design principles

23.1 Proportionality: Matching requirements to business type and risk

A sole trader opening a small local service business and a founder raising external capital for a technology venture face very different consequences if they get it wrong, and a single, identical readiness requirement for both would either be too light for the second case or too heavy for the first. This report recommends a proportional structure. A low capital, low risk business completes the full course but a lighter assessment, focused mainly on modules one and four, customer need and financial literacy, since these are the two dimensions most predictive of failure at this scale according to the evidence in chapter 4. A venture seeking significant external investment, taking on debt, or hiring staff from the outset completes the full course and the full five part assessment, including a more detailed review of module three, market and profitability validation, given the larger amount of capital and other people's money at stake.

This scaling should be automatic and based on objective criteria set at registration, planned headcount, planned external financing, sector, rather than left to discretion, so that no founder experiences the requirement as arbitrary or unfairly applied compared with someone starting a similar business elsewhere in the same member state.

23.2 Accessibility and inclusion (Cost, language, digital delivery)

A requirement that only reaches founders who can already afford private advice defeats its own purpose, since chapter 10 showed that the founders least likely to seek out preparation voluntarily are often the ones with the fewest resources to fall back on if things go wrong. The course must be free or available at a nominal fee comparable to France's SPI course discussed in chapter 17, available in every official language of the member state where it is delivered, and offered both online and in person so that location, working hours, and caring responsibilities are not barriers to completing it.

Digital delivery also needs a genuine offline equivalent for founders without reliable internet access or digital confidence, delivered through the same regional business support offices already used for other founder services. Accessibility is not a soft add on to the framework. It is the condition that

makes the accountability side of the framework, discussed in chapter 21.2, meaningful rather than symbolic.

23.3 The role of experienced coaching and mentoring

The course closes a founder's knowledge and validation gaps at a single point in time. It does very little, on its own, for the biases discussed in chapter 5.2, sunk cost reasoning and confirmation bias, which operate after a business has already launched, when a founder is least likely to notice their own thinking has become distorted. This is why this report recommends pairing the course with a structured mentoring relationship, built directly on the assessor continuity model introduced in chapter 22.4, rather than treating the course as sufficient on its own.

The evidence for this pairing is suggestive rather than settled, as discussed in chapter 18.2. Comparisons of accelerator graduates point toward better survival but are open to selection effects, and matched studies find no clear advantage, while the same chapter found that socio emotional and personal initiative focused support outperforms narrowly technical training alone. The pairing is therefore a design choice the pilots should test. A mentor who already understands a founder's specific readiness gaps from the assessment stage is well placed to ask the right question at the right moment, has the business slowed down since we last spoke, has a warning sign the founder mentioned six months ago actually appeared, rather than a generic check in that a new mentor without that context would need time to arrive at.

This mentoring layer does not need to be expensive to be effective. France's chamber based model and the volunteer led SCORE network in the United States, both discussed in chapter 17, show that experienced business owners are willing to mentor newer founders through structured, low cost, or entirely volunteer arrangements, provided the relationship is organised and given a clear structure rather than left informal. This report's own cost estimate in chapter 21.4 already assumes a combined course and mentoring cost of roughly one thousand euros per founder, built on exactly this kind of low cost delivery model rather than a fully salaried, professional advisory service.

Delivery should run through the same regional business support channels responsible for the course itself, recruiting mentors from the pool of experienced local business owners, retired founders, and chamber of commerce networks already active in most member states. This keeps the mentoring layer embedded in existing local infrastructure rather than requiring a new, centrally managed body, and lets each region draw on mentors who understand its own specific market conditions, precisely the kind of local market knowledge chapter 20.3 identifies as part of genuine readiness.

23.4 Integration with existing national systems

The framework proposed in this report is designed to sit inside the business registration process member states already operate, not beside it or after it. A founder would complete the course and receive their readiness certificate as part of the same digital journey through which they register their company, the same journey the European Business Wallet and the 28th regime, discussed in chapter 2, are already being built to streamline. Rather than adding a new, separate government office or process, the certificate becomes one more document a founder uploads or confirms alongside their tax registration and other standard paperwork, verified by the regional body already responsible for course delivery and assessment.

This integration matters for adoption as much as for efficiency. A requirement bolted onto the outside of the existing registration process, requiring a founder to visit an additional website or office they would not otherwise encounter, invites exactly the kind of friction and avoidance chapter 9 warned against when discussing the EU's own simplification agenda. A requirement built into the existing digital journey, appearing at the natural point a founder is already registering their business, is far more likely to be completed as intended rather than treated as an optional extra step to be skipped where possible.

23.5 Higher return on investment as a case for increased public funding

A readiness filter of the kind this report proposes does not only reduce harm. It changes the calculation public funders face when deciding how much to support new founders in the first place. National employment agencies, already offer grants to unemployed people transitioning into self employment, the exact push entrepreneurship pathway discussed in chapter 7. Today, these agencies hand out that money with no reliable way to tell in advance which applicants are actually prepared, which pushes them toward smaller, more cautious grants and stricter eligibility rules, since every euro given to an unready founder is a euro at real risk of being lost entirely.

Once a founder has completed the course and entered the mentoring relationship described in section 23.3, the funding body has something it did not have before, a concrete, evidence based signal about who is actually prepared to use the money well. This is the same logic a bank applies when a stronger credit history justifies a larger loan at better terms. A funding scheme that can sort applicants this way can afford to be more generous with the founders who pass, larger grants, longer support periods, more founders funded overall, without taking on a corresponding increase in fiscal risk, because the calculation in chapter 21.4 already shows that the underlying return on a well screened founder is several times the cost of preparing them.

