



GEM

GLOBAL ENTREPRENEURSHIP MONITOR
NATIONAL ENTREPRENEURIAL ASSESSMENT FOR THE UNITED STATES OF AMERICA

2006-2007 Executive Report

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Global Entrepreneurship Monitor

2006 - 2007 National Entrepreneurial Assessment for the United States of America

Executive Report

In January 2008, Babson College invited Baruch College to join the GEM United States Team. The partnership brings together the expertise from the Arthur M. Blank Center for Entrepreneurship at Babson College with that from the Lawrence N. Field Center for Entrepreneurship at Baruch College, specifically around minority entrepreneurship.

As a result of the partnership, the GEM 2008 Adult Population Survey includes several new questions aimed at shedding more light on minority and immigrant entrepreneurship. For the first time the report explores issues related to Korean American, Mexican American and African American business owners and the issues hypothesized to have an impact on business ownership patterns including: education, gender, family structure and responsibilities, access to capital, business experience, personal and family goals, and business management and performance.



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Although GEM data were used in the preparation of this report, their interpretation and use are the sole responsibility of the authors.



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Executive Summary and Key Findings

The United States continues to rank high in early-stage entrepreneurial activity. Our average rate of entrepreneurship was 50% higher than the average of all other high-income countries participating in GEM and equals the rate in middle- and low-income countries from Europe and Asia. Although there was a large decline over the last three years, from 12.4% in 2005 to 9.6% in 2007, the United States ranks third in early-stage activity among the high-income countries participating in GEM. While still in the top third, the United States ranked ninth and sixteenth in the established business prevalence rate for high-income countries for 2006 and 2007, respectively, with a rate of 5.4% in 2007. These declines in the U.S. early-stage entrepreneurship prevalence rates contributed to a lower level of dynamism or sustainability of businesses over time (the ratio of early-stage entrepreneurship to established businesses) from 2.7 in 2005 to 1.8 in 2007.

The United States exceeded the average early-stage activity of many of the middle- and low-income GEM countries. The motivation for starting a business in the United States was based primarily on opportunity in 2007. However, the percentage of early-stage entrepreneurial activity based on necessity has increased from 12.1% in 2005 to 15.6% in 2007, perhaps as a leading indicator of the soon-to-be-realized economic downturn in 2008. In examining the rate of early-stage entrepreneurial activity in 1999 through 2002, a similar downturn was seen initially, followed by an increase in activity as real GNP started to grow in 2002 and 2003.

Gender differences remain high for both early-stage entrepreneurs and established business entrepreneurs in the United States with the rates for males in both business stages 50% higher than that of females. Despite the fact that more businesses were formed in the United States, they are predicted to grow no faster than start-ups in other high-income countries and 40% of the U.S. start-ups indicate they expect no job growth in the next five years.

Not surprisingly, consumer-oriented business start-ups were the dominant activity among early-stage entrepreneurs in 2007. However, there was a slight decline in this sector (from 44.7% in 2006 to 42.1% in 2007). Increases were seen in the Business Service sector (from 22.5% in 2006 to 34.8% in 2007). Declines were seen in the transformation sector which included the manufacturing and construction industries (from 26.0% in 2006 to 21.2% in 2007). This decline is certainly due to a large degree to the downturn in the housing industry. A large decrease was seen in the extraction (agriculture, forestry, fishing, and mining) industries (from 6.8% in 2006 to 1.9% in 2007).

Overall, minorities exhibit higher rates of entrepreneurship than whites in the United States. Beyond the prevalence rate, minority entrepreneurs exhibit the same demographic and motivation patterns as white entrepreneurs in terms of types of businesses, growth expectation, education and gender. Income levels present an interesting dichotomy. Whites and Mexican Americans both exhibited low percentage distributions in the lower income groups and high percentage distribution in the higher income groups especially for the established businesses. This percentage distribution difference was less pronounced in the African and Korean American samples. Another key difference in these minority entrepreneurs may be their motivation for starting a business where between 57.1% and 72.6% started their business after perceiving that they were rejected for a job for reasons of ethnicity.

Most groups of entrepreneurs express high satisfaction with access to public institutions for advice, most seeking help from the Small Business Administration or Small Business Development Centers followed by state or local economic development groups or the Chamber(s) of Commerce. Korean-Americans differ from this in seeking a much lower level of outside advice for their businesses.

From these key findings we can recommend that public policy makers continue to support early-stage entrepreneurship and small business with both national and local initiatives in education and business advice. The continuing dichotomy in gender and income gaps with respect to early-stage entrepreneurship can also be addressed through education and governmental outreach.

Introduction

ABOUT GEM

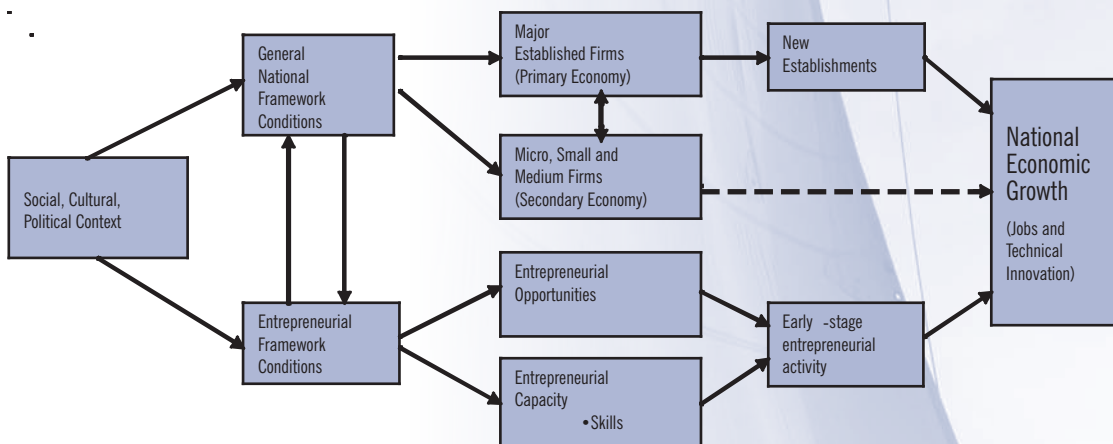
Although it is widely acknowledged that entrepreneurship is one of the most important forces shaping the changes in the economic landscape, the understanding of the relationship between entrepreneurship and national growth is far from complete. There is a lack of cross-national harmonized datasets on entrepreneurship. Since 1997, the Global Entrepreneurship Monitor (GEM) research program has contributed to increasing knowledge in this area by collecting relevant harmonized data on an annual basis. GEM focuses on three main objectives:

- To measure differences in the level of entrepreneurial activity between countries
- To uncover factors determining national levels of entrepreneurial activity
- To identify policies that may enhance national levels of entrepreneurial activity

Traditional analyses of economic growth and competitiveness have tended to neglect the role played by new and small firms in the economy. GEM takes a comprehensive approach and considers the degree

of involvement in entrepreneurial activity within a country. GEM views national economic growth and the aggregate level of economic activity in a country as being associated with newer and smaller firms as well as established firms, but its focus lies on early-stage entrepreneurial activity. Small and newer firms generate innovations, fill market niches, and increase competition, thereby contributing to resource reallocation in economic activity. By considering the complementary nature of economic activity among different groups of firms, GEM links a nation's economic activity to the interplay of established and new and smaller firms, allowing a clearer understanding of why entrepreneurship is vital to the whole economy. Figure 1 presents the conceptual framework that guides GEM's data collection activity. The GEM model maintains that established business activity at the national level varies with General National Framework Conditions (GNFC), while entrepreneurial activity varies with Entrepreneurial Framework Conditions (EFC). GEM's unique contribution is to produce cross-national data that enables detailed study of the lower half of the conceptual framework. In the framework, EFCs reflect major features of an economy and host society that are expected to impact the entrepreneurial sector but are not captured in the General National Framework Conditions.

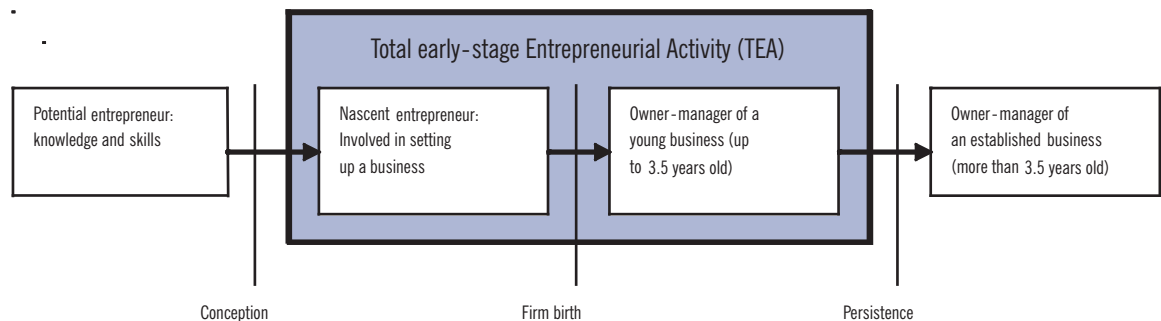
Figure 1. The GEM Conceptual Model



GEM DATA COLLECTION: THE ADULT POPULATION SURVEY

GEM takes a broad view of entrepreneurship and focuses on the role played by individuals in the entrepreneurial process. Unlike most entrepreneurship data sets that measure newer and smaller firms, GEM studies the behavior of individuals with respect to starting and managing a business. Furthermore, GEM views entrepreneurship as a process and considers people in entrepreneurial activity in different phases; from the very early phase when the business is in gestation to the established phase and possibly discontinuation of the business. A key GEM indicator is the prevalence rate of early-stage entrepreneurial activity (also known as the TEA index), represented by the shaded box in Figure 2.

Figure 2. The Entrepreneurial Process and GEM Operational Definitions



DEFINING ENTREPRENEURSHIP

Entrepreneurship is a complex phenomenon that spans a variety of contexts. The varied definitions in entrepreneurship literature reflect this complexity. In line with its objectives, GEM takes a broad view of entrepreneurship and focuses on the role played by individuals in the entrepreneurial process. Unlike most entrepreneurship data sets that measure newer and smaller firms, GEM studies the behavior of individuals with respect to starting and managing a business. This differentiates GEM from other data sets, most of which record firm-level data on (new) firm registrations (see Figure 2). New firms are, most often, started by individuals, and individuals typically determine the entrepreneurial attitude of established businesses, regardless of size. Another important aspect is that, from the start of the project in 1999, GEM views entrepreneurship as a process and considers people in entrepreneurial activity in

different phases, from the very early phase when businesses are in gestation to the established phase and possibly discontinuation of the business.

An individual entrepreneur who has succeeded in maintaining a business has gone through a process, and the characteristics of his or her actions are a very useful way to study entrepreneurial behavior. The entrepreneurial process starts before the firm is operational. Someone who is just starting a venture and trying to make it in a very competitive market is an entrepreneur despite not having high-growth aspirations. On the other hand, an established business owner may have been in business for quite a number of years and still be innovative, competitive, and growth-minded; this person is also an entrepreneur. GEM provides an umbrella under which a wide variety of entrepreneurial characteristics, such as motivations, innovativeness, competitiveness, and high-growth aspirations, can be systematically and rigorously studied.

Within this context, the GEM data collection covers the lifecycle of the entrepreneurial process and looks at individuals at the point when they commit resources to start a business they expect to own themselves (nascent entrepreneurs); when they currently own and manage a new business that has paid salaries for more than three months but not more than 42 months (new business owners); and when they own and manage an established business that has been in operation for more than 42 months (established business owners). Figure 2 summarizes the entrepreneurial process and GEM's operational definitions.


For GEM, the payment of any wages for more than three months to anyone, including the owners, is considered to be the “birth event” of actual businesses. Thus, the distinction between nascent entrepreneurs and new business owners depends on the age of the business. Businesses that have paid salaries and wages for more than three months and less than 42 months may be considered new. The cutoff point of 42 months has been made on a combination of theoretical and operational grounds. The prevalence rate of nascent entrepreneurs and new business owners taken together may be viewed as an indicator of early-stage entrepreneurial activity in a country. It represents dynamic new firm activity; even if a fair share of nascent entrepreneurs do not succeed in getting the business started, their actions may have an effect on the economy since they can put pressure on incumbent firms to perform better.

Business owners who have paid salaries and wages for more than 42 months are classified as “established business owners.” Their businesses have survived the liability of newness. High rates of established business ownership may indeed indicate positive conditions for firm survival. However, this is not necessarily the case. If a country exhibits a high degree of established entrepreneurship combined with a low degree of early-stage entrepreneurial activity, this indicates a low level of dynamism in entrepreneurial activity.

GEM WEBSITE AND DATA AVAILABILITY

GEM is a consortium of national teams participating in the Global Entrepreneurship Research Association. Thanks to the effort and dedication of hundreds of entrepreneurship scholars as well as policy advisors around the globe, the GEM consortium consists of a unique network building a unique data set. Contact details and national teams' micro-sites can be found on www.gemconsortium.org, which also contains a selection of GEM data. The GEM website provides an updated list of the growing number of peer-reviewed scientific articles based on GEM data.

GEM Terminology



Nascent entrepreneur	A nascent entrepreneur is one who is actively planning a new venture. Such an entrepreneur has done something during the previous 12 months to help start a new business that he or she will own, at least in part. Activities such as organizing the start-up team, looking for equipment, saving money for the start-up, or writing a business plan would all be considered active commitments to starting a business. Wages or salaries will have been paid for no more than three months; nascent entrepreneurs are often still employed full-time elsewhere.
New firm entrepreneur	A new firm entrepreneur is an entrepreneur who, at least in part, owns and manages a new business that is between four and 42 months old and has not paid salaries for longer than this period.
Established business owner	In addition to those individuals who are currently involved in the early stages of a business, there are also many individuals who have set up businesses that they have continued to own and manage for a longer time. These individuals are included in the established business owner index, which captures the percentage of individuals in a population who have set up businesses that they continue to own and manage and who have paid wages or salaries for more than 42 months.
Dynamism	As used in this report, dynamism is defined as the ratio of early-stage entrepreneurship to established business ownership. This ratio shows the relative activity levels among early-stage entrepreneurs compared to the prevalence of established business owners. Low levels of dynamism indicate a less entrepreneurial environment.
Total early-stage entrepreneurial activity (TEA Rate)	As its name implies, total early-stage entrepreneurial activity refers to the total rate of early-stage entrepreneurial activity among the adult population aged 18–64 years, inclusive. In some instances, this rate is less than the combined percentages for nascent and new firm entrepreneurs. This is because, in circumstances where a respondent qualifies as both a nascent and a new firm entrepreneur, he or she is counted only once.

Part 1. U.S. Entrepreneurship Trends

Figure 3a plots GEMs estimates of the U.S. early-stage entrepreneurship prevalence rates from 1999 to 2007. In 2005, the U.S. early-stage entrepreneurial activity prevalence rate was 12.4% in the 18- to 64-year-old age group, the second highest rate for the United States since GEM introduced this measurement in 1999. In 2006, the U.S. early-stage entrepreneurial activity declined to 10% of the U.S. 18- to 64-year-old age group population. This means that an estimated 2.4% less of the U.S. population for that age group pursued entrepreneurial careers compared to 2005. In 2007, the U.S. early-stage prevalence rate declined again to 9.61% of the U.S. population for that age group. Even with this declining trend, the United States still maintains a strong and persistently high level of entrepreneurial activity, illustrating the strength of the American entrepreneurial culture. However, the negative trend of the last two years is a sign that some of the economic conditions in the United States may be affecting the level of entrepreneurial activity.

U.S. DYNAMISM LEVELS IN 2006 AND 2007

As discussed in the GEM United States 2004–2005 Executive Report, high levels of entrepreneurial activity promote efficiency in the economy and drive

exploitation of new market opportunities (and thereby provide more opportunities for entrepreneurs). Schumpeter¹ called this “creative destruction.” The United States shows an outstanding ability to embrace these conditions and thus to foster entrepreneurship.

In 2006, the ratio of early-stage entrepreneurship to established business ownership plummeted by 30% compared to 2005. This ratio also slightly declined in 2007 in the United States. In 2005, there were 2.66 early-stage entrepreneurs per established business owner, an increase from 2.08 early-stage entrepreneurs per established business owner in 2004. In 2006, the ratio of early-stage entrepreneurs to established owners decreased to 1.85. In 2007, this ratio decreased to 1.80. The persistently high U.S. levels of dynamism are positively associated with high early-stage entrepreneurship prevalence rates, high venture-capital investment rates, and significantly higher levels of high-expectation entrepreneurship.

