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EUROPE'S NEW ENTREPRENEURS They're cropping up in unprecedented numbers, pumping new life into the European economy, and getting rich in the process. A few have become teen idols.

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(FORTUNE Magazine) – A WAVE of entrepreneurial activity unprecedented in the postwar period is sweeping across Western Europe. Venture capital funds and over-the-counter markets, where the stock of young companies is traded, are booming; they hardly existed seven years ago. Inspired by scores of new millionaires, more and more Europeans are deciding that the rewards of starting companies outweigh the risks. If the trend continues, as seems likely, it will go a long way toward curing Europe's most abiding economic ailments -- double-digit unemployment and an inability to seize sizable shares of emerging growth markets.

Britain leads the way. Conservative Prime Minister Margaret Thatcher has been womanfully striving to instill what she calls "an enterprise culture." By cutting Britain's top income tax rate from 98% to 60%, liberalizing the treatment of stock options, and granting hefty tax credits to individuals investing in start-ups, Thatcher has transformed her country's once declining small-business sector into a prodigious job creator. Since 1982 British business -- mostly small new companies -- has produced all but 200,000 of the 1.1 million new jobs created in Europe. Start-ups have tripled in Italy since 1982. A recent law allowing banks to set up venture capital operations should help the country's perennially enterprising small businesses get bigger faster. The Netherlands boasts a healthy over-the-counter market and a $650-million venture capital pool that is larger than West Germany's. "Today you can honestly tell people the sky's the limit," says Bas Alberts, 34, a highflying Dutchman and ex-computer hacker whose stake in six-year-old PIE Medical is worth about $3.5 million. The company makes scanners that use sound waves to probe parts of the body that X-rays cannot reach. In West Germany, where bankers still get sweaty palms about backing companies with less than a 15-year track record, some 300 new consulting firms have sprung up to offer advice on starting a business. Even Swedish entrepreneurs get a little more respect. "The government has found out it needs us," claims Borje Ramsbro, 49, who runs System 3R, a flourishing machine tool company (1986 sales: $31 million). Ramsbro proudly drives a secondhand Rolls-Royce -- about as flashy as you can get in Sweden. What's impressive about the Europeans who are setting out to work for themselves -- our definition of "entrepreneur" -- is their quality. Many are recent graduates of Europe's elite universities and technical schools. Joining them are a small but growing number of senior managers from large corporations, as well as members of a huge talent pool that Europe has traditionally overlooked: women. The Old World's new entrepreneurs are more marketing oriented than their predecessors. "We produce products that people want, not some boffin's ego trip," says Britain's Alan Sugar, 40, founder of Amstrad, a consumer electronics manufacturer that last year sold $450 million worth of low-priced, Asian-made tape decks, VCRs, and personal computers -- up from $18 million in 1980. Sugar, who grew up in a working-class neighborhood in London's East End and began his business career selling car radio antennas from the back of a rented van, owns Amstrad stock worth more than $650 million. The value of his shares is 45 times what it was six years ago. France's Catherine Gassier, 27, whose biotechnology company got started last June with $1.5 million of venture capital, is hardly in Sugar's league yet. But she shares his sentiments. "The fascination with pure research snags too many high-tech firms," says this recent graduate of INSEAD, one of Europe's leading business schools. "For us marketing and strategy come first." The new crowd also takes more care to motivate workers. Most use stock options. Elisabeth Gluck, 31, one of the more successful of 350,000 British women who have gone into business for themselves since 1979, goes further. Her $18-million-a-year Programmes Ltd., which claims to be Britain's first and fastest-growing telephone direct-marketing company, encourages ambitious employees to start their own businesses. Says Gluck, who borrowed $800 and "a windowsill in a friend's