This is a direct, practical answer to a concern raised earlier in this report. Chapter 7 noted that necessity driven founders are pushed to start quickly, with less room to prepare properly, precisely because the funding schemes supporting them are not designed to reward preparation. A readiness certificate changes that dynamic. It gives the funding body a reason to treat a well prepared applicant differently from an unprepared one, and gives the applicant themselves a reason to slow down and prepare properly, since doing so now has a visible payoff in the size and quality of the public support available to them.

23.6 Protecting personal data collected through the course

Module five, described in Chapter 22.2.5, and the mentoring relationship that follows it, described in Chapter 22.4, necessarily involve some of the most sensitive information a person can share: health, personal finances, and family relationships. This is special category or clearly sensitive personal data under the GDPR and equivalent national frameworks, and it needs to be treated that way from the first design conversation, not added as a compliance step afterward.

The safeguard this report recommends is a firm separation between two things that must never be allowed to merge. The underlying assessment record, containing the actual detail a founder shared about their time, health, finances, and family support, stays with the assessor and issuing body under standard data protection rules, with a defined retention period, and is never passed on to a third party without the founder's explicit, case by case consent. The certificate itself is a separate, simple artifact, a completion credential with no personal detail attached, and it is the only one of the two ever shown to a bank, an investor, or a public funder under the uses recommended in Chapters 23.5 and 27. A bank asking to see the certificate is asking a reasonable question. A bank asking to see what lies behind it is asking for something it has no right to and the framework has no business supplying.

This separation needs to be built into the technical design of the certificate system from the outset, particularly as it is integrated with the European Business Wallet discussed in Chapter 25. Retrofitting privacy protection into a system that has already been built to share detailed personal records is far harder, and far less reliable, than designing the separation in from the very first version, the same timing argument this report makes elsewhere about embedding readiness into systems still under construction rather than adding it to finished ones.

24. Expected outcomes

24.1 Projected impact on survival rates

This report does not claim it can predict a precise new survival rate for the EU, and it would be false precision to offer one. What the evidence reviewed in chapter 18 supports is a direction and a rough scale. Pooled evaluations of business training show consistent gains in profit and survival, while the evidence on mentoring is mixed, with raw comparisons favouring accelerator graduates and matched control studies finding no clear survival effect. Applied cautiously to the 45 percent five year survival baseline established in chapter 3, even a fraction of that effect, concentrated specifically among the foreseeably unready ventures documented in chapter 4 rather than spread evenly across all founders, would represent a meaningful improvement measured in real businesses still trading five years from now.

The more defensible claim, and the one this report actually makes, is narrower and more useful. The readiness framework targets the specific, identifiable failure patterns set out in chapter 4, not the ordinary market risk that no amount of preparation removes. It should be evaluated against that narrower target, how many foreseeably preventable failures were avoided, not against the full five year survival rate, which will always include failures driven by genuine market shifts, competition, and bad luck no readiness process could have predicted. Chapter 25 recommends that any pilot of this framework be designed from the outset to measure exactly this distinction.

24.2 Projected impact on stakeholder harm reduction

The clearest expected benefit sits with the entrepreneur. A founder who tests their idea, checks their numbers, and has the personal readiness conversation described in chapter 20.5 before starting is less likely to end up in the kind of disorderly, debt heavy closure documented in chapter 11, and more likely, where the business does not work out, to reach that conclusion early enough to close it in a controlled way instead, discussed in chapter 3.3.

The same logic extends outward to every stakeholder examined in part IV. Families carry less financial and relational strain because founders enter with a realistic view of what the business demands, discussed in chapter 12. Customers and suppliers face lower exposure to failures that a basic market and financial check would have flagged in advance, discussed in chapters 13 and 14. And the state recovers more of the tax revenue and avoids more of the welfare cost documented in chapter 15, since fewer businesses reach the point of formal insolvency for reasons that were foreseeable from the outset.

24.3 Projected contribution to European competitiveness

The competitiveness case, developed fully in chapter 16, follows directly from the same mechanism. Capital and talent that would otherwise have been spent on foreseeably unviable ventures become available to ventures with a genuine chance of scaling, which is the specific outcome the Draghi and Letta reports, and the EU Startup and Scaleup Strategy built on them, are trying to achieve. This report does not claim the readiness framework alone closes Europe's innovation gap with the United States and China. It claims that better allocation of the capital and talent already entering the entrepreneurship pipeline is a necessary complement to the capital market and regulatory reforms already underway, not a substitute for them, and that pursuing one without the other leaves clear value on the table.

24.4 Addressing counterarguments: Will this deter legitimate founders?

The cleanest way to remove this objection is to stop treating readiness as a gate every founder must pass through and instead offer it as a genuine choice between two paths. Path one is registration as it works today, fast, digital, with no pre-start requirement at all. Path two is the same registration preceded by Before starting a business and the mentoring relationship described in chapter 22.4. Nobody is blocked from path one, which means nobody is deterred from starting a business in any literal sense. What changes is that path two carries real, visible advantages that path one does not.

Those advantages are already built into this report's recommendations rather than invented for this section. A founder who completes the course gets a mentor who already understands their specific business, discussed in chapter 22.4. A founder applying for certain public grants, including the kind of start up support offered through national employment agencies discussed in chapter 23.5, can be required to hold a readiness certificate as a condition of that specific funding, in the same way a bank might require proof of a business plan before extending a loan. A founder who has completed the course also has something concrete to show a bank, an investor, or a landlord weighing whether to take a chance on a new, unproven business, which chapter 16 already identified as a genuine source of friction in early stage financing decisions. Where the mentor assigned is a well known, experienced figure in the founder's own sector or region, this carries a further, distinct benefit. A recognised mentor lends a new business a degree of credibility a first time founder cannot yet have earned on their own, in much the same way a respected board member or advisor lends credibility to a young company seeking its first outside investors.