When the level of dynamism declines, the entire entrepreneurial mechanism, as a wealth creator in the society, decreases significantly in magnitude. The U.S. level of dynamism is still very high for 2006–2007. However, compared to the preceding period from 2003 to 2005, the U.S. entrepreneurial mechanism has been declining as a wealth creator. As shown in Table 1, the U.S. entrepreneurial mechanism is still very strong in creating wealth in comparison to the rest of the world on average (GEM average dynamism).

Table 1. Dynamism in the Business Environment as the Ratio Between Early-Stage Entrepreneurship to Established Business Owners

	2002	2003	2004	2005	2006	2007
United States Dynamism	1.85	2.21	2.08	2.66	1.85	1.80
GEM Average Dynamism	1.30	1.29	1.25	1.28	1.37	1.38

Source: GEM Global Adult Population Surveys

¹ <http://www.econlib.org/library/ENC/bios/Schumpeter.html>. Schumpeter argued that when innovative new firms were allowed to compete they would use their “creativity” to “destroy” older firms that did not match up. Therefore, social well-being as a whole is improved.

ENTREPRENEURIAL MOTIVATION IN THE UNITED STATES

Most U.S. entrepreneurs are motivated by opportunities. GEM analyzed the U.S. early-stage entrepreneurship by motivation. Early-stage entrepreneurs in the United States were asked if they were taking advantage of a business opportunity (opportunity entrepreneurship) or if there were no better choices for work (necessity entrepreneurship). Figure 3a shows the historical trends for opportunity and necessity entrepreneurship.

The U.S. prevalence of opportunity early-stage entrepreneurship was 10.5% in 2005, 9.5% in 2004, and 9.1% in 2003. In 2006 and 2007, there has been a declining trend in the U.S. prevalence of opportunity early-stage entrepreneurship compared to the years 2000–2005, as illustrated in Figure 3a. The U.S. prevalence of opportunity early-stage entrepreneurship was 8.3% and 7.7% in 2006 and 2007, respectively. The U.S. prevalence of necessity early-stage entrepreneurship was 1.3% and 1.5% in 2006 and 2007, respectively.

Figure 3b illustrates the historical series from 2001 to 2007 of the percentage of the U.S. early-stage necessity entrepreneurship prevalence rates as a percentage of the total U.S. early-stage entrepreneurship. The U.S. early-stage necessity entrepreneurship prevalence rates as a percentage of the total U.S. early-stage entrepreneurship were 13.2% and 15.6% in 2006 and 2007 respectively. In 2007, the 15.6% early-stage necessity percentage of the total early-stage entrepreneurship in 2007 indicates that 15.6% of those who were involved in early-stage entrepreneurship were involved because there were no better choices for work. This is up from the 13.2% in 2006 and 12.1% in 2005, and is the highest percentage for the years illustrated in Figure 3b. Figure 3b, therefore, indicates an upward trend in 2006 and 2007 for those who started a business because there were no better choices for work. Despite this upward trend in the percentage of necessity entrepreneurship activity of the total early-stage entrepreneurship, the vast majority of the reason that U.S. early-stage entrepreneurs become entrepreneurs is based on opportunity versus necessity. U.S. citizens are still choosing entrepreneurship even when other employment opportunities exist.

Figure 3a. U.S. Entrepreneurial Trends

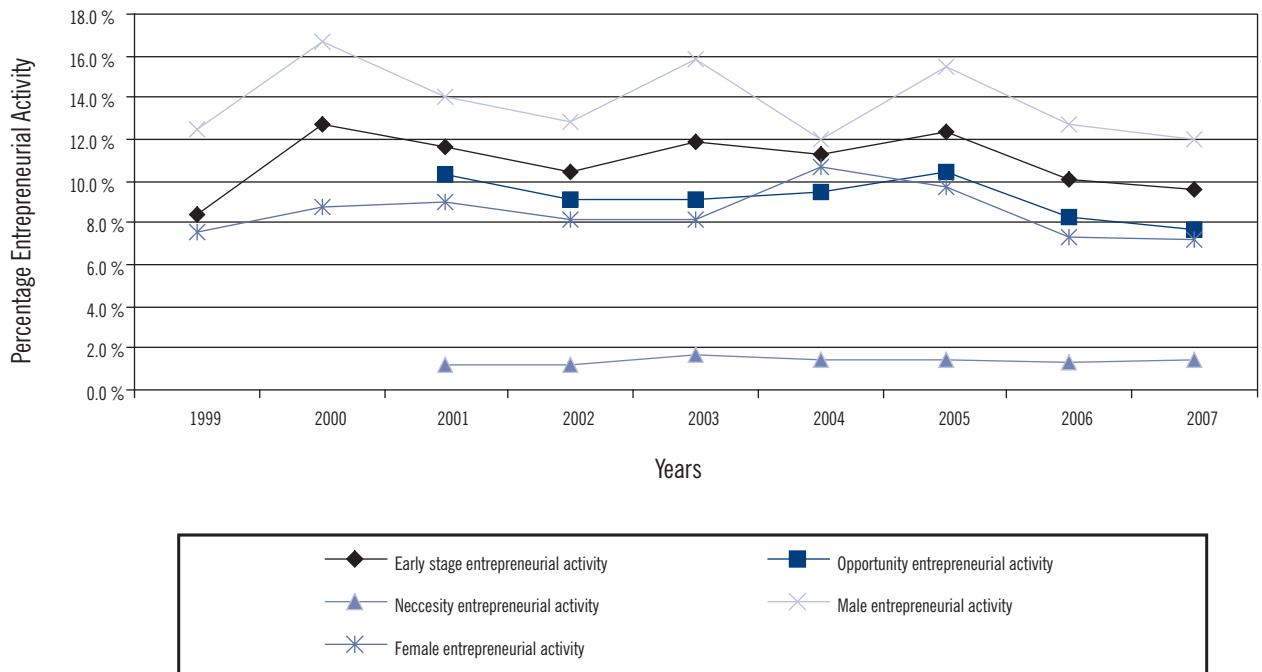
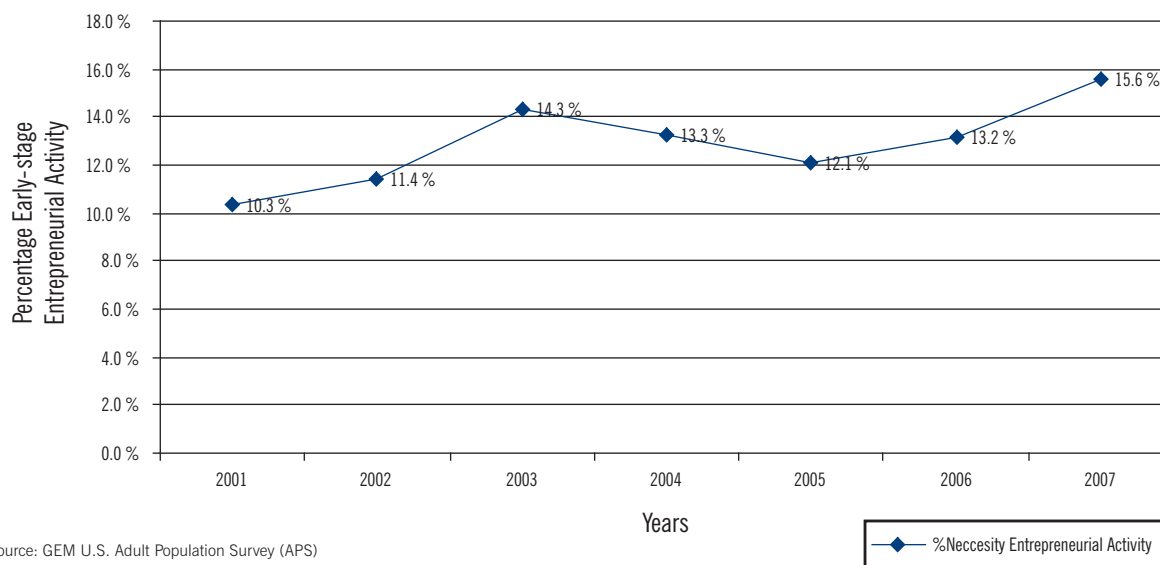


Figure 3b. U.S. % Necessity Entrepreneurial Trends



Source: GEM U.S. Adult Population Survey (APS)

MALE AND FEMALE ENTREPRENEURSHIP IN THE UNITED STATES

Figure 3a also contains the historical GEM U.S. male and female early-stage entrepreneurship rates. Male early-stage entrepreneurship rates grew significantly in the United States in 2005 but have decreased in 2006 and 2007. The male early-stage entrepreneurship rate in 2007 has reverted back to the same rate as it was in 2004 prior to its significant growth in 2005. Female early-stage entrepreneurship rates declined every year from 2005 to 2007. The gender gap in U.S. early-stage entrepreneurship has narrowed from a 5.8% gap in 2005 to 5.4% in 2006 and 4.7% in 2007. The early-stage entrepreneurship activity prevalence rate in 2007 was 12.0% for men and 7.3% for women.

For male prevalence rates in 2005, the United States ranked sixth of all the GEM countries; for females in 2005, the United States ranked seventh. From 2004, the U.S. male–female differences increased significantly. While the males increased their early-stage prevalence rate in 2005 from 2004, females showed a decline from 10.6% in 2004 to 9.7% in 2005. The United States ranked 13th in 2006 and 14th in 2007 for male early-stage prevalence rates of all the GEM countries. The United States ranked 13th in both 2006 and 2007 for female prevalence rates compared with all the GEM countries. Although the gender gap is narrowing, the U.S. females are still in one of the leading positions among the high-income countries participating in GEM, with only Iceland having a higher female prevalence rate than the United States in 2007.

U.S. males have shown more than a 3.25% decline since 2005 in early-stage prevalence rates, and U.S. females have shown a decline from 9.65% in 2005 to 7.26% in 2007. When female and male entrepreneurs rates decline, the existing markets contract and both competition and society's means of wealth creation decreases. For society, lower early-stage prevalence rates means that less new-firm creation occurs.

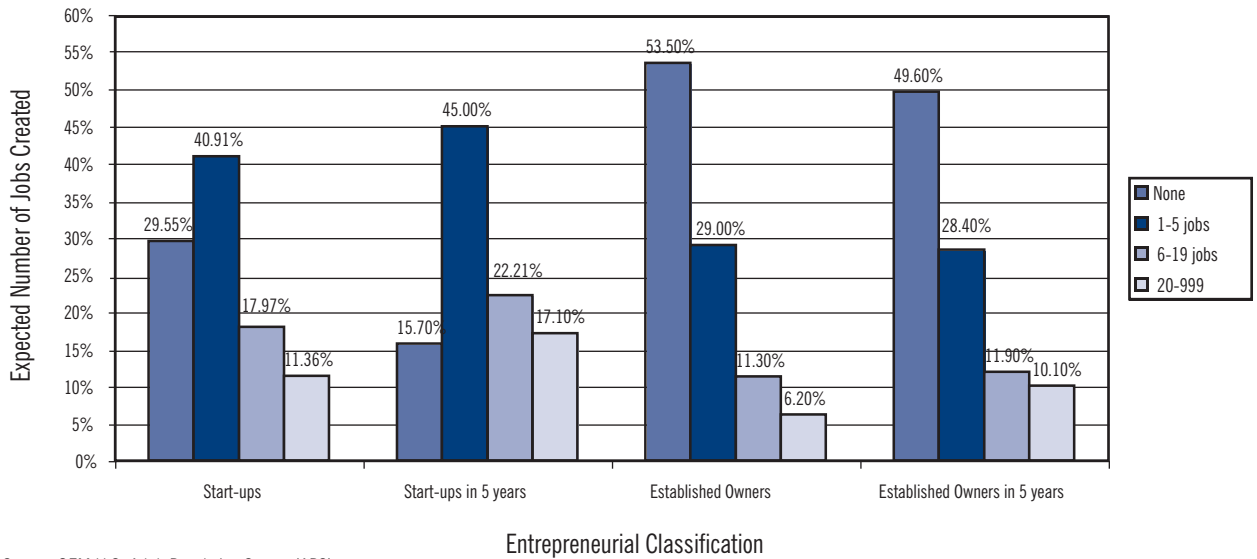
EXPECTED JOB CREATION AMONG EARLY-STAGE ENTREPRENEURS

Expected Job Creation Among Start-Ups

GEM measures the current and planned job offers by early-stage entrepreneurs as well as established business owners. Figures 4 and 5 provide breakdowns of current and expected job creation among early-stage entrepreneurs and established business owners in the United States for 2006 and 2007. The prevalence of U.S. start-ups with employees has grown from 60% in 2003 to almost 72% in 2005, thus increasing the entrepreneurial sectors' contribution to job growth in the United States. Expectations for future job creation five years out were just over 83% in 2005.

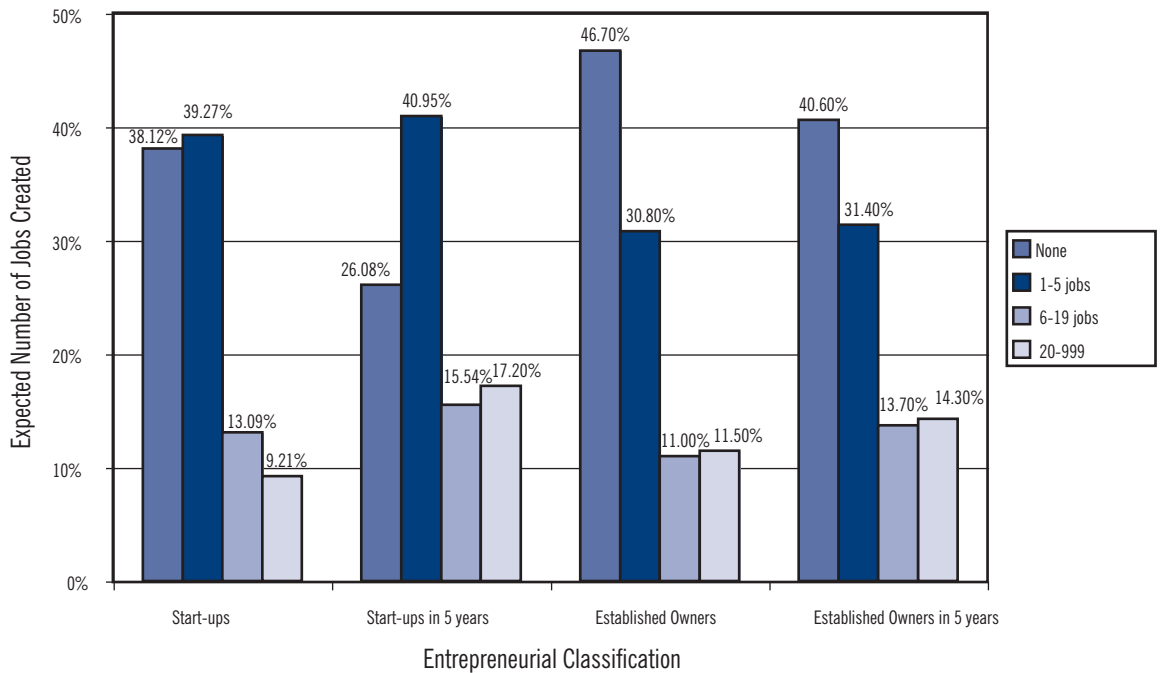
In 2006, 29.5% of U.S. start-ups reported having no employees, 40.9% employed between one and five people, 18.0% employed between six and 19 people, and 11.4% employed 20 people or more (see Figure 4). The prevalence of start-ups with employees has declined from 72% in 2005 to 70.5% in 2006. In 2006, expectations for future job creation five years out were 84.3%.

Figure 4. Expected Job Creation from Entrepreneurship in 2006



Source: GEM U.S. Adult Population Survey (APS)

Figure 5. Expected Job Creation from Entrepreneurship in 2007



Source: GEM U.S. Adult Population Survey (APS)

In 2007, 38.1% of U.S. start-ups reported having no employees, 39.3% employed 1–5 people, 13.1% employed 6–19 people, and 9.2% employed 20 people or more (see Figure 5). The prevalence of start-ups with employees has gone down from 70.5% in 2006 to 61.9% in 2007. The 2006 and 2007 reduction of the prevalence rates of start-ups has resulted in decreasing the entrepreneurial sectors’ contribution to job growth in the United States compared to 2005 and 2006. Expectations for future job creation five years out were about 74% in 2007. Table 2a below illustrates the start-ups’ contribution to establishing jobs in the United States for the years 2006 and 2007.