office" to launch Programmes in 1981: "Everybody starts here by spending six months working the phones. Then, if they have a good idea, we give them a desk of their own. If it works, we give them help with financing." Most important, the Europeans starting out today have an appetite for growth too often lacking in older entrepreneurs. Bas Alberts's PIE Medical (1986 sales: $15 million) was the first Dutch company to win venture capital backing and have its shares listed on Amsterdam's new over-the-counter market. Says Alberts: "If we hadn't been lucky enough to have that option, we would have been forced to grow like most Dutch family businesses do -- very slowly." Similar motives prompted former Irish shoe salesman Geoff Read, 32, to sell control of his fast-growing Ballygowan Spring Water Co. to Anheuser-Busch just two years after its launch. Says Read, who stayed on as marketing director: "I wanted to be able to walk into any city in the world and order a Ballygowan." Historically, Europe has suffered what might be thought of as a gumption gap with the U.S. "One of the keys to America's job creation miracle has been the steady supply of a small number of small firms that grow dramatically," says Professor Colin Gallagher of Newcastle University, who recently completed a comparative study of small-business employment in the U.S. and Britain. "That hasn't happened in Europe to the same extent." A PROFOUND SHIFT in Europe's social and political climate lies behind the current efflorescence of entrepreneurship. "Until a few years ago, entrepreneur was almost a dirty word," recalls Britain's Richard Branson, 36, founder and chairman of the Virgin Group, a $450-million-a-year leisure and entertainment conglomerate with subsidiaries in 19 countries. That attitude has changed. Indeed, it has even become acceptable for enterprising businessmen to make big money. Says Anthony Martin, 46, financial director for a family-owned business: "Ten years ago, if people saw a Rolls-Royce, they'd say something like, 'Why is he driving that?' Now the question is more likely to be, 'How can I get one?' " Flamboyant entrepreneurs like Branson, who spends his leisure time setting transatlantic speedboat and ballooning records, enjoy the sort of celebrity once reserved for rock stars or royalty. Branson started in the late 1960s, selling some $20,000 of ads from a phone booth at his high school to launch a successful national magazine. He then moved into record retailing and recording. "We had a strict rule that new stores must open on the first of the month," he says. "That way we had two months to get the cash to pay our bills." Branson subsequently launched Virgin Atlantic, a frills-filled airline that flies for no-frills prices from London to New York and Miami. Now the cashless days are over. Last fall Virgin raised $68 million by listing shares on the London Stock Exchange. Branson plans to use the money to build his U.S. subsidiary into an American recording colossus. His personal fortune, estimated at $350 million, includes his own island -- one of the Virgin Islands, of course. In a recent poll Branson placed just behind Prince Charles and Pope John Paul II as the person young Britons admired most. Even less glamorous blokes feel the difference. In 1978, when David Bruce, 39, quit his job to launch a chain of pubs that brew their own beer, his friends kept asking him when he was going to get "a real job." Says Bruce, whose pubs today employ 120 people and enjoy sales of some $4.5 million: "That immense social stigma against starting your own business has given way to approval. I'm no longer a freak." Nothing has done more to capture the popular imagination -- and make it possible to get rich quick in Britain -- than the success of London's unlisted securities market. Modeled after the U.S. over-the-counter market, the USM, which currently trades the shares of 368 companies with a market value of more than $7.5 billion, has spawned at least 300 millionaires since its launch in 1980. By offering investors the chance to cash in when they take small companies public, the market has played a big role in attracting more venture capital. According to Venture Economics, a U.S. consulting company, the number of venture capital firms in Britain has jumped from 27 in 1981 to 126. "In five years the British venture industry has reached a level of maturity it took the U.S. 25 years to reach," says Susan Lloyd, head of Venture Economics' London office.