This design answers the deterrence concern directly. A founder with real experience, a proven idea, or a business simple enough to need no further validation can register through path one exactly as they would today, at no cost and with no delay. A founder who is less certain, less experienced, or applying for public funding that specifically rewards preparation has a clear, positive reason to choose path two, not because they are forced to but because path two is genuinely more valuable to them. The choice itself becomes a mild signal in its own right. A founder who understands the stakes well enough to seek out preparation voluntarily has already demonstrated part of the judgement this report is trying to encourage, which is a better outcome than a single mandatory step applied uniformly regardless of whether a given founder actually needed it.

This two track model also gives member states a lower risk way to introduce the framework. Rather than legislating a new universal requirement on day one, a member state can start by making the readiness certificate a condition of specific funding streams, such as employment agency start up grants, and let its value as a positive signal for private finance grow from there, expanding to a broader requirement later only once the evidence from these early adopters, recommended in chapter 25, confirms the effect this report expects.

PART VIII - IMPLEMENTATION AND POLICY RECOMMENDATIONS

25. Recommendations for EU institutions

The European Commission should adopt founder readiness as an explicit sixth pillar of the EU Startup and Scaleup Strategy, discussed in chapter 9, with its own dedicated actions alongside the existing five. This does not require reopening the Strategy from scratch. It requires an added workstream that treats founder preparation as a competitiveness lever in its own right, reported on with the same visibility as the Strategy's other pillars rather than left as an implicit assumption. In practice this means the Commission's own progress reporting on the Strategy, currently organised around regulation, finance, market access, talent, and infrastructure, should add a sixth section tracking readiness specifically, with its own indicators, its own timeline, and its own named unit responsible for delivery within DG GROW or the equivalent directorate, so that the pillar has an institutional owner rather than existing only as a recommendation in a report.

The Commission should define the common EU wide baseline for the five readiness dimensions set out in chapter 20, giving member states a shared reference point for what a prepared founder should be able to demonstrate, while leaving delivery choices, a chamber based model, an education based model, a digital platform, to national discretion, consistent with the principles in chapter 21.1. This baseline should be built directly on the design already tested by France's SPI course, discussed in chapter 17, rather than created from a blank page. Concretely, this means commissioning a small working group of member state representatives, drawn from the same national bodies already involved in EntreComp implementation, discussed in chapter 2, to translate the five dimensions into a shared, minimum content specification within a defined period, likely twelve to eighteen months given the precedent of similar EU coordination exercises. The specification itself should remain deliberately short, closer to the thirty hour French model than to a lengthy academic curriculum, so that member states retain genuine flexibility in how they deliver it rather than being handed a rigid, over engineered template that discourages adoption.

Eurostat, working with national statistical offices, should extend its business demography work to include the distinction between controlled closure and disorderly bankruptcy discussed in chapter 3.3, and to support the kind of linked cost estimate recommended in chapter 15.3. Without this data, the illustrative calculation in chapter 21.4 cannot be replaced with a real, measured figure, and the case for readiness policy will continue to rest on estimate rather than evidence. This extension has three concrete parts. First, Eurostat should work with national insolvency registers, most of which already separately record voluntary winding up and formal bankruptcy, to build a harmonised EU level indicator distinguishing the two, closing the specific gap chapter 3.3 identifies in the current headline statistics. Second, Eurostat should pilot, in a small number of willing member states, the data linkage exercise between tax authorities, insolvency registers, and welfare systems that chapter 15.3 recommends, treating it as a proof of concept for a future EU wide aggregate cost figure rather than attempting the full union wide exercise immediately. Third, once member states begin issuing readiness certificates under the framework proposed in Part VII, Eurostat should track survival outcomes separately for certified and uncertified founders, which is the single most direct way to test, with real data rather than the illustrative estimates in chapter 21.4, whether this report's central empirical claim holds up in practice.

The Commission, together with Parliament and the Council as co-legislators, should ensure that the 28th regime and the European Business Wallet can carry a readiness certificate from the start. Both are now formal proposals under negotiation, which changes who needs to act and when. The practical route is narrow. In the 28th regime, the registration data for an EU Inc. should allow an optional field recording whether the founders hold a readiness certificate. In the European Business Wallet, the certificate should be issuable and presentable as a verifiable credential, the mechanism the wallet is built around. Neither adds any obligation, so both fit the two track model in chapter 24.4. Doing this

during the negotiations costs almost nothing, whereas after adoption it would mean reopening a regulation. This is the timing concern raised in chapter 9.3, now tied to a concrete legislative calendar.

Finally, the European Investment Fund and other EU level financing bodies should examine whether a founder's readiness certificate can be incorporated as a recognised, positive signal in the risk assessment used for EU backed loan guarantees and co investment schemes, extending the same logic proposed for national employment agency grants in chapter 23.5 to the EU's own financial instruments. Given the scale of EU backed guarantee programmes already channelling capital toward SMEs and early stage companies, even a modest, evidence based adjustment to how those programmes weigh a certified founder against an uncertified one could meaningfully shift capital toward better prepared ventures without requiring any new spending, simply by changing how existing risk models are calibrated. This report recommends the EIF commission a pilot study, run alongside the Eurostat certified versus uncertified survival tracking described above, to test whether readiness certification is in fact predictive of loan performance at a scale that would justify formally incorporating it into EU level credit risk models.