The proportion of high-potential entrepreneurship (more than 20 employees) remained stable at 15% between 2003 and 2005. However, the expected proportion of high-potential entrepreneurs in 2006 and 2007 was more than 17% for U.S. start-ups in both years. These GEM findings suggest increased optimism for job offerings among the start-up entrepreneurs.

Table 2a. Current/Expected Job Creation Among Start-Up Entrepreneurs

Jobs Current/Expected	2006	2006 in 5 years	2007	2007 in 5 years
None	29.50%	15.70%	38.10%	26.10%
1–5 Jobs	40.90%	45.00%	39.30%	41.10%
6–19 Jobs	18.00%	22.20%	13.10%	15.50%
20–999 Jobs	11.40%	17.10%	9.50%	17.30%
Proportion with Employees	70.50%	84.30%	61.90%	73.90%

Source: GEM U.S. Adult Population Survey (APS)

Table 2b. Current/Expected Job Creation Among New Business Owners

Jobs Current/Expected	2006	2006 in 5 years	2007	2007 in 5 years
None	69.4%	48.0%	49.9%	30.1%
1–5 Jobs	15.3%	24.0%	25.0%	24.4%
6–19 Jobs	8.4%	13.0%	12.5%	28.6%
20–999 Jobs	6.7%	15.0%	12.5%	17.2%
Proportion with Employees	30.6%	52.0%	50.1%	69.9%

Source: GEM U.S. Adult Population Survey (APS)

Expected Job Creation Among New Business Owners

As shown in Table 2b, GEM measures current and planned job offerings by owners of new businesses (see the GEM Terminology section: new businesses are new-firm entrepreneurs). Only 30.6% of owners of new businesses had employees in 2006, compared to 65% in 2005 and 53.4% in 2004. In 2007, the owners of new businesses having employees increased to 50.1%. In 2006, 15.3% employed one to five people, 8.4% employed between six and 19 people, and 6.7% employed 20 people or more. In 2007, 25.0% employed one to five people, 12.5% employed between six and 19 people, and 12.5% employed 20 people or more.

In 2006, when looking at job expectations in five years for new business owners, the strongest growth in five years is expected in the segment with one to five employees. In 2007, when looking at job expectations in five years for new business owners, the strongest growth in five years is expected in the segment with

six to 19 employees. The positive trend in job offers from new business owners indicates an expected favorable change in the U.S. business environment, resulting in more and larger new businesses.

The negative trend in current year job offers from new business owners indicates a less favorable change in the U.S. business environment in 2006 and 2007 compared to 2004 and 2005. Consequently, there were greater numbers of new businesses with no current employees in 2006 and 2007 compared to 2004 and 2005.

Employment plans of start-ups are in general more optimistic than among new business owners. For start-ups, higher expectations can be attributed to overconfidence in their ability to grow. Start-up expectations, while still more optimistic than the expectations of new business owners can also be influenced by changes in U.S. economic conditions as is reflected in the current proportion of start-ups with employees in 2007.

U.S. ENTREPRENEURSHIP BY INDUSTRY SECTOR

GEM classifies business opportunities in four industry sectors: Extraction, Transformation, Business Service, and Consumer-Oriented. Table 3 illustrates that in 2007 the U.S. early-stage entrepreneurs were still the most active in consumer-oriented industries, with 42.1% of the U.S. jobs in that industry, followed by business service industries with 34.8%. Among some other high-income countries, the other G7 countries² not including the United States, the consumer-oriented businesses accounted for almost 38.7%, and business services ranked second with 35.2%. Somewhat surprisingly, the United States had fewer start-ups in business services when compared to the same sector for the average of the other G7 high-income countries. As the United States is a high-income country with a highly developed

economy and access to more companies with financial resources demanding business services, it is somewhat surprising that transforming industries were more attractive to early-stage entrepreneurs than business services in the United States from 2005 to 2006 as is illustrated in Table 3. Perhaps a generally favorable U.S. economy in 2005 and parts of 2006, with increased demand for services and U.S. currency values favorable to export, attracted more Americans to the transforming industries than did the conditions among the other G7 high-income countries. Also the housing market boom started in 2001 and created a significant number of jobs in the United States up until the housing market bubble began to burst in 2006. As a result, early-stage entrepreneurship start-up jobs in the construction industry began to decline starting in 2006 and continued in 2007. Consequently, this component in the transforming sector for early-stage entrepreneurship declined significantly in the United States in 2007.

Table 3. Sectoral Distribution of Early-Stage Entrepreneurial Activity in the United States Compared to Average of the Other G7 Countries

Year	Extractive		Transforming		Business Services		Consumer-Oriented	
	U.S.	G7 Less U.S.	U.S.	G7 Less U.S.	U.S.	G7 Less U.S.	U.S.	G7 Less U.S.
2007	1.9%	2.1%	21.2%	24.1%	34.8%	35.2%	42.1%	38.7%
2006	6.8%	5.7%	26.0%	23.3%	22.5%	28.1%	44.7%	42.9%
2005	3.9%	4.0%	30.3%	23.0%	23.1%	28.0%	42.7%	45.0%
2004	4.8%	6.6%	19.2%	23.3%	24.4%	31.8%	51.6%	38.3%

Source: GEM Global Adult Population Surveys (APS)

GEM Industry Sectors

Extraction: agriculture, forestry, fishing, and mining (i.e., extraction of products from the natural environment)

Transformation: construction, manufacturing, transportation, and wholesale distribution (i.e., physical transformation or relocation of goods and people)

Business Service: primary customer is another business

Consumer-Oriented: primary customer is a physical person (e.g., retail, restaurants and bars, lodging, health, education, social services, recreation)

² The G7 countries consist of Canada, France, Germany, Italy, Japan, United Kingdom, and United States. The “Other G7 Countries” consist of all G7 GEM countries excluding the United States. In 2007 only, Canada and Germany were excluded from the “Other G7 Countries” in the analysis for Table 3 because they did not participate in GEM that year.

Part 2. U.S. International Comparisons in GEM

PARTICIPATING COUNTRIES IN 2007

Besides the United States, 41 other countries participated in the GEM project in 2007. GEM makes a distinction between high-income countries and middle- and low-income countries. GEM further differentiates the middle- and low-income countries by further separating Europe and Asia from Latin America and the Caribbean. GEM has shown that there are pervasive differences in entrepreneurial behavior in these global groupings. The groupings are as follows:

High-Income Countries

Austria, Belgium, Denmark, Finland, France, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Netherlands, Norway, Portugal, Puerto Rico, Slovenia, Spain, Sweden, Switzerland, United Arab Emirates, United Kingdom, and United States

Middle- and Low-Income Countries: Europe and Asia

China, Croatia, Hungary, India, Kazakhstan, Latvia, Romania, Russia, Serbia, Thailand And Turkey

Middle- and Low-Income Countries: Latin America and Caribbean

Argentina, Brazil, Chile, Colombia, Dominican Republic, Peru, Uruguay, and Venezuela

U.S. COMPARISONS TO INTERNATIONAL COUNTRIES

This section compares the United States to the other GEM worldwide participating countries in 2006 and 2007. The countries that GEM encompasses in its reports represent more than 70% of the world's population and more than 93% of the world's GDP. GEM has grown from 10 countries in 1999 to 42 countries in 2007. Therefore, the analysis in this section covers the majority of the world in terms of population and GDP. The tables that are referenced are at the end of this section.

2006–2007 Entrepreneurial Activities and Rankings

Tables 4a and 4b list the entrepreneurial activity rates at various stages of entrepreneurship as defined by GEM for 2006 and 2007, respectively. Tables 4a and 4b also rank all of the GEM participating countries for each year based on their early-stage and established business activity.

In 2006 and 2007, the United States ranked third in early-stage activity rates among the high-income participating countries. The United States ranked ninth and 16th in the established business prevalence rate for high-income countries for 2006 and 2007, respectively. This drop in the ranking for established business prevalence rates is due in part to a change in the GEM high-income country mix for 2007 compared to 2006. Also, some high-income countries' established business prevalence rates grew at a higher rate than the U.S. in 2007.

The United States early-stage activity rates exceeds the average of the middle- and low income GEM countries in Europe and Asia, the average of the GEM high-income countries, and the overall average of all of the GEM countries for both 2006 and 2007. The United States established business prevalence rates are lower than the average established business rates for the middle- and low-income Countries in Latin America and the Caribbean, Europe and Asia, and the average of all of the GEM participating countries in 2006 and 2007. The middle- and low-income countries of Latin America and the Caribbean have the highest average, nascent, and new firm prevalence rates for 2006 and 2007. The relatively high early-stage prevalence rate and low established business ownership rate for the United States in both 2006 and 2007 bodes well for its relative dynamism compared to the vast majority of International countries throughout the world. However, in 2006 and 2007, the U.S. dynamism rate has declined compared to the years 2003–2005 when the dynamism rate was greater than 2.0.

2007 International Early-Stage Entrepreneurial Activity by Age Group

Table 5 contains a comparison of the early-stage entrepreneurial activity by age groups for the United States and all the other participating GEM countries for the year 2007. The early-stage entrepreneurship rates as a percentage of the U.S. population in the 18- to 24-year-old age group, the 45- to 54-year-old age group and the 55- to 64-year-old age group are higher than the middle- and low-income Europe and Asia, the high-income countries' average, and the overall GEM average for those age groups, respectively. The environment is therefore encouraging in the United States for early-stage entrepreneurship for young entrepreneurs as well as older entrepreneurs when compared with most of the world as represented by the GEM countries age groups.

For the remaining two age groups, 25–34 and 35–44, the U.S. early-stage prevalence rates for these age groups are very close to the middle- and low-income countries' average of Europe and Asia and to the GEM average for all countries that are participating in 2007. Also, the U.S. early-stage prevalence rates

for the 25–34 and 35–44 age groups exceed that of the high-income group by substantial percentages. The early-stage prevalence rates for all age groups of the middle- and low-income countries of Latin America and the Caribbean on average exceed all other averages for the GEM global groups as well as the GEM overall average across all GEM participating countries in 2007.

2007 International Early-Stage Entrepreneurial Activity by Education Attainment

Table 6 contains a comparison of the early-stage entrepreneurial activity by educational categories for the United States and all the other participating GEM countries for the year 2007. In the United States an estimated 5.6% of the 18-to 64-year-old population with some secondary education is engaged in early-stage entrepreneurship. The United States has the sixth most active rate of entrepreneurship in the “some secondary” education category among the high-income global group. However, the United States exceeds the global high-income groups average prevalence rate in the “some secondary” education category. The other global groups averages and the overall GEM average both exceed the United States “some secondary” education prevalence rate. The United States ranked sixth in this category among the high-income global group. Iceland ranked first at 11.6% in the high-income group for the “some secondary” education category.

An estimated 11.7% of the U.S. population ages 18–64 with a “secondary degree” is engaged in early-stage entrepreneurship. The United States has the second most active rate of entrepreneurship in the “secondary degree” education category among the high-income global group. Iceland ranked first in the early-stage entrepreneurship “secondary degree” education category, with an estimated early-stage prevalence rate of 12.1%. The U.S. early-stage prevalence rates for “secondary degree” education exceeds that of the middle- and low-income countries’ average of Europe and Asia, the high-income global group average, and the all-GEM average for 2007.

An estimated 9.2% of the U.S. population ages 18–64 with a “Post-Secondary Degree” is engaged in early-stage entrepreneurship. The United States has the sixth most active rate of entrepreneurship in the “post-secondary degree” education category among the high-income global group and exceeds the global high-income groups average prevalence rate in the “post-secondary degree” education category. The other global groups averages and the overall GEM average exceed the U.S. “post-secondary degree” education prevalence rate. In the high-income global group, Portugal ranked first in the early-stage “post-secondary degree” prevalence rate, with an estimated 13.95% rate.

An estimated 7.8% of the U.S. population ages 18–64 with graduate education is engaged in early-stage entrepreneurship. The United States has the ninth most active rate of entrepreneurship in the “graduate education” category among the high-income global group and exceeds the global high-income groups average prevalence rate. The other global groups averages as well as the overall GEM average exceed the United States “graduate education” prevalence rate. Within the high-income global group, Hong Kong and Iceland rank first and second with graduate education prevalence rates of 14.0% and 13.9%, respectively.

The same statement can be made for the early-stage prevalence rates for educational categories as was made for the age categories. The middle- and low-income countries of Latin America and the Caribbean have by far as a group the world’s highest early-stage prevalence rates by age and educational categories for the 18- to 64-year-old population, based on data from the GEM countries in 2007.

2007 International Entrepreneurial Activity by Gender

Table 7 contains the early-stage and established business owners activity rates by gender for all the GEM countries that participated in GEM in 2007. The United States ranked 13th and 14th for female and male early-stage entrepreneurial activity rates, respectively, compared to the other 41 countries that participated in 2007. The U.S. female early-stage activity rate was 7.25% for the 18- to 64-year-old group in 2007. This gave the United States the second highest female early-stage prevalence rate for the high-income global group, with Iceland having the highest at 7.44%. The U.S. male early-stage activity rate was 11.98% for the 18- to 64-year-old group in 2007. This gave the United States the third highest male early-stage prevalence rate for the high-income global group, with Iceland having the highest at 17.4% and Hong Kong having the second highest at 14.33%.

In terms of the GEM global groupings, the Latin America and Caribbean global group had by far the highest female and male early-stage entrepreneurship activity rates of all the GEM global groups for 2007. The high-income global group had the lowest female and male early-stage entrepreneurship activity rates of all the GEM global groups for 2007. Peru ranked first in female early-stage entrepreneurial activity in 2007, and Thailand ranked first in male entrepreneurial activity.

The United States ranked 25th and 31st for female and male established business entrepreneurial activity rates, respectively, compared to the remaining 41 countries that participated in GEM in 2007. The United States female established business activity rate was 3.48% for the 18–64 age group in 2007. The U.S. male established business activity rate was 6.47% for the 18–64 age group in 2007. The U.S. male and female established business activity rates are lower than all the GEM global groups male and female average established business activity rates, respectively.

2007 International Early-Stage Entrepreneurial Activity Distribution by Sectors

In 2007, the United States has its highest concentration of jobs in the consumer-oriented industries and the second-highest concentration of jobs in the business services industries, as shown in Table 8. The distribution by sector for the United States is more closely aligned with that for the average of the high-income countries. The GEM global groupings and the GEM average have the companies comprising the consumer-oriented industries as the

largest sector. The second-largest concentration of early-stage entrepreneurial jobs for the GEM average as well as the middle- and low-income countries' average was in the transforming industries.

2007 International Early-Stage Entrepreneurial Activity Distribution by Expected Jobs Growth

In 2007, the United States projects a higher than average rate of “No Jobs Expected” in five years compared to the GEM average over all participating GEM countries, as shown in Table 9. The high-income countries' average shows that about 29% of the entrepreneurial activities do not expect to have employees in five years. In this regard, the United States has a lower expectation of job creation per early-stage business owner than the overall GEM average country expectation. However, when it comes to high-potential entrepreneurs' expectations of 20-plus jobs in the next 5 years, the United States has a higher rate of expectation than either the GEM average or the high-income average expectation.