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OF ALL the Continental countries, France comes closest to matching Britain's entrepreneurial enthusiasm. Says Christophe Chausson, 32, head of a new venture capital group founded by 23 young French businessmen and called -- what else? -- Group 23: "A few years ago the summit of success was to climb to the top of a multinational. Now young people in France prefer to strike out on their own." One of French youth's current culture heroes is a self-made man named Bernard Tapie -- he came in second to a pop singer in a recent survey of teen favorites. A former singing star himself, Tapie, 42, claims to have turned a string of once bankrupt companies, bought on the cheap, into a $1-billion-a-year privately held business empire. Among his possessions is a 250-foot yacht with a crew of 18. Tapie hosts a popular television program called Ambitions that explores the prospects and problems of starting a new business. The rekindling of entrepreneurship in France -- the word has French roots, after all -- began in 1983, when the ruling Socialist party took a sharp right turn to keep from driving off an economic cliff. The Socialists encouraged the development of a French OTC market and introduced a host of investment incentives, including a five-year tax holiday for new companies. In 1985 alone, business start-ups in France increased 20%. Since the Conservatives returned to power a year ago, the trend has accelerated. According to a recent government survey, the number of Frenchmen who say they intend to start their own company within the coming year has doubled since 1984 to 800,000. Says Maurice Tchenio, Paris-based partner of the New York venture capital firm Alan Patricof Associates: "Our deal flow has increased 50% in the past six months, and the quality has improved." This year the total amount of French venture capital may increase by as much as 40%, to $1 billion. SOARING STOCK PRICES on the over-the-counter market, which now boasts more than 185 companies with a market value of some $16 billion, are producing stratospheric profits for venture capitalists and a bumper crop of new French millionaires. One of the newest is Jean-Michel Aulas, 37, of Lyons. Four years ago Aulas, who had been working for himself as a data-processing consultant, got venture capital backing to start a business that provides customized accounting software and support for small to medium-size companies. Last year sales and operating profits of Aulas's company, called Cegid, topped $27 million and $5 million, respectively. Since its initial public offering of $50 million of shares last June, Cegid's stock price has jumped sixfold, raising the value of Aulas's 40% stake to about $130 million. The prospect of such happy returns is even beginning to tempt a few bold Europeans to leave big companies to strike out on their own. One such corporate refugee is Philippe Perrin, 36, who spent 13 years rising through managerial ranks, first at Roussel Uclaf, a major French drugmaker, then at America's Abbott Laboratories. In partnership with two other ex-pharmaceutical industry executives, and backed by $2 million of venture capital, last January Perrin launched a company called Anatech that aims to be the first supplier of generic drugs to French hospitals. "Even two years ago it would have been hard to raise this kind of capital here," says Perrin, who has an MBA from Cornell. Former Motorola executive Jean-Luc Grand-Clement, 47, represents a breed even rarer in Europe, a multinational manager who has twice left the corporate fold. In the early 1970s, he started his first company, a microcomputer maker in the South of France, on a shoestring. His wife handled administration and finance, while Grand-Clement tended marketing and the technical side. When his Saudi backers balked at giving him the capital to grow, Grand-Clement took a walk. Eventually he went back to Motorola. "That taught me the importance of having solid financing and a clear strategy from the start," he says. European Silicon Structures, known as ES2, is Grand-Clement's latest venture. If it fails, lack of financing won't be the reason. A syndicate organized by Advent International, the overseas arm of Boston's TA Associates, America's largest venture capital group, has invested $46 million in ES2. The company makes customized microchips using new technology that dramatically cuts production time on small batches of chips. By focusing on niche markets for European industry, which typically produces electronic systems in runs of under 20,000 units, Grand-Clement hopes to avoid the price wars that have devastated volume chipmakers. His goal is $100 million in annual sales in five years. Worried about falling behind Japan and the U.S. in the technology race, Europe's industrial behemoths are increasingly turning to small companies and start-ups like ES2 for help. Olivetti, Philips, and Saab, among others, own 50% of ES2. In West Germany the biggest venture fund is Munich-based Techno-Ventures Management, launched three years ago with $40 million in capital. Siemens, Germany's biggest electronics company, is a major investor. More recently, a new outfit called Euroventures, backed by a number of giants including Olivetti, Volvo, Pirelli, and Saint-Gobain, has raised some $225 million. Management buyouts offer another key to unlocking entrepreneurial talent within European corporations. For instance, Siemens, after prodding by independent venture capitalists, agreed two years ago