Taken together, these five recommendations share a common thread. None of them require the European Union to build new institutions from scratch, and none of them require slowing down the simplification and competitiveness agenda already underway under the Strategy. Each asks an existing body, the Commission, Eurostat, the EIF, to add a readiness dimension to work it is already doing, at the specific moments, strategy reporting, statistical development, system design, and financing criteria, where that addition is cheapest and most naturally aligned with work already planned. This report treats that alignment as deliberate rather than coincidental. The instruments needed to close the readiness gap identified throughout this report are, for the most part, already moving through the legislative process. What is missing is the decision to use them for this purpose as well.

26. Recommendations for member states

Member states carry the actual delivery of the framework this report proposes, and the first recommendation is simply to choose a delivery channel that fits existing national infrastructure rather than building something new. Chapter 17 already sets out three working models worth drawing on directly. A country with a strong chamber of commerce or craft guild tradition can adapt France's SPI structure, delivering the course through the same regional bodies that already handle business registration and advice. A country with a strong general education system and existing EntreComp implementation can build the course into upper secondary or adult education pathways, closer to the Swedish approach discussed in the same chapter. A country with neither can build a standalone digital platform, provided it is paired with an in person or phone based option for founders without reliable digital access, since chapter 23.2 is explicit that accessibility cannot be sacrificed for administrative convenience.

Whichever channel is chosen, member states should adopt the two track model described in chapter 24.4 rather than a single universal mandate from day one. This means legislating, or in many cases simply directing an existing agency, to recognise the readiness certificate as a formal condition of specific public funding streams first, most obviously the start up grants offered through national employment agencies to people transitioning out of unemployment, discussed in chapter 23.5. This is the lowest risk, lowest cost entry point available to any member state, since it requires no change to general business registration law, only a change to the eligibility criteria of a scheme the state already administers and already has a legitimate interest in protecting from foreseeable losses.

Member states should also treat mentor recruitment as a distinct, deliberate task rather than an afterthought to course delivery. The evidence in chapter 18.2 and the design set out in chapter 23.3 both depend on a genuine, well organised pool of experienced mentors, not a nominal mentoring scheme with too few volunteers spread too thinly. Practical sources already exist in most member states, retired business owners, chamber of commerce networks, alumni of national accelerator

programmes, and professional bodies representing accountants, lawyers, and consultants who could contribute a modest number of hours a year. A national coordinating body, which need not be newly created if an existing SME support agency can take on the role, should be responsible for recruiting, lightly training, and matching mentors to founders by sector and region, following the continuity model set out in chapter 22.4 in which the course assessor and the year long mentor are the same person wherever practically possible.

Member states with weaker five year survival figures, discussed in chapter 3.2, have a particular reason to move early rather than wait for an EU wide mandate. The gap between roughly one in four businesses surviving five years in the weakest performing member states and roughly three in five in the strongest is large enough that a national pilot, even a modest one limited to a single region or a single funding stream, is likely to generate a meaningful, locally visible improvement well before any EU wide baseline defined under chapter 25's recommendations is finalised. This report encourages such member states not to wait, since the two track, funding linked model described above can be introduced through administrative decision in many cases, without new primary legislation or a long parliamentary process.

Two further national level reforms would materially strengthen the effect of the readiness framework itself. First, member states should review the social protection gap discussed in chapter 8.2, since a founder who has done everything this report recommends can still be pushed toward a rushed, under prepared decision if the cost of remaining on standard employment protection for a few extra months while completing the course and validating their idea is too high. Adapting parental leave, sick pay, or unemployment insurance rules to bridge this specific, limited transition period would directly support the behaviour this report is trying to encourage. Second, member states should ensure full, consistent implementation of the EU Restructuring and Insolvency Directive discussed in chapters 10.1 and 11.3, giving honest founders an actual, working right to full debt discharge within three years rather than a right that exists on paper but is slow or inconsistent in practice. Member states without a well functioning general debt settlement scheme for individuals more broadly should also consider a model closer to Norway's gjeldsordningsloven, a structured repayment plan set against real income and living costs, usually over around five years, that treats business and personal debt under a single process rather than forcing a founder through separate systems for each. Together these ensure that founders who do fail despite genuine preparation have a fast, low stigma route to a controlled closure and a genuine second chance, since chapter 11.3 shows this is what allows a founder's first setback to become useful experience rather than a permanent exit from entrepreneurship.

Finally, every member state adopting the framework should build in measurement from the start, tracking certified and uncertified founders separately in national business registers in the way chapter 25 recommends at EU level, so that national policymakers, not only the European Commission, can see directly whether the framework is delivering the survival and cost outcomes this report projects, and can adjust course design, mentor capacity, or funding linkage accordingly rather than running the programme for years on assumption alone.

27. Recommendations for financial institutions and banks

Banks and other lenders sit on the other side of the friction documented in chapter 8.1, where a founder who cleared registration easily then struggles to open a business account or secure any credit at all. This report recommends that banks treat a readiness certificate as a recognised, positive input into that assessment, alongside the standard checks already used for a new business account or a small loan. It is not a replacement for normal due diligence. It is additional, verifiable evidence that a founder has tested their idea, validated their market, and built a real cash flow model, which is precisely the kind of information a bank currently has almost no reliable way to obtain about a brand new company with no trading history. Today that gap is often filled by a loan officer's own subjective impression of the founder sitting across the table, since there is little else to go on. A verified certificate

gives the bank something more objective to weigh alongside that impression, rather than leaving the decision to rest on it alone. This also fits the direction of the Savings and Investments Union, whose purpose is to move more private capital into productive investment. A verified readiness signal at the earliest stage lowers the cost of assessing exactly the ventures that private capital currently finds hardest to price.