Table 4a. 2006 International Entrepreneurial Activity

	EARLY-STAGE ENTREPRENEURIAL ACTIVITY (%)	NASCENT ENTREPRENEURS (%)	NEW FIRM ENTREPRENEURS (%)	ESTABLISHED ENTREPRENEURS (%)	EARLY-STAGE ENTREPRENEURIAL ACTIVITY RANK	ESTABLISHED ENTREPRENEURIAL ACTIVITY RANK
Argentina***	10.24	6.44	4.10	6.96	14	16
Australia*	11.96	7.33	5.72	9.12	9	9
Belgium*	2.73	1.82	1.11	2.12	42	38
Brazil***	11.65	3.50	8.62	12.09	10	5
Canada*	7.12	4.07	3.17	5.11	23	29
Chile***	9.19	5.74	3.89	6.79	16	18
China**	16.19	6.67	10.52	8.98	6	10
Colombia***	22.48	10.92	12.55	10.41	2	7
Croatia**	8.58	6.38	2.49	4.12	18	33
Czech Republic**	7.85	6.41	1.98	5.41	20	26
Denmark*	5.32	2.88	2.75	5.28	29	28
Finland*	4.99	2.94	2.41	8.23	32	12
France*	4.39	3.76	0.70	1.33	36	41
Germany*	4.21	2.90	1.70	3.03	37	35
Greece*	7.90	5.67	2.26	8.24	19	11
Hungary**	6.04	3.18	3.00	6.72	26	19
Iceland*	11.26	8.13	3.78	7.43	11	14
India**	10.42	5.42	5.31	5.60	13	23
Indonesia**	19.28	9.63	11.51	17.62	5	2
Ireland*	7.35	4.46	2.93	7.82	21	13
Italy*	3.47	2.23	1.37	3.03	39	35
Jamaica***	20.32	11.64	9.21	10.30	4	8
Japan*	2.90	1.59	1.37	4.76	41	31
Latvia**	6.57	4.03	2.65	5.69	24	22
Malaysia**	11.09	4.88	6.21	7.31	12	15
Mexico***	5.26	4.12	1.19	2.27	31	37
Netherlands*	5.42	3.56	1.86	6.59	28	20
Norway*	9.14	5.25	4.34	5.98	17	21
Peru***	40.15	30.01	15.14	12.37	1	4
Philippines**	20.44	4.98	15.62	19.72	3	1
Russia**	4.86	3.46	1.71	1.19	33	42
Singapore*	4.85	2.74	2.52	3.37	34	34
Slovenia*	4.63	2.91	1.79	4.44	35	32
South Africa**	5.29	3.55	1.74	1.72	30	39
Spain*	7.27	3.01	4.41	5.45	22	24
Sweden*	3.45	2.23	1.39	4.99	40	30
Thailand**	15.20	4.05	11.49	17.42	7	3
Turkey**	6.07	2.20	4.01	11.45	25	6
United Arab Emirates*	3.74	1.71	2.20	1.39	38	40
United Kingdom*	5.77	3.19	2.78	5.41	27	26
United States*	10.03	7.47	3.26	5.42	15	25
Uruguay***	12.56	8.37	4.58	6.91	8	17
LATIN AMERICA AND CARIBBEAN	16.48	10.09	7.41	8.51		
EUROPE AND ASIA	10.61	4.99	6.02	8.69		
HIGH-INCOME AVERAGE	6.09	3.80	2.56	5.17		
GEM AVERAGE	9.47	5.37	4.56	6.90		

Source: GEM Global Adult Population Surveys (APS)
 * High-Income Countries
 ** Middle- and Low-Income Countries: Europe and Asia
 *** Middle- and Low-Income Countries: Latin America and Caribbean

Table 4b. 2007 International Entrepreneurial Activity

	EARLY-STAGE ENTREPRENEURIAL ACTIVITY (%)	NASCENT ENTREPRENEURS (%)	NEW FIRM ENTREPRENEURS (%)	ESTABLISHED ENTREPRENEURS (%)	EARLY-STAGE ENTREPRENEURIAL ACTIVITY RANK	ESTABLISHED ENTREPRENEURIAL ACTIVITY RANK
Argentina***	14.43	7.75	7.10	9.96	7	5
Austria*	2.44	1.49	0.96	6.00	42	19
Belgium*	3.15	2.71	0.44	1.40	39	42
Brazil***	12.72	4.29	8.72	9.94	9	6
Chile***	13.43	7.28	6.53	8.73	8	9
China**	16.43	6.89	10.01	8.39	6	11
Colombia***	22.72	8.02	15.53	11.56	3	4
Croatia**	7.27	5.31	1.96	4.22	21	34
Denmark*	5.39	2.34	3.11	6.00	30	19
Dominican Republic***	16.75	9.80	7.22	7.57	5	13
Finland*	6.91	4.35	2.71	7.58	22	12
France*	3.17	2.31	0.86	1.74	38	40
Greece*	5.71	4.58	1.13	13.31	26	3
Hong Kong*	9.95	5.71	4.29	5.57	12	23
Hungary**	6.86	3.77	3.10	4.83	23	31
Iceland*	12.48	8.50	4.54	8.77	10	8
India**	8.53	6.03	2.59	5.53	17	25
Ireland*	8.22	4.24	4.15	9.02	19	7
Israel*	5.44	3.56	2.00	2.36	29	39
Italy*	5.01	3.61	1.47	5.56	32	24
Japan*	4.34	2.17	2.21	8.65	35	10
Kazakhstan**	9.36	4.32	5.25	5.77	14	22
Latvia**	4.46	2.18	2.28	3.41	34	35
Netherlands*	5.18	2.68	2.55	6.36	31	18
Norway*	6.47	3.90	2.77	5.89	24	21
Peru***	25.89	15.11	12.22	15.25	2	2
Portugal*	8.78	4.78	4.13	7.09	15	14
Puerto Rico*	3.06	1.59	1.65	2.40	40	38
Romania**	4.02	2.90	1.32	2.51	37	37
Russia**	2.67	1.33	1.34	1.68	41	41
Serbia**	8.56	4.75	4.01	5.27	16	29
Slovenia*	4.78	3.02	1.76	4.59	33	33
Spain*	7.62	3.49	4.31	6.38	20	17
Sweden*	4.15	1.86	2.38	4.70	36	32
Switzerland*	6.27	3.45	2.92	6.59	25	15
Thailand**	26.87	9.37	18.60	21.35	1	1
Turkey**	5.58	1.87	3.71	5.46	27	26
United Arab Emirates*	8.44	4.60	4.09	3.38	18	36
United Kingdom*	5.53	2.92	2.70	5.10	28	30
United States*	9.61	6.48	3.42	5.35	13	28
Uruguay***	12.21	7.37	4.97	6.57	11	16
Venezuela***	20.16	14.45	7.06	5.39	4	27
LATIN AMERICA AND CARIBBEAN	17.29	9.26	8.67	9.37		
EUROPE AND ASIA	9.15	4.43	4.92	6.22		
HIGH-INCOME	6.18	3.67	2.63	5.80		
GEM AVERAGE	9.07	4.93	4.38	6.59		

Source: GEM Global Adult Population Surveys (APS)

* High-Income Countries

** Middle- and Low-Income Countries: Europe and Asia

*** Middle- and Low-Income Countries: Latin America and Caribbean

Table 5. 2007 International Early-Stage Entrepreneurial Activity by Age Group

	TOTAL EARLY-STAGE ENTREPRENEURIAL ACTIVITY RANK	TOTAL EARLY STAGE ENTREPRENEURIAL ACTIVITY (%)	18-24 YEARS (%)	25-34 YEARS (%)	35-44 YEARS (%)	45-54 YEARS (%)	55-64 YEARS (%)
Argentina	7	14.43	13.87	17.13	17.1	12.84	8.29
Austria*	42	2.44	1.92	1.97	2.59	3.78	1.44
Belgium*	39	3.15	1.86	5.19	4.62	2.61	0.71
Brazil	9	12.72	10.53	14.36	16.21	13.32	4.25
Chile	8	13.43	8.55	16.65	17.96	13.09	7.43
China	6	16.43	16.11	23.67	18.99	10.31	6.79
Colombia	3	22.72	22.16	28.4	23.71	21.81	9.24
Croatia	21	7.27	6.26	10.99	9.37	6.73	1.89
Denmark*	30	5.39	2.37	6.07	7.9	5.3	3.79
Dominican Republic	5	16.75	12.47	20.91	20.43	16.62	7.57
Finland*	22	6.91	4.89	9.28	10.73	7.64	1.74
France*	38	3.17	1.03	5.73	3.34	3.05	1.91
Greece*	26	5.71	5.69	7.09	8.17	5.38	1.11
Hong Kong*	12	9.95	11.04	13.97	10.67	8.05	5.75
Hungary	23	6.86	5.53	7.4	7.42	6.28	7.17
Iceland*	10	12.48	5.07	12.36	17.64	14.64	10.06
India	17	8.53	9.77	10.15	8.5	9.69	0
Ireland*	19	8.22	2.29	11.5	10.93	9.57	3.39
Israel*	29	5.44	5.83	6.61	5.15	5.2	3.58
Italy*	32	5.01	6.95	8.59	4.38	4.02	1.84
Japan*	35	4.34	2.99	5.17	4.04	4.06	4.77
Kazakhstan	14	9.36	7.97	10.73	10.27	10.46	5.1
Latvia	34	4.46	3.46	7.73	6.37	3.18	0.45
Netherlands*	31	5.18	6.76	6.75	7.31	3.13	2.2
Norway*	24	6.47	3.97	9.26	8.19	6.67	2.93
Peru	2	25.89	19.82	28.46	28.08	30.22	20.17
Portugal*	15	8.78	7.04	11.44	12.11	5.77	5.61
Puerto Rico*	40	3.06	1.63	2.96	6.1	1.91	2.17
Romania	37	4.02	1.09	7.54	4.07	3.69	1.6
Russia	41	2.67	4.55	5.44	1.38	1.2	0.41
Serbia	16	8.56	6.1	11.04	13.11	8.21	2.35
Slovenia*	33	4.78	4.74	8.15	4.75	3.45	2.38
Spain*	20	7.62	5.01	11.78	8.08	6.38	4.33
Sweden*	36	4.15	3.1	4.73	5.43	4.61	2.55
Switzerland*	25	6.27	3.32	6.11	8.61	7.85	3.34
Thailand	1	26.87	19.31	35.2	27.9	25.26	18.92
Turkey	27	5.58	6.21	7.91	6.41	2.33	1.46
United Arab Emirates*	18	8.44	6.34	9.69	9.92	9.42	6.99
United Kingdom*	28	5.53	3.89	7.4	6.55	5.78	3.18
United States*	13	9.61	9.17	12.12	10.64	9.43	5.79
Uruguay	11	12.21	9.06	15.16	14.26	12.39	7.74
Venezuela	4	20.16	16.53	22.49	24.99	19.64	12.06
LATIN AMERICA AND CARIBBEAN		17.29	14.12	20.45	20.34	17.49	9.59
EUROPE AND ASIA		9.15	7.85	12.53	10.34	7.94	4.19
HIGH-INCOME		6.18	4.65	8.00	7.73	5.99	3.55
GEM AVERAGE		9.07	7.29	11.55	10.82	8.69	4.87

Source: GEM Global Adult Population Surveys (APS)
* High-Income Countries

Table 6. 2007 International Early-Stage Entrepreneurial Activity by Education Attainment

	TOTAL EARLY-STAGE ENTREPRENEURIAL ACTIVITY RANK	TOTAL EARLY STAGE ENTREPRENEURIAL ACTIVITY (%)	SOME SECONDARY (%)	SECONDARY DEGREE (%)	POST- SECONDARY DEGREE (%)	GRADUATE EDUCATION (%)
Argentina	7	14.43	11.41	15.92	18.04	20.5
Austria*	42	2.44	2.15	1.97	5.34	3.53
Belgium*	39	3.15	1.93	2.9	3.25	3.78
Brazil	9	12.72	10.6	11.6	8.06	6.67
Chile	8	13.43	10.55	11.52	14.91	15.89
China	6	16.43	14.71	16.49	19.36	16.14
Colombia	3	22.72	17.83	23.68	23.46	29.83
Croatia	21	7.27	6.68	6.57	11.36	7.83
Denmark*	30	5.39	4.61	5.28	5.02	5.87
Dominican Republic	5	16.75	13.45	17.12	22.77	30.8
Finland*	22	6.91	5.27	6.31	5.95	9.2
France*	38	3.17	1.76	1.79	3.32	5.69
Greece*	26	5.71	1.9	4.16	10.93	5.22
Hong Kong*	12	9.95	6.19	9.86	9.67	14.01
Hungary	23	6.86	3.44	8.43	7.15	9.85
Iceland*	10	12.48	11.6	12.06	9.76	13.91
India	17	8.53	6.48	10.61	7.68	7.16
Ireland*	19	8.22	4.44	5.3	11.57	8.15
Israel*	29	5.44	1.23	5.05	6.38	6.61
Italy*	32	5.01	1.11	5.19	4.86	6.28
Japan*	35	4.34	1.61	3.89	5.54	4.41
Kazakhstan	14	9.36	6.61	8.63	9.28	11.5
Latvia	34	4.46	1.21	3.72	4.15	6.94
Netherlands*	31	5.18	0	4.91	6.91	8.13
Norway*	24	6.47	^	^	^	^
Peru	2	25.89	25.63	23.57	26.89	22.78
Portugal*	15	8.78	6.75	8.86	13.95	9.89
Puerto Rico*	40	3.06	2.29	1.42	3.08	4.02
Romania	37	4.02	0	1.06	3.1	8.15
Russia	41	2.67	2.63	2.72	1.8	4.13
Serbia	16	8.56	3.24	9.37	7.36	11.14
Slovenia*	33	4.78	2.16	4.97	7.22	6.07
Spain*	20	7.62	6.06	7.25	8.52	9.39
Sweden*	36	4.15	1.29	3.92	4.97	4.74
Switzerland*	25	6.27	2.81	4.92	7.88	0
Thailand	1	26.87	28.79	22.04	30.07	23.13
Turkey	27	5.58	0.75	3.4	7.91	8.94
United Arab Emirates*	18	8.44	6.02	6.62	8.17	10.76
United Kingdom*	28	5.53	2.72	3.29	2.21	2.36
United States*	13	9.61	5.65	11.69	9.23	7.85
Uruguay	11	12.21	8.33	11.18	10.41	11.86
Venezuela	4	20.16	16.19	20.47	16.52	16.04
LATIN AMERICA AND CARIBBEAN		17.29	14.25	16.88	17.63	19.30
EUROPE AND ASIA		9.15	6.78	8.46	9.93	10.45
HIGH-INCOME		6.18	3.62	5.53	6.99	6.81
GEM AVERAGE		9.07	6.54	8.53	9.85	10.22

Source: GEM Global Adult Population Survey (APS)

* 2007 GEM High-Income Countries

^ No data available for Norway

Table 7. 2007 International Entrepreneurial Activity by Gender

	FEMALE EARLY-STAGE ENTREPRENEURIAL ACTIVITY (%)	MALE EARLY-STAGE ENTREPRENEURIAL ACTIVITY (%)	FEMALE ESTABLISHED ENTREPRENEURS (%)	MALE ESTABLISHED ENTREPRENEURS (%)	FEMALE EARLY-STAGE ENTREPRENEURIAL ACTIVITY RANK	MALE EARLY-STAGE ENTREPRENEURIAL ACTIVITY RANK
Argentina	11.34	17.52	4.16	15.78	8	7
Austria*	1.84	3.06	4.78	7.25	40	42
Belgium*	1.98	4.30	0.93	1.86	39	37
Brazil	12.71	12.73	7.24	12.70	7	12
Chile	10.43	16.45	5.59	11.89	9	10
China	13.43	19.27	7.04	9.66	6	5
Colombia	18.77	26.91	7.84	15.49	3	2
Croatia	5.13	9.44	2.67	5.79	21	21
Denmark*	4.56	6.21	3.43	8.54	25	34
Dominican Republic	14.50	18.91	6.12	8.96	5	6
Finland*	4.81	8.96	4.80	10.31	24	23
France*	2.21	4.14	0.95	2.52	38	38
Greece*	3.46	7.96	12.04	14.59	31	26
Hong Kong*	5.82	14.33	3.75	7.51	18	11
Hungary	4.52	9.29	3.81	5.88	26	22
Iceland*	7.44	17.40	3.98	13.43	12	8
India	7.49	9.51	2.18	8.69	11	20
Ireland*	5.87	10.57	5.38	12.66	17	17
Israel*	3.75	7.12	1.10	3.61	28	30
Italy*	3.30	6.69	2.17	8.87	32	32
Japan*	5.22	3.47	8.57	8.72	20	40
Kazakhstan	7.64	11.17	4.80	6.80	10	16
Latvia	1.41	7.70	2.02	4.90	42	27
Netherlands*	3.70	6.64	4.07	8.59	29	33
Norway*	4.28	8.59	3.50	8.20	27	25
Peru	26.06	25.74	12.40	18.07	1	3
Portugal*	5.92	11.70	4.44	9.79	16	15
Puerto Rico*	2.97	3.16	0.89	4.05	34	41
Romania	3.09	4.95	1.70	3.34	33	36
Russia	1.64	3.79	1.73	1.63	41	39
Serbia	5.06	12.11	2.83	7.74	22	13
Slovenia*	2.68	6.84	2.31	6.84	35	31
Spain*	5.48	9.75	4.57	8.17	19	19
Sweden*	2.47	5.78	2.48	6.87	36	35
Switzerland*	4.92	7.59	4.60	8.56	23	28
Thailand	25.95	27.78	19.47	23.22	2	1
Turkey	2.41	8.65	1.32	9.47	37	24
United Arab Emirates*	6.04	9.96	1.05	4.86	15	18
United Kingdom*	3.60	7.41	2.55	7.59	30	29
United States*	7.25	11.98	3.48	6.47	13	14
Uruguay	7.19	17.33	4.54	8.63	14	9
Venezuela	16.81	23.50	4.90	5.87	4	4
LATIN AMERICA AND CARIBBEAN	14.73	19.89	6.60	12.17		
EUROPE AND ASIA	7.07	11.24	4.51	7.92		
HIGH-INCOME	4.33	7.98	3.73	7.82		
GEM AVERAGE	7.03	11.10	4.48	8.68		