to sell a unique method for testing integrated circuits to the employees who had developed it. "Too many big European companies get old, old, old before they realize it," says ES2's Grand-Clement. "Buyouts by managers are often the best way to prune these giant oaks." Such pruning is already wildly popular in Britain. According to the Center for Management Buyout Research at the University of Nottingham, more than $2.5 billion was spent on 250 deals last year, vs. $50 million for 52 buyouts in 1979. On the Continent, where such deals are still rare, a similar surge appears likely. Buyouts of existing products by proven managements suit the more conservative temper of Continental capitalists and managers. In addition, Europe is chock-a-block with medium-size, family-owned companies -- many in their third generation -- whose heirs may be ready to sell. Says Klaus Nathusius, who started one of West Germany's first venture capital funds: "There are easily a couple of thousand candidates out there for management buyouts in Germany." Such a boom should draw huzzahs from Europe's unemployment-obsessed politicians. By turning managers into entrepreneurs, buyouts seem to create jobs just as effectively as new businesses. In a study of British buyouts that occurred in 1979, researchers at Nottingham University found that average employment dipped initially as troubled companies cleared their decks, then rose more than 11% by 1983. BRITAIN'S MACRO 4, for example, which produces specialized systems software for IBM mainframes, was put in the hands of managers in 1984 in a buyout financed by Advent International. Operating profits rose fivefold in two years to more than $4 million, and the work force nearly doubled. Terry Kelly, the company's managing director, expects the company to grow at a 40% to 45% $ compound clip "for some years to come." Europe's would-be highfliers still face more barriers than their American counterparts. Consider the experience of Paolo Vittadini. While studying English in London, Vittadini, 29, a graduate of Milan's prestigious Bocconi University, noticed all the motorcycle messengers roaring through the city streets. In 1984, back in Milan, Vittadini and a partner launched Pony Express, Italy's first motorbike delivery service. Last year Pony Express, having expanded to four other cities, pulled in $2.7 million in billings and gave part-time employment to some 10,000 of Italy's motorbike-mad youngsters. Since Pony Express began, some 200 similar companies have popped up across Italy. Vittadini's biggest problem isn't competition, however; it's regulation. Under Italian law, rapid-delivery services are technically barred from carrying letters, memos, or any other signed communication. In addition to fining the Pony Express cyclists, who pay little attention to the rules, the post office is pressing for a lot of new regulations. That kind of overregulation -- what economists call "structural rigidities" and the rest of us "red tape" -- is a major reason employment in Europe's service sector trails that of America and even Japan. Lack of service sector growth, in turn, partly explains why European unemployment has been stuck near 11% since 1982. In the U.S., services have accounted for nearly all of the 21 million jobs created in the past ten years. With prodding from new entrepreneurs, regulatory walls are slowly coming down across Europe. "We're the inertia busters," says Ireland's Dermot Desmond, 36, a high school graduate and Citibank alumnus who now owns one of his country's fastest-growing financial services companies. Isabel Rubio, 28, a graduate of Instituto de Empresa, Spain's leading business school, reports that when she tried to open her first croissant shop in Madrid three years ago, she had to maneuver through 45 often contradictory regulations before gaining an operating license. Today, as a result of her one-woman media campaign, new businesses in Spain can clear all regulatory hurdles in a single government office. EVEN MORE European inertia busters may be on the way. Norbert Walter, 42, one of West Germany's leading young economists, believes there may be a tantalizing link between business births and actual births. Increased competition for a limited supply of existing corporate jobs, he reasons, , prompts frustrated talents to carve out their own course. "For the past 120 years in the U.S., every increase in the birth rate seems to be followed several decades later by a surge in business start-ups," says Walter, who is currently researching his theory at Johns Hopkins University. If demography is partly behind the sixfold expansion in U.S. business start-ups since the late 1950s, then the current uptick in Europe -- whose postwar pickup in birth rates began and ended a decade after America's -- could be the rumble that precedes the avalanche. No one is ready to make that claim yet. But already attitudes toward entrepreneurship in Europe have improved more dramatically than anyone might have predicted a decade ago. "People talk about creating entrepreneurs," says Juan F. Rada, 36, a venture capitalist and director general of the Geneva-based International Management Institute, a leading European business school. "All we've really done in Europe is create a climate that is beginning to encourage them to come out of the closet." To ensure that Europe's economy stays competitive, political leaders must focus on maintaining and improving that climate. Europe's entrepreneurs, present and to come, will take care of the rest.