This has a commercial logic for the banks themselves, not only a social benefit, but it rests on a hypothesis rather than on established evidence. If a readiness certificate predicts survival and repayment, then using it in credit scoring for early stage lending would reduce a bank's default risk on exactly the segment of borrowers it currently finds hardest to assess. No study yet shows that it does. Any observed gap between certified and uncertified founders would also be hard to interpret, because founders who choose to complete a course may already be more motivated, better connected or better prepared, so selection rather than the course could explain the difference. This report therefore recommends that national banking associations work with the EIF pilot proposed in chapter 25 to test the relationship formally, using designs that address selection, for example by comparing eligible founders who were offered a place by lottery or waiting list order with those who were not, rather than banks each assessing it independently and arriving at inconsistent conclusions.

Banks should also simplify the business account opening process specifically for certified founders, since the anti money laundering and verification burden discussed in chapter 8.1 falls disproportionately on new companies with no track record. A founder who has already been through a structured, third party verified readiness process has provided a meaningful amount of the information a bank would otherwise need to gather itself, and streamlining onboarding for this group is a low cost way to reduce the specific delay documented in chapter 8.4, where slow administrative processes push back a founder's actual time to revenue.

28. Recommendations for educational and training providers

Vocational schools, adult education centres, and universities already deliver a large share of the entrepreneurship education built around EntreComp, discussed in chapter 2. This report recommends these providers adopt the five dimension framework from chapter 20 as the practical, applied companion to that broader competence education, rather than treating entrepreneurship education and pre-start readiness verification as separate, unconnected activities. A student who has studied EntreComp's broader competences and then completes Before starting a business before actually registering a business gets both the conceptual grounding and the specific, verified proof of readiness this report is concerned with. The Union of Skills, with its emphasis on lifelong upskilling and on digital credentials and micro-credentials, offers a natural policy home. This report's reading is that a short, applied thirty hour course ending in a verifiable certificate is the kind of instrument those initiatives are designed to support.

Providers are also well placed to help solve the mentor recruitment challenge discussed in chapter 26. Business schools and vocational colleges typically maintain alumni networks that include experienced founders and operators willing to give back a modest number of hours a year, and formalising these networks as a source of mentors for the framework proposed in chapter 22.4 would strengthen mentor supply without requiring an entirely new recruitment structure.

Finally, training providers delivering the course itself should resist the temptation to expand it into a broader business education programme. Chapter 18 is clear that the evidence favours short, focused, applied training tied to the founder's own real business over long, generic instruction, and providers should hold the course to its intended thirty hour scale rather than letting it grow into something closer to a full qualification, which would undermine the accessibility principle set out in chapter 23.2.

29. A roadmap for implementation

29.1 Short-term actions (0 to 2 Years)

The first two years should focus on proving the model cheaply rather than legislating it broadly. A small number of willing member states, ideally including at least one with a chamber based tradition, one with a strong general education system, and one starting from a weaker five year survival baseline, discussed in chapter 3.2, should each launch a national pilot using the two track model set out in chapter 24.4. The fastest, lowest cost entry point is the one identified in chapter 26, linking the readiness certificate to eligibility for existing employment agency start up grants, since this requires only an administrative decision rather than new legislation.

In parallel, the European Commission should begin the work recommended in chapter 25, convening the working group to define the shared EU wide baseline for the five dimensions in chapter 20, and ensuring the European Business Wallet and 28th regime, under negotiation during this period, are built to carry a readiness certificate as a standard data field from the outset. Eurostat should begin the more limited version of its data work recommended in chapter 25, piloting the distinction between controlled closure and disorderly bankruptcy in the same member states running national pilots, and starting to track certified versus uncertified founders separately from the moment the first certificates are issued.

Mentor networks should be recruited and organised during this period as well, since chapter 26 identifies this as a task requiring lead time rather than something that can be stood up overnight. Pilot member states should draw on the sources identified there, chamber of commerce networks, retired founders, and professional bodies, and should adopt the assessor to mentor continuity model from chapter 22.4 from the very first cohort, rather than treating it as a refinement to add later.

Implementation roadmap, short, medium and long term actions

Table 29.1

Short term 0 to 2 years	Medium term 2 to 5 years	Long term 5 to 10 years
- National pilots in a small group of member states, linked first to employment agency start up grants. - EU baseline for the five dimensions defined, working group convened. - Certificate field built into the European Business Wallet and 28th regime while still in design. - Mentor networks recruited in pilot regions.	- Pilot survival data evaluated against the illustrative cost benefit estimate. - EU wide baseline formally adopted, sixth pillar reporting added to the strategy. - Wider member state adoption begins. - EIF pilot on certification and loan performance concludes.	- Readiness certificate becomes a normal, expected part of starting a business EU wide. - Real aggregate cost data replaces illustrative estimates. - Measurable narrowing of the survival gap between member states. - Framework extended to second time founders and succession cases.

See chapter 29 for full discussion of each phase.

29.2 Medium-term actions (2 to 5 Years)

By the end of the second year, the pilot member states should have enough data, tracked through the Eurostat work described above, to evaluate the framework against its own stated target, not the general five year survival rate discussed in chapter 3, which will always include failures the framework was never meant to prevent, but the narrower rate of foreseeably preventable failure documented in chapter 4. This evaluation should directly test the illustrative calculation in chapter 21.4 against real figures, and should be published, consistent with Global Mind's own methodological commitment to verifiable, transparent evidence set out at the start of this report.