Source: GEM Global Adult Population Survey (APS)
* 2007 GEM High Income Countries

Table 8. 2007 Entrepreneurial Activity Distribution by Sectors

	EARLY-STAGE ENTREPRENEURIAL ACTIVITY RANK	EARLY-STAGE ENTREPRENEURIAL ACTIVITY (%)	EXTRACTIVE SECTORS %	TRANSFORMING SECTORS %	BUSINESS SECTORS %	CONSUMER- ORIENTED SECTORS %
Argentina	7	14.43	1.00	28.07	22.74	48.19
Austria*	42	2.44	3.42	28.72	44.37	23.48
Belgium*	39	3.15	10.98	11.13	33.38	44.50
Brazil	9	12.72	2.02	30.22	13.69	54.07
Chile	8	13.43	4.04	22.91	17.26	55.79
China	6	16.43	5.71	46.47	12.07	35.74
Colombia	3	22.72	6.05	26.42	6.53	61.00
Croatia	21	7.27	10.44	30.48	24.88	34.20
Denmark*	30	5.39	1.53	26.07	35.07	37.33
Dominican Republic	5	16.75	1.42	29.00	12.05	57.53
Finland*	22	6.91	8.36	30.32	28.13	33.20
France*	38	3.17	1.33	37.41	32.04	29.22
Greece*	26	5.71	0.52	24.70	23.47	51.31
Hong Kong*	12	9.95	0.00	23.02	17.90	59.08
Hungary	23	6.86	5.81	42.12	30.55	21.52
Iceland*	10	12.48	7.52	29.35	32.56	30.56
India	17	8.53	3.49	22.37	16.02	58.12
Ireland*	19	8.22	1.51	20.51	34.31	43.67
Israel*	29	5.44	0.00	17.04	33.13	49.83
Italy*	32	5.01	3.90	27.15	33.52	35.44
Japan*	35	4.34	0.00	6.16	43.99	49.85
Kazakhstan	14	9.36	14.55	32.40	8.95	44.09
Latvia	34	4.46	5.64	44.25	26.11	23.99
Netherlands*	31	5.18	9.36	21.82	40.41	28.41
Norway*	24	6.47	3.86	30.18	37.94	28.02
Peru	2	25.89	9.50	21.60	5.17	63.73
Portugal* ^	15	8.78				
Puerto Rico*	40	3.06	0.00	20.73	28.04	51.23
Romania	37	4.02	3.75	35.23	25.10	35.92
Russia	41	2.67	12.28	31.57	11.28	44.87
Serbia	16	8.56	18.10	31.80	13.61	36.48
Slovenia*	33	4.78	9.99	21.82	31.11	37.08
Spain*	20	7.62	4.71	28.00	25.96	41.33
Sweden*	36	4.15	8.18	36.92	22.21	32.69
Switzerland*	25	6.27	8.77	19.85	25.04	46.34
Thailand	1	26.87	10.80	12.81	2.90	73.49
Turkey	27	5.58	8.99	38.81	16.96	35.24
United Arab Emirates*	18	8.44	1.57	41.74	29.20	27.49
United Kingdom*	28	5.53	3.12	25.50	31.09	40.29
United States*	13	9.61	1.92	21.17	34.79	42.11
Uruguay	11	12.21	9.06	18.45	27.70	44.78
Venezuela	4	20.16	2.08	28.51	6.90	62.51
LATIN AMERICA AND CARIBBEAN		17.29	4.40	25.65	14.01	55.95
EUROPE AND ASIA		9.15	9.05	33.48	17.13	40.33
HIGH-INCOME		6.18	4.12	24.97	31.71	39.20
GEM AVERAGE		9.07	5.49	27.39	24.35	42.77

Source: GEM Global Adult Population Survey (APS)

* 2007 GEM High-Income Countries

^ No data available for Portugal

Table 9. 2007 Entrepreneurial Activity Distribution by Expected Jobs Growth

	EARLY-STAGE ENTREPRENEURIAL ACTIVITY RANK	EARLY-STAGE ENTREPRENEURIAL ACTIVITY (%)	NO JOBS EXPECTED (%)	1-5 JOBS EXPECTED (%)	6-19 JOBS EXPECTED (%)	20+ JOBS EXPECTED (%)
Argentina	7	14.43	22.16	35.57	26.29	15.98
Austria*	42	2.44	21.62	51.35	10.81	16.22
Belgium*	39	3.15	42.31	34.62	15.38	7.69
Brazil	9	12.72	46.60	38.22	12.57	2.62
Chile	8	13.43	13.00	41.13	29.31	16.55
China	6	16.43	21.22	29.90	15.43	33.44
Colombia	3	22.72	11.91	42.38	26.59	19.11
Croatia	21	7.27	9.90	41.58	30.69	17.82
Denmark*	30	5.39	34.00	27.00	20.00	19.00
Dominican Republic	5	16.75	27.16	48.56	17.25	7.03
Finland*	22	6.91	37.60	41.60	14.40	6.40
France*	38	3.17	48.78	34.15	14.63	2.44
Greece*	26	5.71	29.87	48.05	19.48	2.60
Hong Kong*	12	9.95	18.12	27.54	26.09	28.26
Hungary	23	6.86	40.24	36.59	17.07	6.10
Iceland*	10	12.48	24.42	32.72	23.04	19.82
India	17	8.53	9.09	24.24	45.45	21.21
Ireland*	19	8.22	32.54	42.06	19.05	6.35
Israel*	29	5.44	20.48	25.30	25.30	28.92
Italy*	32	5.01	49.06	32.08	15.09	3.77
Japan*	35	4.34	19.05	38.10	25.40	17.46
Kazakhstan	14	9.36	27.27	40.56	22.38	9.79
Latvia	34	4.46	3.92	19.61	50.98	25.49
Netherlands*	31	5.18	43.85	32.31	13.08	10.77
Norway*	24	6.47	41.10	31.51	16.44	10.96
Peru	2	25.89	18.55	59.73	15.38	6.33
Portugal*	15	8.78	18.33	35.00	35.83	10.83
Puerto Rico*	40	3.06	3.64	30.91	27.27	38.18
Romania	37	4.02	14.29	28.57	21.43	35.71
Russia	41	2.67	5.26	31.58	31.58	31.58
Serbia	16	8.56	18.48	51.09	22.83	7.61
Slovenia*	33	4.78	16.67	36.46	25.00	21.88
Spain*	20	7.62	24.40	52.72	18.18	4.70
Sweden*	36	4.15	26.98	36.51	19.05	17.46
Switzerland*	25	6.27	34.78	33.91	18.26	13.04
Thailand	1	26.87	54.48	34.41	7.53	3.58
Turkey	27	5.58	12.17	25.22	25.22	37.39
United Arab Emirates*	18	8.44	39.42	31.13	17.80	11.65
United Kingdom*	28	5.53	0.60	18.67	35.54	45.18
United States*	13	9.61	39.58	27.78	15.97	16.67
Uruguay	11	12.21	10.69	51.15	20.61	17.56
Venezuela	4	20.16	12.92	50.92	28.04	8.12
LATIN AMERICA AND CARIBBEAN		17.29	20.37	45.96	22.01	11.66
EUROPE AND ASIA		9.15	19.67	33.03	26.42	20.88
HIGH-INCOME		6.18	29.01	34.85	20.48	15.66
GEM AVERAGE		9.07	24.92	36.49	22.33	16.27

Source: GEM Global Adult Population Survey (APS)
* 2007 GEM High-Income Countries

Part 3. Sampling U.S. Minority Business Owners and Their Families

One of the central roles that GEM has played in improving understanding of entrepreneurship is through the ethnically diverse character of the samples it collects. But, due to the multinational nature of the data, one must sort out the effects of issues such as country, economic climate, culture, and history when looking at various ethnic groups through the GEM data sets. Between 2002 and 2004 the National Minority Business Owner Survey (NMBOS) collected data on entrepreneurs in the United States from four groups: Korean Americans, Mexican Americans, African Americans, and a white control group. This section of the GEM National Entrepreneurship Assessment for the United States of America 2006–2007 Executive Report provides an overview of the NMBOS study and some of the key findings.

METHODOLOGY

The 2003 and 2005 NMBOSs represent a concerted research effort to reach selected minority populations using nationally representative sampling frames targeted at those minority populations and their families as well as conduct in-depth interviews for both the business and the household. Using nationwide samples, telephone interviews of approximately 45 minutes in length were completed between 2003 and 2005 with the following four groups of business owners, with at least 200 responses from each group: African Americans, Korean Americans, Mexican Americans, and white Americans. To qualify for the survey, an owner-manager had to have been in business for at least one year, worked at least 320 hours per year in the business, been involved in the day-to-day management of the business, and resided with another family member. The purpose of the interviews was to systematically explore minority entrepreneurship issues, to reveal the patterns of business ownership, and to compare and contrast the minority group samples with a nonminority sample of white business owners.

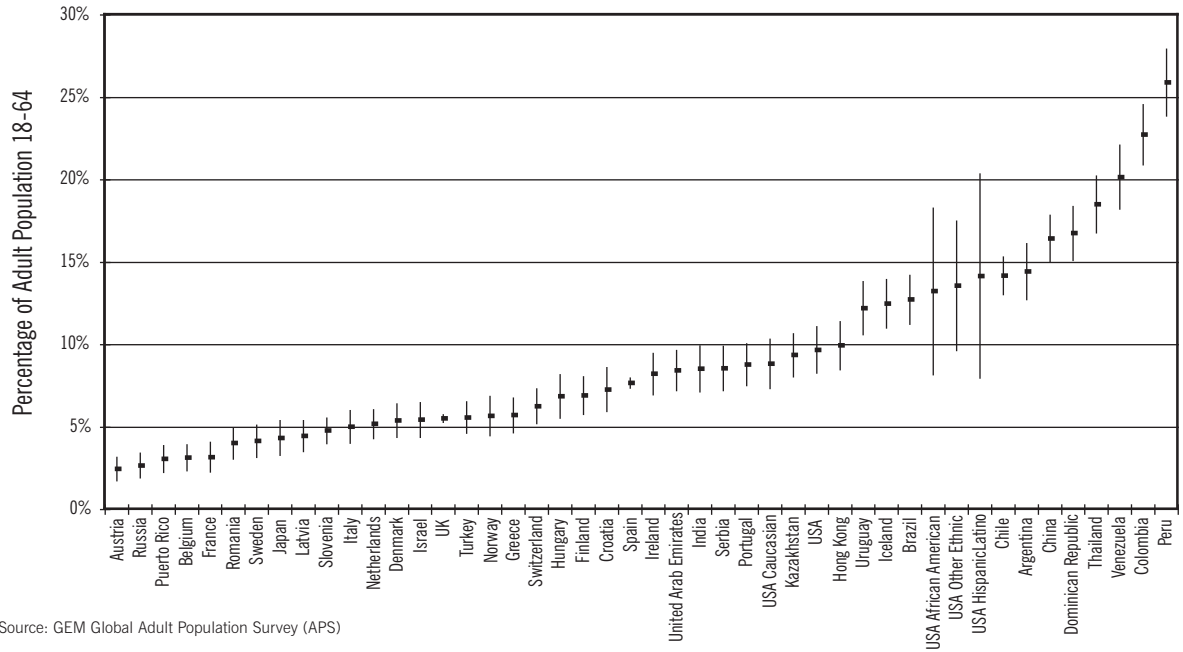
PREVALENCE RATES AS SHOWN BY THE GEM DATA

The GEM data gives some detail to the prevalence rates of entrepreneurial activity among ethnic groups within the United States. Figure 6 shows the 2007 Total Early-Stage Entrepreneurship Activity (TEA) for adult populations between the ages of 18 and 64 for GEM-participating countries as well as for the United States broken out by ethnicity. Figure 6 shows that, although the confidence intervals are increased because of the small sample sizes, the subsamples of African American and Hispanic/Latino respondents have similar rates of subsample of the balance of the U.S. sample that includes other minority ethnic groups. Figure 7 shows a similar presentation for prevalence of Established Business Owners (EBO) within the populations of GEM participating countries with the U.S. data broken out by ethnic groups. This data shows that the prevalence rates of established business ownership are lower among African Americans and Hispanics/Latinos compared to whites and higher among the other ethnicity subsample (includes Asian/Asian Americans and other ethnic minorities that are neither African American or Hispanic/Latino Americans) compared to whites. Table 10 contains the mean prevalence rates for the United States by ethnicities for both early-stage and established business owners.

Because the NMBOS study data is much more detailed than the GEM data and covers issues such as goals, attitudes, personal and business financial characteristics, family issues, management style, retirement plans, and social agenda, it can give us insight into the differences between these groups of entrepreneurs while providing detail about the characteristics of their businesses.

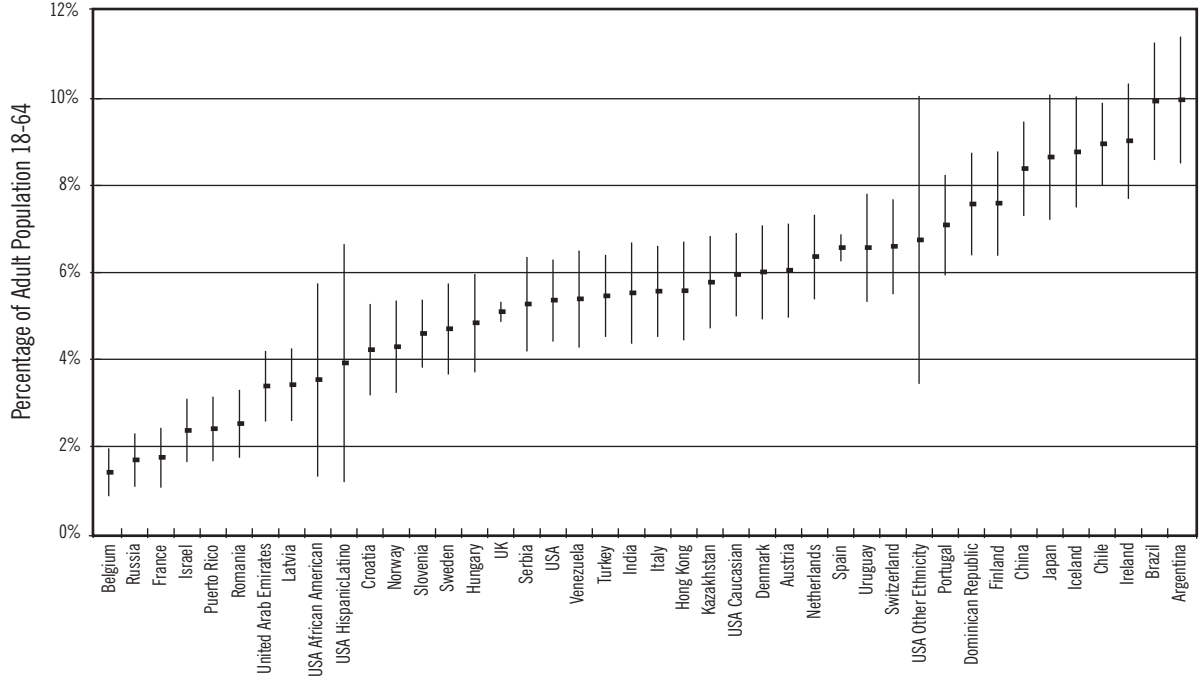
Sampling U.S. Minority Business Owners and Their Families

Figure 6. 2007 Total Early-Stage Entrepreneurship (TEA) Rate by Country and U.S. Ethnicity*



Source: GEM Global Adult Population Survey (APS)

Figure 7. 2007 Total Established Business Owners (EBO) Rate by Country and U.S. Ethnicity*



Source: GEM Global Adult Population Survey (APS)

*U.S. Other Ethnic Race category consists of Asian/Asian Americans and U.S. respondents who were not reporting as Caucasian, African American, or Hispanic/Latino. The sample sizes were too small for the races in the other ethnic category to individually produce statistically meaningful results.

Table 10. 2007 Mean Prevalence Rates by Ethnicities Within the United States

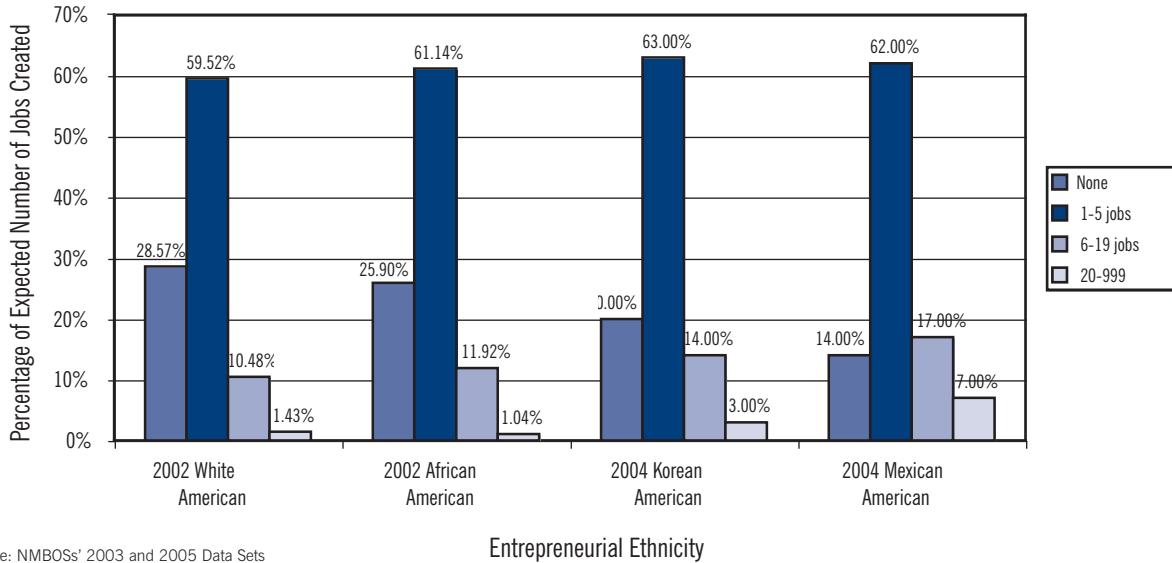
	ALL U.S.	HISPANIC/LATINO	AFRICAN AMERICAN	WHITES	OTHER ETHNICITIES
TEA Rate	9.7%	14.2%	13.2%	8.8%	13.6%
EBO Rate	5.4%	3.9%	3.5%	5.9%	6.7%

Source: GEM U.S. Adult Population Survey (APS)

Figure 8 shows the amount of job creation by the four ethnic groups. Approximately, 60% of all four groups' businesses have created, on average, between one and five jobs. Looking at the incidence of having businesses that have created more than five jobs, 11.9% of the white-owned businesses and 13.0% of the African American-owned businesses have created more than five jobs, while 17.0% of the Korean American-owned businesses and 24% of the Mexican American-owned businesses have created more than five jobs. More of the white entrepreneurs have created no other jobs than their own, perhaps related to the fact that more of the white entrepreneurs are one-person professional-type businesses.

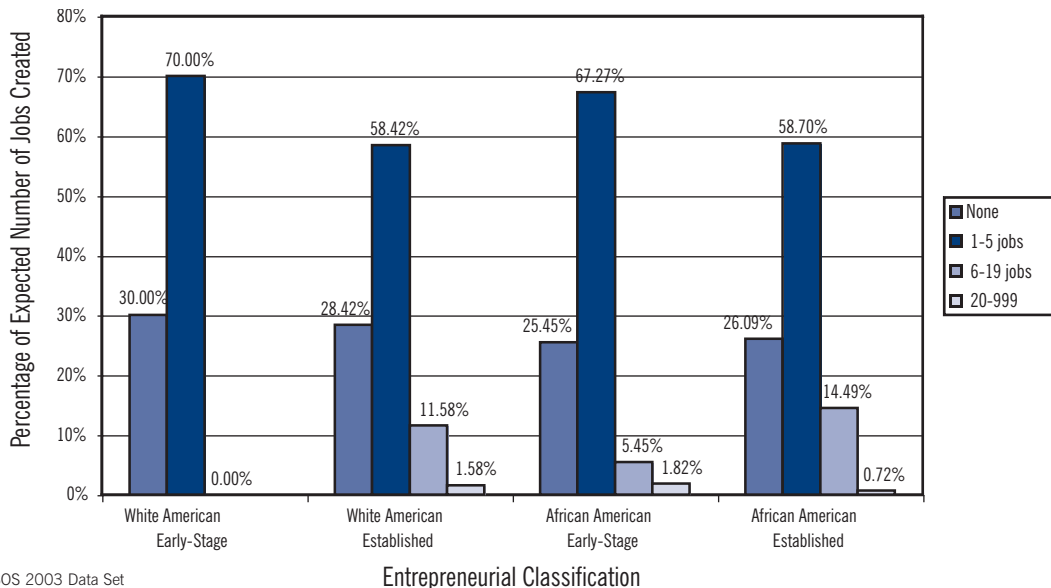
Figures 9 and 10 present the business owners' job creation by early-stage and established business ownership. Again, the four groups are relatively similar with the majority of each ethnic group whether early-stage or established anticipating job creation in the 1-5 job category. It is interesting to note that for all the groups except the Mexican Americans, the established entrepreneurs anticipate fewer jobs created than the early-stage entrepreneurs. Also, greater numbers of the Mexican Americans, 3.6% and 8.3%, respectively, of the early-stage and established entrepreneurs were anticipating more than 20 jobs.

Figure 8. Total Sample Percentage of Job Creation by Combined Early-Stage and Established Business Owner Entrepreneurs in Samples for 2002 and 2004



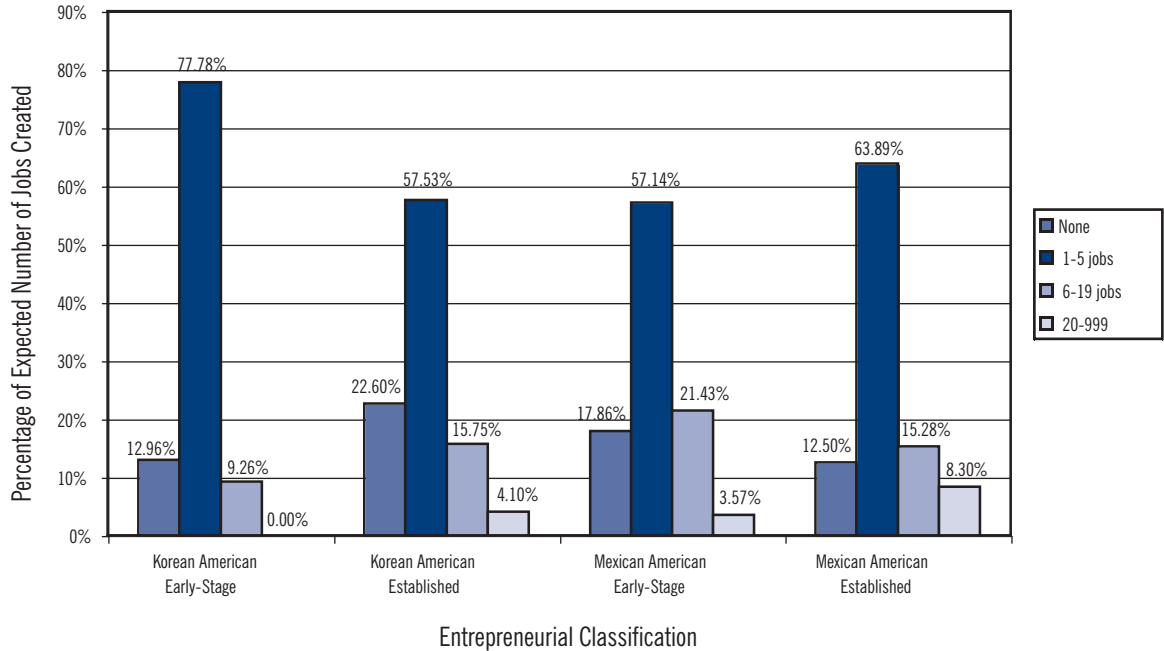
Source: NMBOSs' 2003 and 2005 Data Sets

Figure 9. Percentage of Job Creation for White and African American Early-Stage and Established Entrepreneurs in 2002



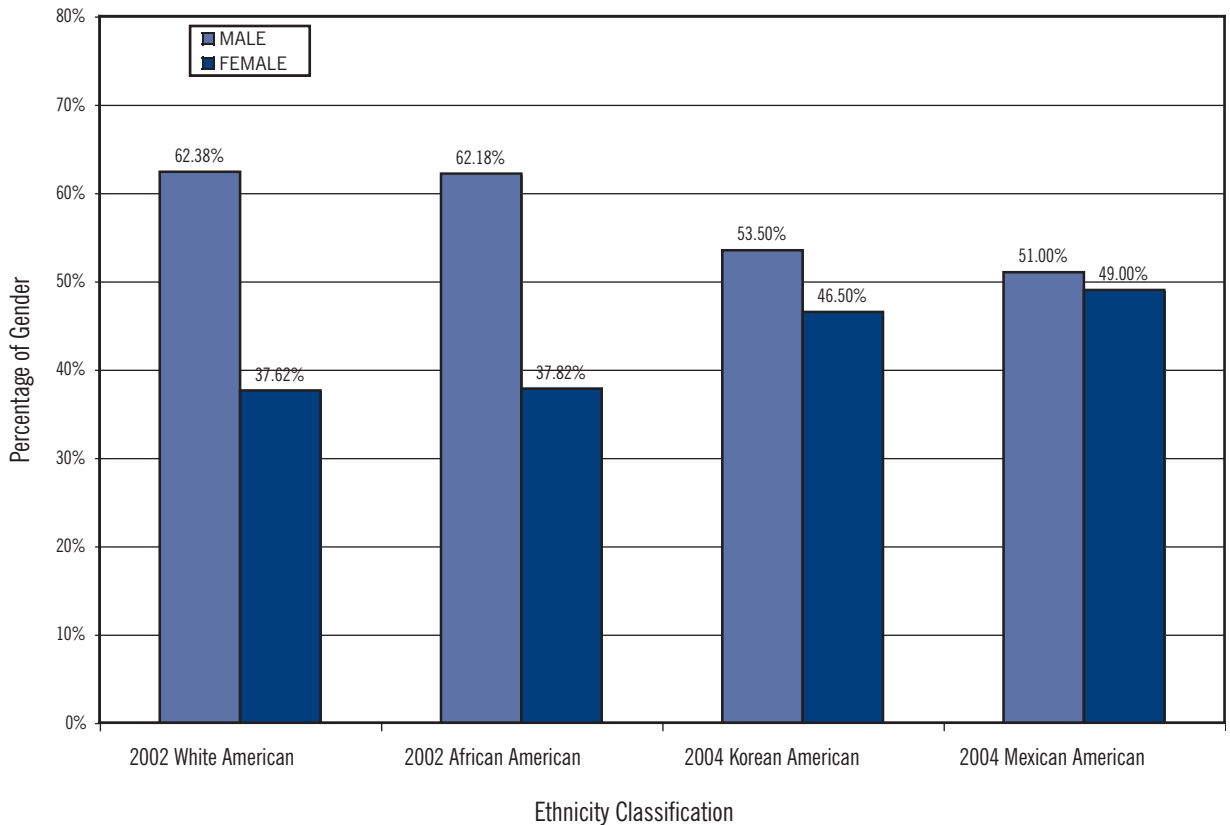
Source: NMBOS 2003 Data Set

Figure 10. Percentage of Job Creation for Korean and Mexican American Early-Stage and Established Entrepreneurs in 2004



Source: NMBOSs' 2003 and 2005 Data Sets

Figure 11. Entrepreneurship by Ethnicity and Gender



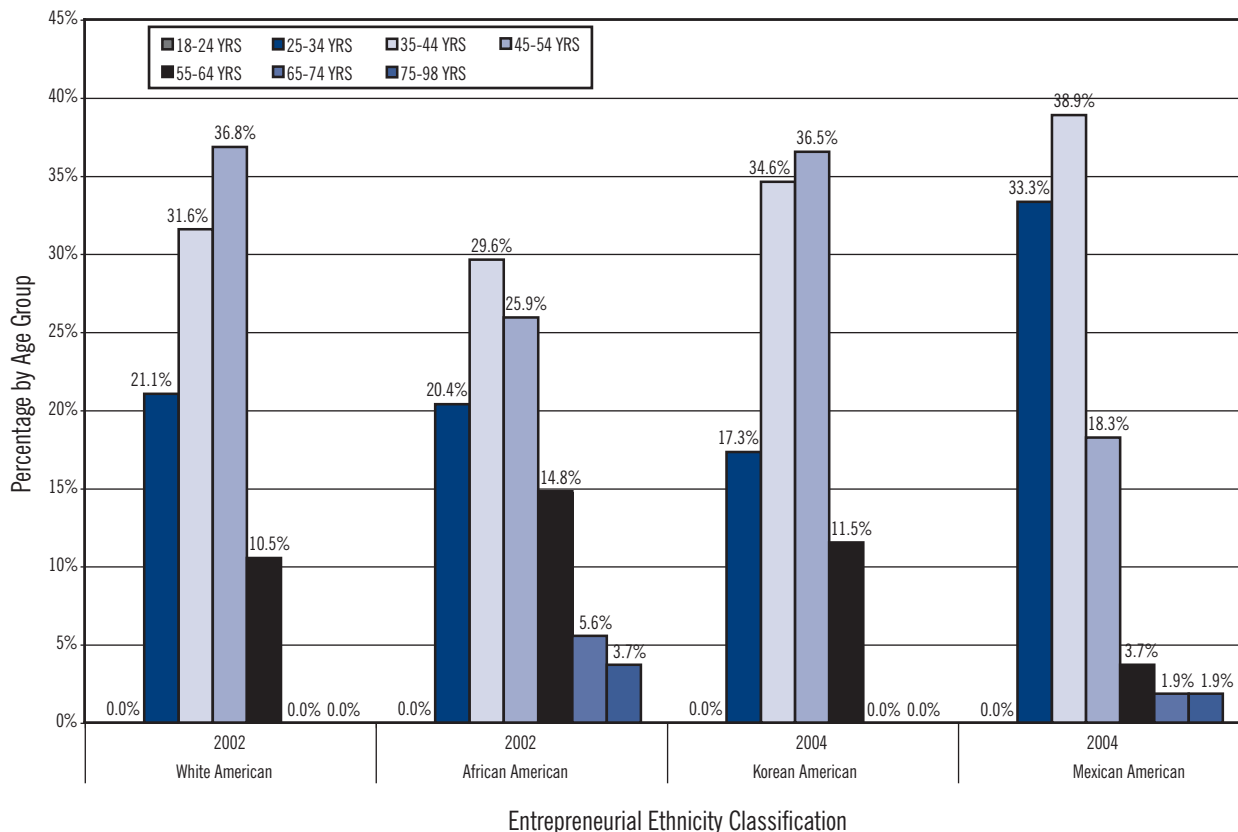
Source: NMBOSs' 2003 and 2005 Data Sets

A majority of the entrepreneurs in all four samples are male, but there are certain differences. Figure 11 shows that 62.4% of the white sample is comprised of males compared to 37.6% females. African Americans are quite similar with 62.2% being male and 37.8% being female. Korean Americans show a larger percentage of females, with 53.5% of the sample being male and 46.5% being female. The Mexican American sample shows the most balance between men and women, with 51.0% of the sample being males and 49.0% being females.

Age shows important differences among the samples and is presented in Figure 12. From the NMBOS samples, the mean age for the early-stage entrepreneurs in the surveys by each ethnic group was calculated. White early-stage entrepreneurs have

a mean age of 44.7 with 36.8% of the sample being in the 45–54 age category. The early-stage Korean American entrepreneurs have a mean age of 43.7 with the largest group also falling in the 45–54 age category. On the other hand, the African American and Mexican American samples, respectively, have mean ages of 46.3 and 40.8, and the largest age groups by age for each is the 35–44 category, with the African American sample having 29.6% and the Mexican American sample having 38.9% of the sample fall in that category. The population general statistics from the U. S. Census Bureau estimate the following mean ages based on race and/or ethnicity: White, 38.1; African American, 32.3; Asian American, 31.8; and Hispanic/Latin American, 28.3 (approximately 64% are Mexican Americans).