Assuming the pilots confirm a positive effect, this period should see the EU wide baseline, defined during the short term phase, formally adopted and offered to all member states, with the

Commission's own sixth pillar reporting, recommended in chapter 25, becoming a standard part of Startup and Scaleup Strategy progress reviews. Member states beyond the initial pilot group should begin adoption during this period, drawing on the delivery model choices set out in chapter 26 and the lessons already generated by the earlier pilots, so that later adopters benefit from working examples rather than building from first principles.

This period should also see the financing side of the framework mature. The EIF pilot study recommended in chapter 25, testing whether certification predicts loan performance, should conclude during this window, and its results should inform whether certification is formally incorporated into EU backed guarantee schemes, following the logic set out in chapter 27. National banking associations should begin similar work domestically, and member states should have made meaningful progress on the social protection and insolvency reforms recommended in chapter 26, since these reforms strengthen the framework's effect but operate on a slower legislative timeline than the course and certification system itself.

29.3 Long-term vision (5 to 10 Years)

Within five to ten years, this report's ambition is for the readiness certificate to function as a normal, expected part of starting a business anywhere in the EU, in much the same way a driving test is a normal, unremarkable part of getting a licence rather than a controversial hurdle. The two track model described in chapter 24.4 may, by this point, have shifted in practice toward near universal voluntary take up simply because the certificate's value, in funding access, mentor support, and credibility with banks and investors, makes forgoing it a genuinely unattractive choice for most founders, achieving broad coverage without ever requiring a hard legal mandate.

By this stage, the data collected since the short term pilots should be mature enough to support the full aggregate cost estimate recommended in chapter 15.3, replacing the illustrative figures used throughout this report with real, published numbers, and allowing a genuine, evidence based assessment of the framework's contribution to the five year survival gap documented in chapter 3.2 and to the competitiveness goals discussed throughout chapter 16. If the framework has performed as this report expects, the European Union should be able to point to a measurable narrowing of that survival gap, both between the EU and other major economies and between its own strongest and weakest performing member states.

The longer term vision also includes extending the underlying logic beyond first time founders. A framework that has spent a decade establishing what good pre-start preparation looks like is well placed to inform related questions this report has not attempted to answer directly, second venture founders drawing on lessons from an earlier failure, family business succession, and the specific readiness needs of scaleups making their first international expansion. This report treats those as natural extensions of the same underlying principle rather than separate problems, but recommends they be taken up only once the core framework proposed here has been tested, adopted, and shown to work at the scale this roadmap describes.

PART IX - CONCLUSION

30. Summary of findings

The evidence assembled in this report supports a specific, testable claim rather than a general impression. Eurostat business demography data shows that around 81 percent of enterprises born in the EU survive their first year, but only around 45 percent survive to their fifth, with national rates ranging from close to 26 percent to above 60 percent. CB Insights postmortem analysis attributes between about 35 and 42 percent of the startup failures it examined to the absence of a genuine market need, a gap that is foreseeable and testable before a business starts, not a product of ordinary market risk. This report treats the difference between these two categories, foreseeable and preventable failure versus genuine market uncertainty, as the specific target of everything it recommends.

The causes traced in Part III are individually well documented. Overconfidence and the illusion of control shape the decision to start. Sunk cost reasoning and confirmation bias shape whether a struggling founder recognises trouble early enough to act on it. A structural paradox, easy registration alongside hard access to banking and finance, and reduced social protection on leaving employment, shapes how much room a founder actually has to prepare. A measurable policy paradox, in which EU and national schemes are evaluated on registration volume rather than survival, removes the incentive for anyone administering those schemes to fix any of the above. Chapter 9.5 traced this last point to its root: officials and providers are rewarded for activity, not outcome, and that mismatch persists until the metrics themselves change.

The costs documented in Part IV are concrete rather than abstract. A single foreseeably preventable failure is conservatively estimated at twenty to thirty five thousand euros once founder debt, lost tax revenue, and downstream welfare costs are combined, a figure this report uses throughout rather than a vaguer estimate. That cost lands on the founder first, then spreads to family, customers, suppliers, and the state, and compounds into a sixth cost this report adds explicitly: capital and talent tied up in ventures without a viable path to success, at a moment the EU is trying to close a measured venture capital gap of 5 percent of global totals against 52 percent in the United States and 40 percent in China.

The solution proposed in Parts VI and VII is equally specific. Five readiness dimensions, customer need, customer comprehension, market and profitability validation, financial literacy, and personal readiness, operationalised through a thirty hour course modelled on France's tested SPI precedent, paired with a year of mentoring delivered by the same person who conducted the initial assessment. The illustrative calculation in Chapter 21.4 shows this combination returning between one and a half and four and a half euros for every euro spent, even under conservative assumptions, and the two track model in Chapter 24.4 makes completion a matter of genuine advantage, funding eligibility, mentor access, and credibility with lenders, rather than a universal mandate imposed on every founder from day one.

The recommendations in Part VIII assign specific tasks to specific institutions on a specific timeline. The European Commission adopts founder readiness as a sixth pillar of the Startup and Scaleup Strategy and embeds a certificate field into the 28th regime and European Business Wallet while both are still being negotiated. Eurostat extends its business demography work to distinguish controlled closure from disorderly bankruptcy and to track certified against uncertified founders. Member states link the certificate to existing funding streams first, national employment agency start up grants being the fastest route, before considering a broader mandate. Banks and the European Investment Fund test whether certification predicts loan performance well enough to justify weighting it in credit risk models. None of this requires new institutions. It requires existing ones to add a readiness dimension to work already underway.

31. Closing reflections: Toward sustainable European entrepreneurship

This report started from an uncomfortable personal observation and experiences, to end with a specific proposal, and it is worth being honest about the distance between the two. The observation was that a large share of European business failures show clear warning signs before they happen, and that almost nobody is asked to look for those signs before real money and real people are exposed to them. The proposal is a thirty hour course, a year of mentoring, and a certificate that opens doors to funding and credibility rather than closing them. That is a modest instrument for a problem this report has argued costs Europe billions of euros a year and a meaningful share of its competitiveness against the United States and China. The gap between the scale of the problem and the modesty of the fix is deliberate. Big problems do not always need big machinery. Sometimes they need a small, well placed check applied consistently, at the one moment nobody currently checks anything at all.

It is also worth being honest about what this report has not done. It has not produced a definitive EU wide cost figure, because that data does not yet exist in linked form. It has not proven, with a randomised trial specific to this exact framework, that the course and mentoring combination will produce the survival gains projected in Chapter 24. What it has done is assemble the closest available evidence, Eurostat's survival data, CB Insights and academic postmortem research, France's long experience with a similar course, although no controlled comparison of its outcomes has been found, and the accelerator and training literature reviewed in Chapter 18, and shown that most of it points in the same direction, while the evidence on mentoring and accelerators is mixed. That is the standard of evidence a report can meet before a policy exists. Closing the remaining gap is the job of the pilots recommended in Chapter 29, and this report has been explicit throughout about building the evaluation for those pilots in from the start rather than treating measurement as an afterthought.

The deeper argument underneath all of this is about what Europe is actually trying to build. A union chasing registration numbers will keep producing registration numbers, and the businesses behind them will keep failing at roughly the rate they fail today, for the same foreseeable reasons documented in Chapter 4. A union that instead asks whether the person starting a business is ready to run one, gently, cheaply, and without turning away anyone willing to do the preparation, gives itself a real chance at something registration counts can never capture: a growing share of new businesses that are still there in five years, still employing people, still paying tax, and still occasionally becoming the scaleups the Draghi and Letta reports say Europe urgently needs.

None of this requires choosing between compassion for founders and ambition for the European economy. This report has tried to show, chapter by chapter, that they point the same way. Protecting a founder from an avoidable failure is also protecting the family, the customers, and the suppliers who never signed up for that risk, and it is also protecting the pool of capital and talent Europe needs for its next generation of companies. Europe does not need more unprepared business registrations. It needs more successful companies, and the founders behind them deserve a real chance to become one, before the cost of finding out otherwise falls on them and everyone around them.

APPENDICES

Appendix A. Methodology and data Sources in detail

This appendix expands on the summary given in chapter 1.5 and sets out, source by source, how the evidence in this report was gathered and weighted. The aim is to let a policymaker, journalist or fellow researcher trace any claim back to where it came from and judge its strength for themselves, consistent with Global Mind's own methodological commitment stated at the start of this report.

Official statistics form the factual backbone of parts two and three. Eurostat's business demography data supplied the birth, death and survival figures used throughout, including the 45 percent five year EU average and the country level range discussed in chapter 3. Where this report cites a specific percentage, it reflects the reference year stated beside each figure, and later Eurostat releases may differ these figures slightly as more member states report. OECD data supplied the SME financing and entrepreneurial ecosystem material used in chapters 14 and 18, and the Entrepreneurial Ecosystem Diagnostics discussed in chapter 18.3 in particular reflects the OECD's 2025 publication covering all 38 member countries.

EU policy documentation supplied both the description of the current policy landscape and the basis for identifying the gap this report argues exists within it. This includes the Draghi report on European competitiveness, the Letta report on the single market, the EU Startup and Scaleup Strategy adopted in May 2025, and European Commission communications on insolvency reform and entrepreneurship policy. These documents are treated as primary sources for what the EU has already committed to and planned, not as neutral academic evidence, and this report is explicit wherever it is offering its own interpretation of a gap in that policy rather than restating the policy itself.

Peer reviewed academic research supplied the evidence on founder psychology, competency gaps and training effectiveness discussed in part three and chapter 18, including work on overconfidence and the illusion of control, sunk cost and confirmation bias, push and pull entrepreneurial motivation, and meta analyses of business training and mentoring outcomes. Where a single study's findings were contested or later work reached a different conclusion, this report says so directly rather than citing only the study that supports its argument, most visibly in chapter 18.1's discussion of how the evidence on business training shifted over time as more rigorous studies accumulated.

Comparative and practice based evidence supplied the material in chapter 17 and the design basis for the framework in parts six and seven, most importantly France's Stage de Preparation a l'Installation and the United States' SCORE mentoring network, both drawn from official government and programme documentation rather than secondary summaries. The design of Before starting a business itself, described in part seven, is treated as this report's own worked proposal, built on the evidence above rather than independently validated, which is why part eight recommends piloting it with built in evaluation before wider adoption.

Two categories of figure in this report are explicitly illustrative rather than measured, and it is worth restating that distinction plainly here rather than leaving it scattered across individual chapters. The per failure cost range of twenty to thirty five thousand euros, used in chapters one, three, fifteen, sixteen and twenty one, is a conservative composite built from the separately documented cost categories in chapters eleven, thirteen, fourteen and fifteen, not a single published statistic, and no official EU wide aggregate figure yet exists for this number, a gap chapter 15.3 recommends closing directly. The cost benefit calculation in chapter 21.4, including the one thousand euro programme cost estimate and the five and fifteen founder scenarios, is similarly a transparent illustrative model built from real reference points, France's course cost and the accelerator survival evidence in chapter 18.2, rather than a measured outcome of this specific framework, which does not yet exist in operation. Both are labelled as illustrative at every point they appear in the main text, and this report recommends, in chapter 29, that real pilot data replace both estimates as soon as it becomes available.