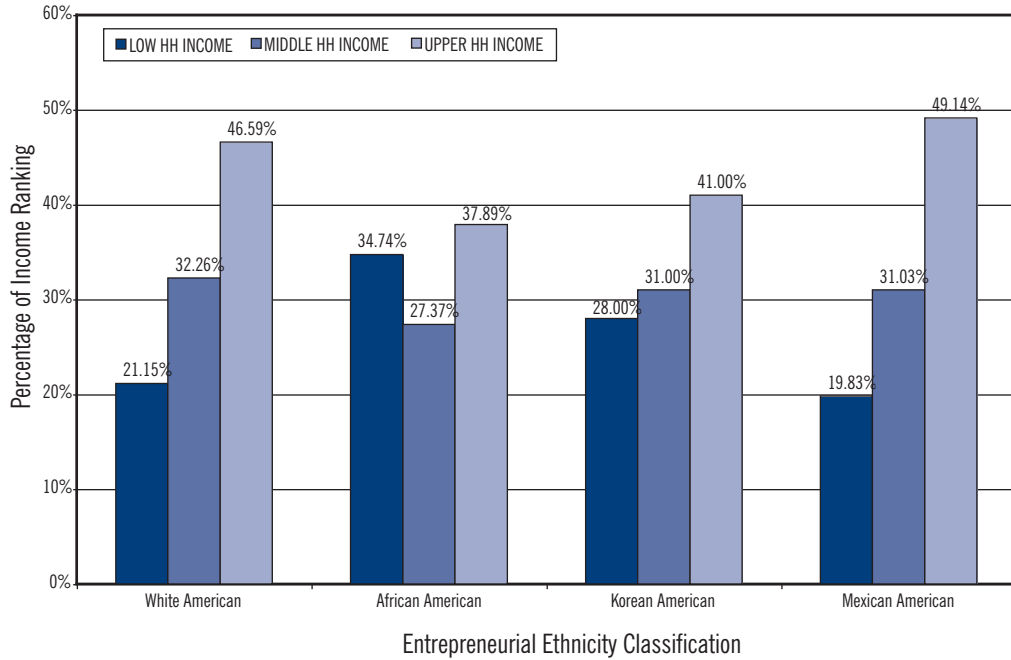
Figure 12. Early-Stage Entrepreneurship by Ethnicity and Age Group from 2002 and 2004 United States NMBOS Samples



Source: NMBOSs' 2003 and 2005 Data Sets

Examining the samples by income ranking shows that the largest groups of all four samples are in the upper third of population income (see Figure 13). The white sample has 46.6% in the upper third of income distribution; the African American sample has 37.9% in the upper third of income distribution; the Korean American sample has 41.0% in the upper third of income distribution; and the Mexican American sample has 49.1% in the upper third of income distribution. Along with having the largest percentage of the sample in the upper third of income distribution, the Mexican American sample also has the lowest percentage in the lowest third—19.9%, compared to 21.2% for whites, 34.7% for African Americans, and 28.0% for Korean Americans.

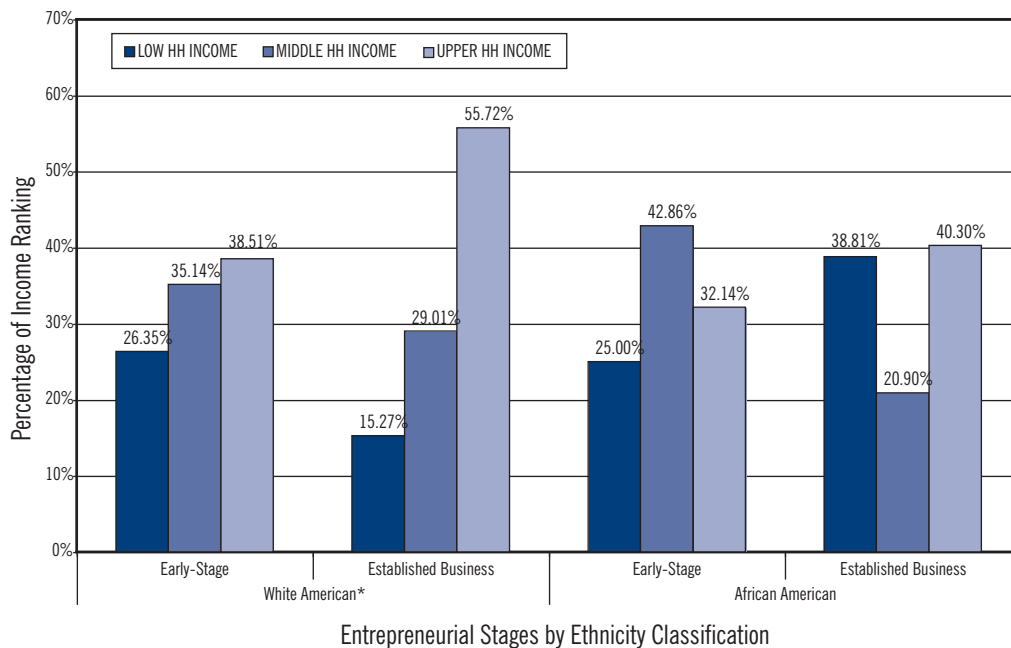
Figure 13. Entrepreneurship Classification by Ethnicity and Percent Distribution by Household Income Ranking (Low = less than \$40,000; Middle = \$40,000-\$74,999; High = \$75,000+)



Source: NMBOSs' 2003 and 2005 Data Sets

Figures 14 and 15 show the breakout of household income for each ethnic group by stage of entrepreneurial activity. This data shows some interesting differences regarding how the move from early-stage to established entrepreneurship reflects in the household income of the entrepreneurs. For the white sample, the move from early-stage to established status shows a dramatic change in household income. Among the early-stage group, 28.4% are in the lowest third of income, while for established white entrepreneurs this number has dropped to 14.3% and the percentage in the highest third has jumped from 38.5% to 55.7%.

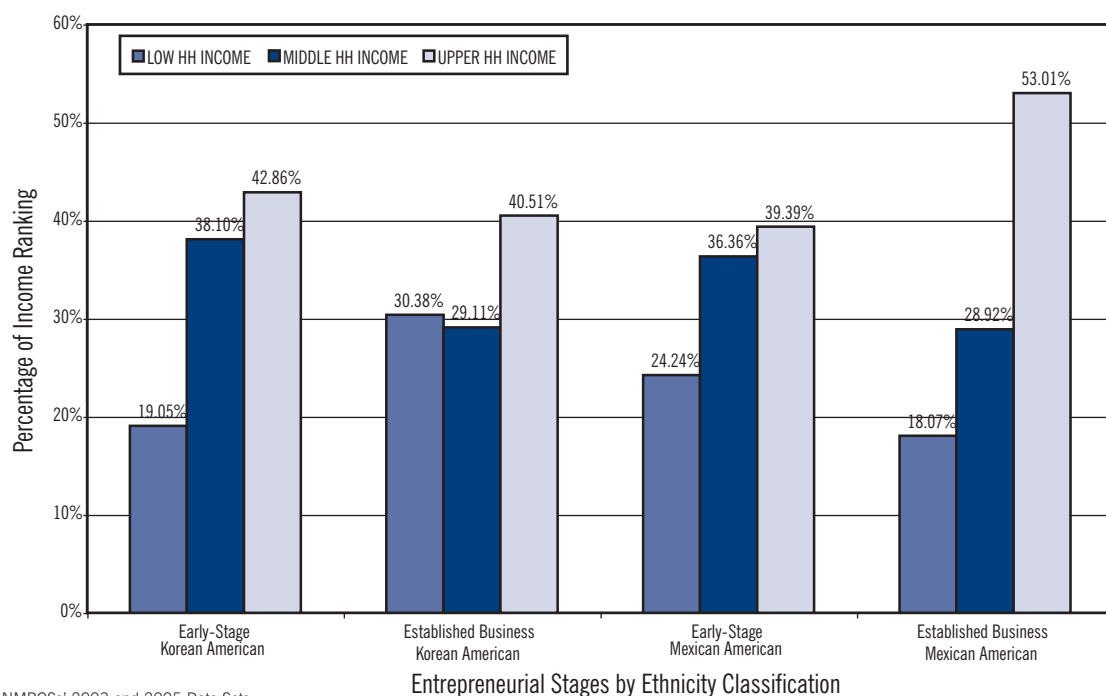
Figure 14. Entrepreneurship Activity Stages by White and African American and Percent Distribution by Household Income Ranking from the GEM* and NMBOS Samples (Low = less than \$40,000; Middle = \$40,000-\$74,999; High = \$75,000+)



Source: NMBOS 2003 Data Set

Figure 15 compares the income profiles of the Korean American and Mexican American samples broken out by early-stage and established businesses. While there is similarity to the extent that all four groups show a relationship between household income and entrepreneurial activity, this relationship is most dramatic with the Mexican American sample owning established businesses. For this group 53.0% of the sample is in the high-income group; 18.1% are in the low-income category below \$40,000 annual household income; and 28.9% are in the middle income category of between \$40,000 and \$75,000.

Figure 15. Entrepreneurship Activity Stages by Korean and Mexican Americans and Percent Distribution by Household Income Ranking from the NMBOS Sample
(Low = less than \$40,000; Middle = \$40,000-\$74,999; High = \$75,000+)



Source: NMBOSs' 2003 and 2005 Data Sets

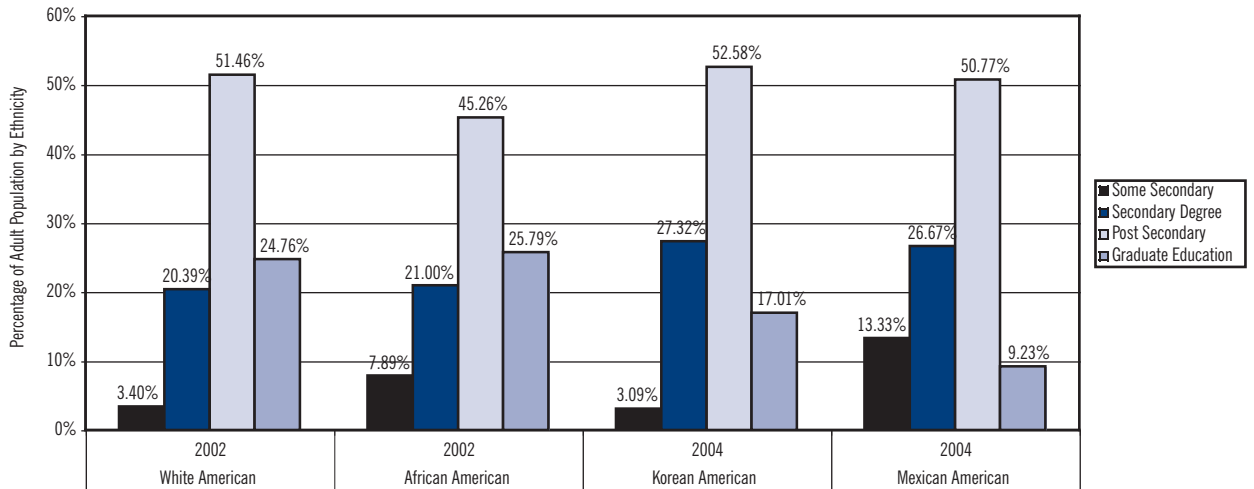
Education levels are presented in Figure 16 and show a remarkable similarity among the samples and generally highly educated people. The largest group of each sample has post-secondary education. In fact, a majority of each sample has more than 50% in that category except for the African American sample, which has 45.3% of its sample in that group. This is due in part because the African American sample has the largest percentage of all the samples in the Graduate Education category. For the white and African American groups, 24.8% and 25.8%, respectively, of the people in their samples have some graduate education. This is less true of the Korean American sample with 17.0% and the Mexican American sample with 9.2% having some graduate education.

The NMBOS questionnaire included detailed questions on education, including specific types of formal business training. Detail on this is presented in Figure 17. The overall impression one receives is that, in general, entrepreneurs avail themselves of significant amounts of specific business training. More than a third of the white and African American samples, 33.8% and 38.7% respectively, have business

degrees. More than three-quarters of the white and African Americans have had at least some business classes in college and approximately three-quarters of each of these samples have attended other types of non-degree programs. The Mexican American sample is similar with the exception that somewhat fewer Mexican American entrepreneurs, 24.5%, have earned a business degree. While not as high as the white and African American samples, more than 65% of Mexican American entrepreneurs have either taken college-level business courses or attended non-degree training programs. The Korean American entrepreneurs, perhaps reflecting language issues or their having received the bulk of their education in Korea, are lower on these measures. Between 40.0% and 46.5% of the sample has either taken some college-level courses or attended non-degree training and 24.0%—the lowest of the four samples—have a business degree.

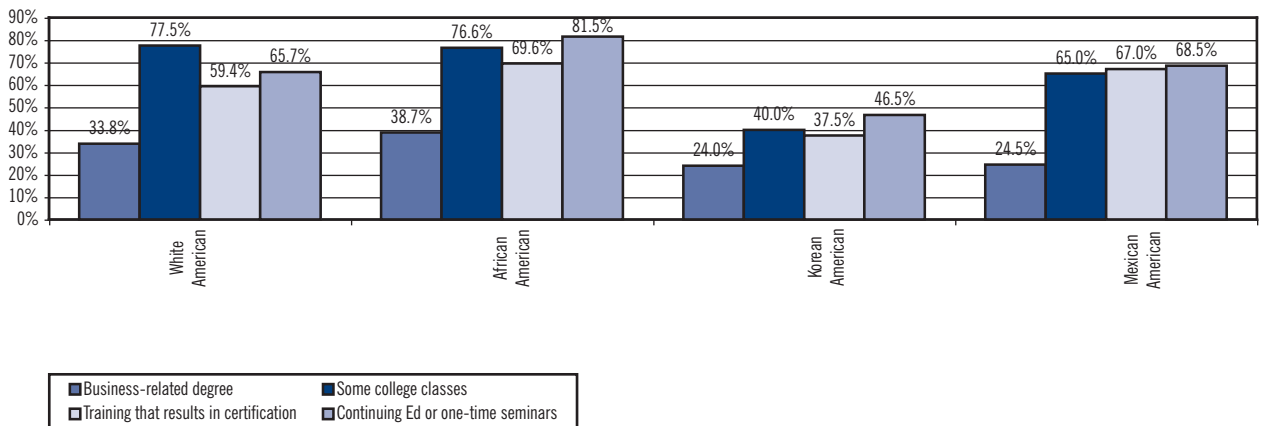
One of the outcomes of education, of course, is knowledge, and since so many of the entrepreneurs in this study have received formal business education, one could reasonably expect that a large percentage feel knowledgeable about business. Figure 18 shows that this is, in fact, the case.