This report does not rely on web search results, social media, or unreviewed secondary summaries for any factual claim used to build its argument. Where a source could not be verified against an original, publicly available document, the claim was either dropped or explicitly flagged as uncertain in the surrounding text.

Appendix B. Glossary of terms

Readiness. the degree to which a founder, at the point of starting a business, has the personal characteristics, knowledge and resources needed to give the venture a realistic chance of survival, defined in full in chapter 1.4 and chapter 20.

Foreseeably preventable failure. a business failure that traces back to a gap, such as an untested market or a missing cash flow plan, that a structured readiness check could reasonably have identified before the business started, as distinct from failure caused by genuine market uncertainty.

Controlled closure. a business winding down in an orderly way, suppliers paid and obligations met, as distinct from a disorderly bankruptcy, discussed in chapter 3.3.

Push entrepreneurship. starting a business mainly because of narrowing alternatives, such as unemployment or a benefit system transition, as distinct from pull entrepreneurship, discussed in chapter 7.

Pull entrepreneurship. starting a business mainly to pursue a genuine, identified market opportunity, typically from a position of financial stability, discussed in chapter 7.

Five dimensions of readiness. the framework set out in chapter 20, customer need, customer comprehension, market and profitability validation, financial and business literacy, and personal readiness.

Before starting your own business (BSB). the pre-start readiness course and mentoring model proposed in part seven of this report.

Two track model. the voluntary structure proposed in chapter 24.4, in which founders may register a business with or without completing the readiness course, with the certified path carrying funding and credibility advantages.

Readiness certificate. the credential a founder receives on completing the ISE course, confirming preparation was done, not that the business will succeed, as set out in chapter 21.6.

Sixth pillar. this report's proposed addition of founder readiness to the five existing pillars of the EU Startup and Scaleup Strategy, discussed in chapter 9.4.

28th regime. an optional EU wide legal form for companies, proposed by the Commission on 18 March 2026 as EU Inc. and under negotiation, intended to reduce the need to navigate 27 different national company law systems, discussed in chapter 2.3.

European Business Wallet. a harmonised digital framework for company identification and secure data exchange with public authorities, proposed by the Commission in November 2025 and under negotiation, discussed in chapter 2.3.

EntreComp. the European Entrepreneurship Competence Framework, a long standing EU reference for entrepreneurship education, discussed in chapter 2.3.

Business demography. Eurostat's statistical framework for tracking enterprise births, deaths and survival over time, discussed in chapter 3.1.

List of abbreviations

EBW	European Business Wallet
EC	European Commission
EIC	European Innovation Council
EntreComp	European Entrepreneurship Competence Framework
EU	European Union
EU-27	The 27 Member States of the European Union
GDP	Gross Domestic Product
ISE	Before Starting a Business - The pre-start readiness course proposed in this report
NACE	Statistical Classification of Economic Activities in the European Community
OECD	Organisation for Economic Co-operation and Development
R&D	Research and Development
SME	Small and Medium-sized Enterprise
VC	Venture Capital

Appendix C. Overview of Before starting a business curriculum (Detailed syllabus)

This appendix sets out the practical syllabus behind the five modules introduced in chapter 22.2, for use by any organisation delivering the course. Total course length is approximately thirty hours across five modules, deliverable online, in person, or in a blended format, over a recommended two to three week window that allows time for the between session fieldwork each module requires.

Module one, understanding and solving the customer's need, runs about five hours and combines a short lesson on need finding with a fieldwork task requiring five documented conversations with real prospective customers. The output is a one page summary of the confirmed need, in the founder's own words, reviewed by the assessor.

Module two, ensuring the customer understands the business idea, runs about four hours. Founders draft a plain language explanation of their offering, test it on someone outside their own field, and revise based on what that person could and could not repeat back correctly. The output is a finished explanation plus a short note on what changed between the first and final draft.

Module three, validating sufficient market size and profitability, runs about seven hours and is the most numerically detailed module. Founders complete a guided worksheet covering realistic customer reach, competitor and substitute pricing, and basic unit economics. The output is a completed market and pricing worksheet using the founder's own researched figures.

Module four, business and financial literacy, runs about seven hours. Founders build a cash flow model using their own costs and expected revenue timing and calculate their own runway. The output is a working cash flow model the founder can continue to use after the course ends.

Module five, personal readiness assessment, runs about five hours and is structured as a guided conversation rather than a written exercise, covering time, health, financial buffer, and family or partner support, held with the people the business will actually affect. The output is a short written reflection confirming the conversation took place and summarising what was agreed.

The remaining two hours cover final assessor review, discussed in chapter 22.3, and the handover into the twelve month mentoring relationship described in chapter 22.4.

Appendix D. Comparative country data tables (Eurostat business demography)

The table below summarises the enterprise survival figures referenced throughout this report, drawn from Eurostat business demography statistics discussed in chapter 3, alongside the United States comparison discussed in chapter 17.1. Figures are approximate and refer to Eurostat reference year 2018, with five year survival for the cohort born in 2013 and one year survival for the cohort born in 2017. The United States row covers private sector establishments with employees and is not directly comparable.

Economy	One year survival	Five year survival
EU-27 average	about 81 percent	about 45 percent
Sweden (strong performer)	about 97 percent	about 60.8 percent
Lithuania (weaker performer)	not separately cited	about 26 percent
United States	about 78 to 80 percent	about 48 to 49 percent

See chapter 3.2 for discussion of the factors likely behind the gap between the strongest and weakest performing member states, and chapter 17.1 for discussion of why the United States figure sits close to the EU average despite a very different regulatory environment.

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