Figure 16. Total Entrepreneurship Distribution by Ethnicity and Education



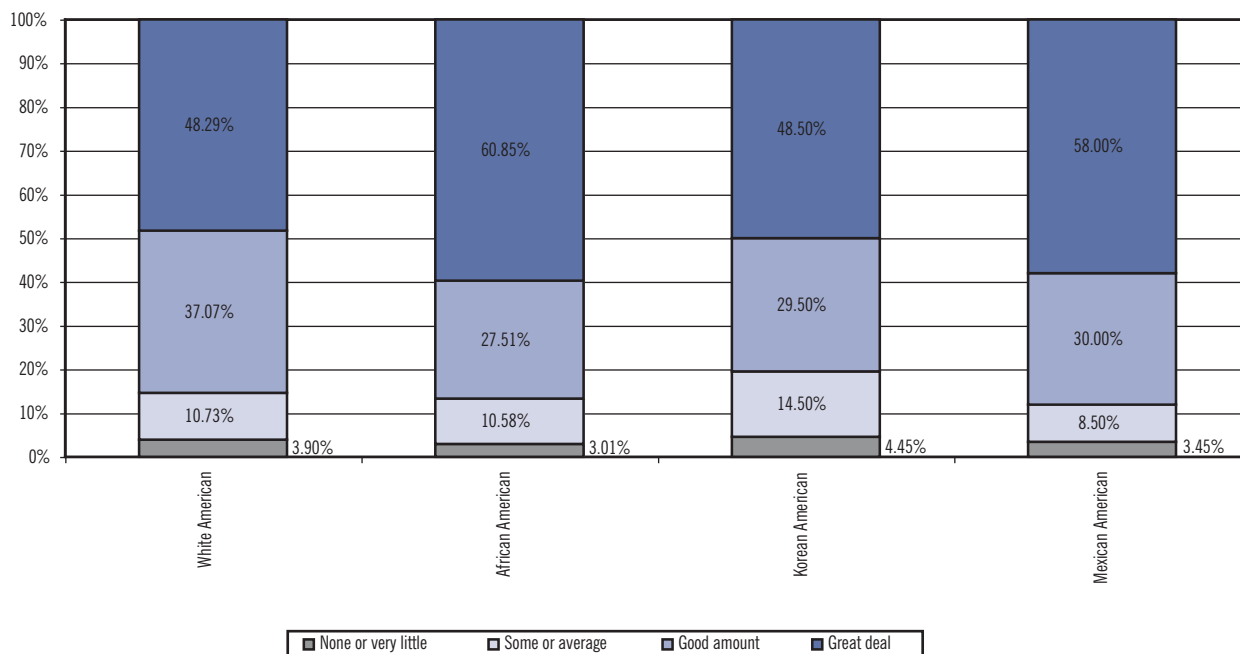
Source: NMBOSs' 2003 and 2005 Data Sets

Figure 17. Formal Business Training



Source: NMBOSs' 2003 and 2005 Data Sets

Figure 18. Business Knowledge Percentage

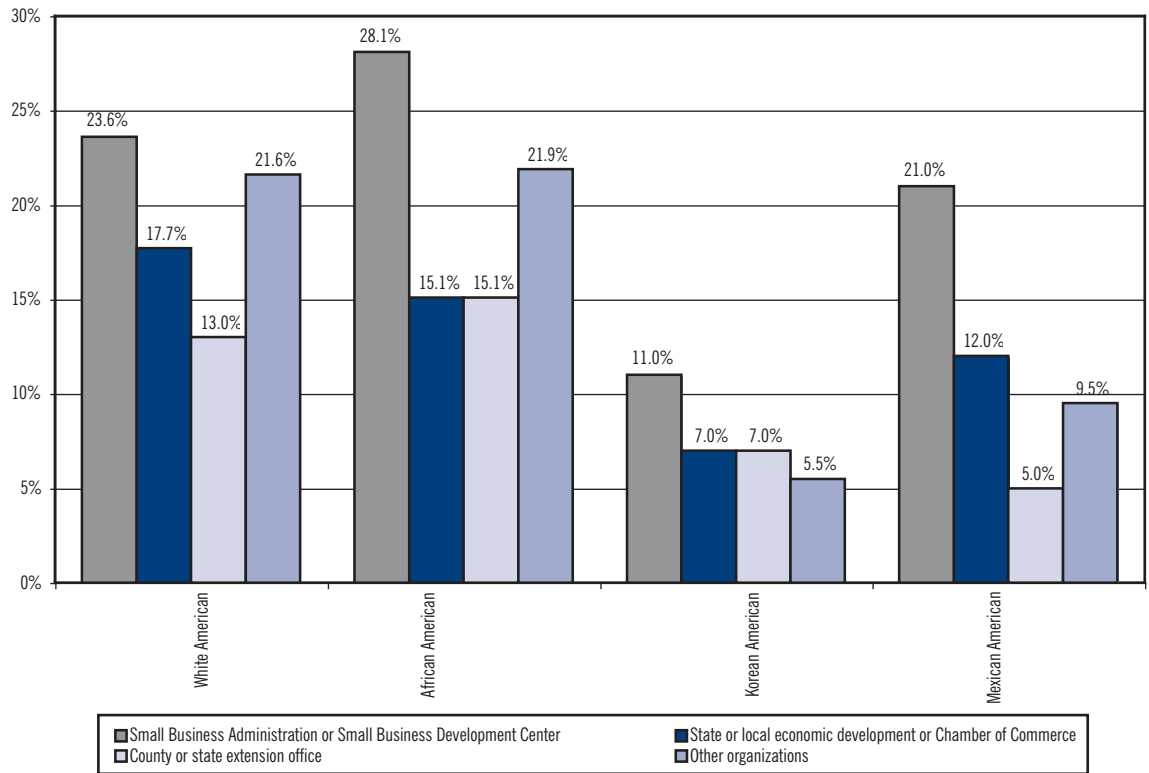


Source: NMBOSs' 2003 and 2005 Data Sets

Related to education is the seeking and obtaining of help from agencies and organizations that exist to provide technical and financial assistance to entrepreneurs. Figure 19 shows the relative percentages of each sample that have sought help from the Small Business Administration or Small Business Development Centers, state or county extension offices, state or local economic development agencies, or Chambers of Commerce, or other organizations. The data show very similar patterns among the white and African American samples, with each having sought help from each of these in the range of 13.0% to 28.1%. The Mexican American entrepreneurs used these resources in somewhat smaller numbers than the white and African American entrepreneurs, in the range of 5.0% to 21.0%. By contrast, the Korean American sample used these resources much less, in the range of 5.5% to 11.0%. This could be a reflection of language issues or a Korean American cultural bias regarding relying upon resources.

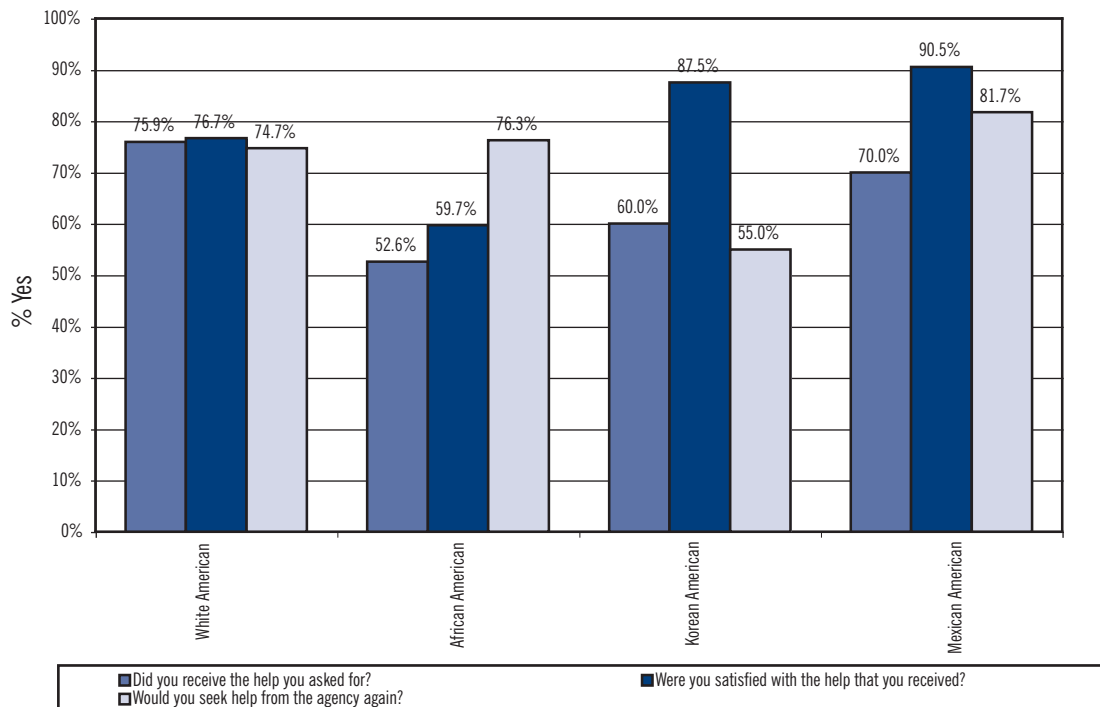
When they obtained help from such sources, the groups were not equally happy with what they received. About 75% of the white sample, as Figure 20 shows, reports that they received the help asked for, were satisfied with it, and would seek help again from that source. The Mexican American sample was also quite happy with the assistance they received—on some measures even more than the whites. The Korean American sample reported that overall they were satisfied, but only 55% said they would seek such assistance again. On the other hand, the African American entrepreneurs were significantly less satisfied on two of the three measures. Only 52.6% responded that they received the help they asked for and 59.7% responded that they were satisfied. Both of these were lower than any of the other three samples.

Figure 19. Percentage of Entrepreneurs Seeking Help from Various Agencies and Organizations



Source: NMBOSs' 2003 and 2005 Data Sets

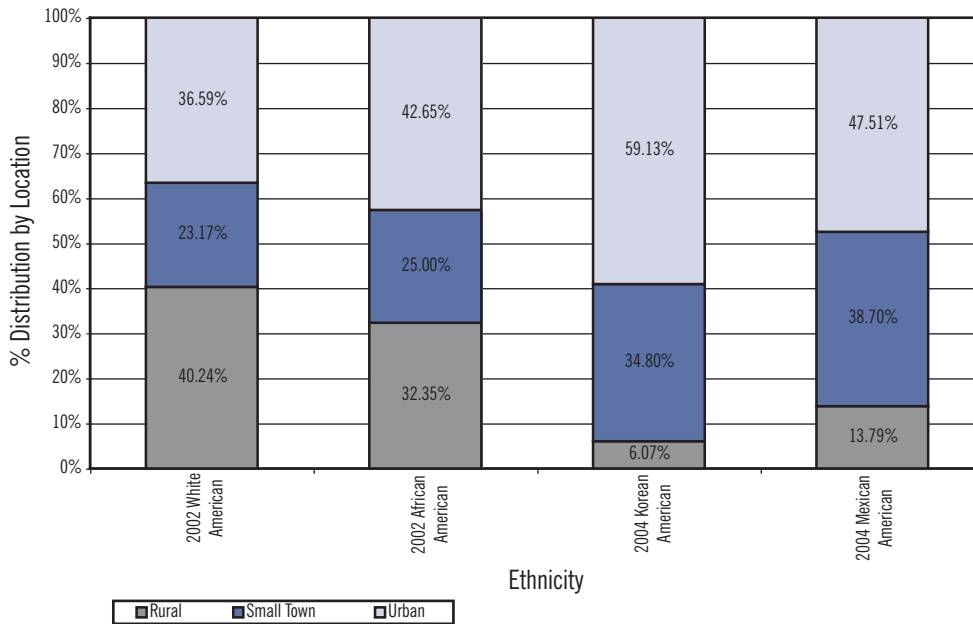
Figure 20. Percentage of Those Receiving Help Who Sought Help in Figure 19



Source: NMBOSs' 2003 and 2005 Data Sets

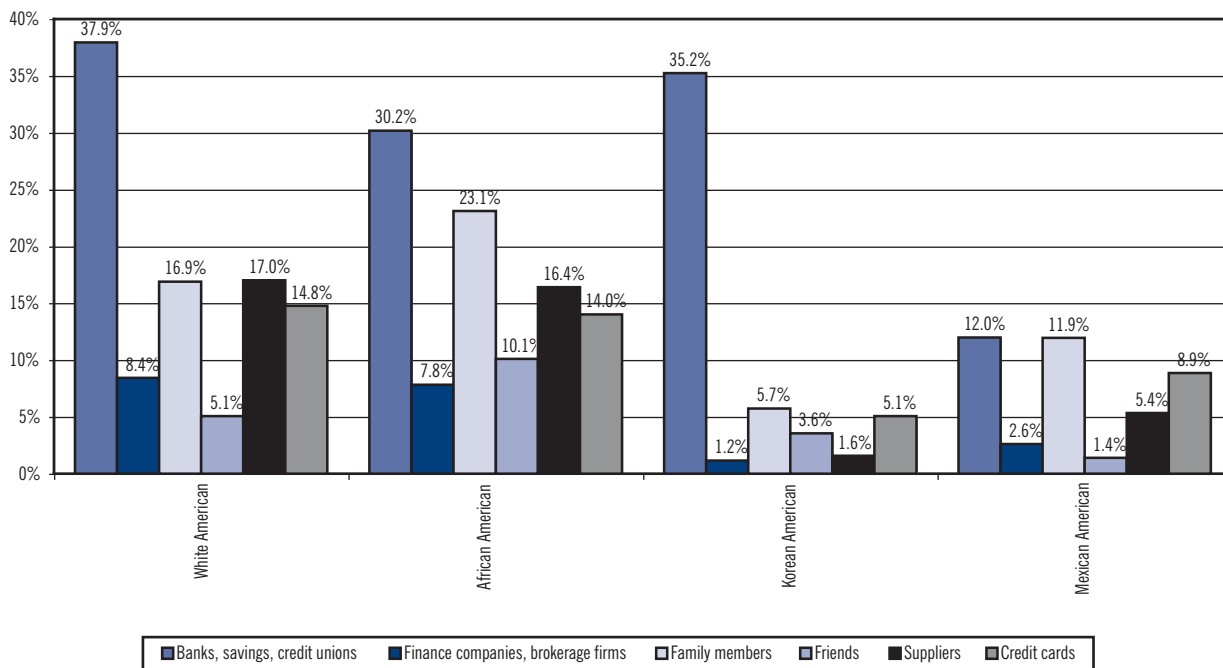
Figure 21 shows the percentage of each sample located in an urban, small town, or rural location. The white sample has the largest percentage in a rural setting, 40.2%, with 36.6% in urban areas, and 23.2% in small towns. The African American sample is similar but with a somewhat larger percentage, 42.7%, in an urban setting and a somewhat smaller percentage, 32.4%, in a rural location. The Korean American sample, reflecting the geographic concentration of this recent ethnic group, has 59.1% of the sample in urban settings, 34.8% in small towns, and only 6.1% in rural areas. The Mexican American sample is 47.5% located in urban areas, 38.7% in small towns, and 13.8% in rural areas.

Figure 21. NMBOS Entrepreneurship by Business Location



Source: NMBOSs' 2003 and 2005 Data Sets

Figure 22. Funding – Mean Percentage of Funding Since Start-Up of Business from Source



Source: NMBOSs' 2003 and 2005 Data Sets

Figure 22 shows where each group reports having obtained financing for their ventures. NMBOS asked about ethnicity issues as start-up motivation for the African American, Korean American, and Mexican American samples. The results of this are presented in Table 11. Each respondent in these groups was asked if they believe they were rejected for a job because of their ethnicity and whether such a rejection was motivation for starting a business. The percentage who believe they were rejected for a job because of their ethnicity is quite close for the

three groups: 29.7% for African Americans, 29.2% for Korean Americans, and 32.1% for Mexican Americans. Whether this was a motivation for starting a business was quite similar for African Americans, 70.4%, and Mexican Americans, 72.6%. Only 57.1% of the Korean Americans reported that this was a motivation for starting their own business. This may reflect the existence of other motivations for starting their own business or a bias against identifying such a factor as a cause for starting one's own venture.

Table 11. Start-Up Motivation Rates by Ethnicity

ETHNICITY	% RESPONDENTS BELIEVE REJECTED FOR A JOB BECAUSE OF ETHNICITY	% MOTIVATED TO START THEIR OWN BUSINESS WHO BELIEVED THEY WERE REJECTED FOR A JOB BECAUSE OF ETHNICITY
African American	29.7	70.4
Korean American	29.2	57.1
Mexican American	32.1	72.6

Source: NMBOSs 2003 and 2005

The overall picture that emerges from this examination of these four samples is the general level of similarity of the white, African American, and Mexican American entrepreneurs. The Korean American entrepreneurs vary in some key respects such as education, location, rates of entrepreneurship, gender, age, and sources of funding. Some of this may reflect cultural values and traditions and some may reflect their expectations and experience in the United States.

Part 4. The Economy and Entrepreneurial Activity in the United States

Recent news events have highlighted the persistent decline in the U.S. economy. The decline has been attributed to:

- The meltdown in the financial intermediation industry and in the capital markets triggered, principally, by the implosion of the financial market for subprime loans and their derivatives
- The decline in housing markets as problems in the financial markets have resulted in the drying up of mortgage loan facilities even for high-credit borrowers
- The volatility of the price of oil and other commodities

In this section of the report, we highlight the impact of past declines in the U.S. economy on economic activities, and some evidence from GEM of the impact of the last recession and current economic slowdown on entrepreneurial activity in the United States.

IMPACT OF ECONOMIC DECLINES ON ECONOMIC ACTIVITY

When does an economic slowdown occur and what is its impact on economic activity? In the United States, the most accepted determination of business

cycle highs and lows is made by the National Bureau of Economic Research³. For this purpose, the NBER uses the three D's (depth, duration, and diffusion across industries), a broad definition of recessions that represents three aspects of declines in aggregate economic activity. Table 12 shows the impact of past economic recessions on Duration, Depth, and Diffusion. Duration is represented by the number of months that the recession lasted; Depth, by the percentage change in real GNP and maximum unemployment rate during the period of the recession; and Diffusion by the maximum percentage of industries with declining employment during the period of the recession. Table 12 shows that the last recession occurred during the period March 2001 to November 2001. Its duration was 9 months, Real GNP declined by 0.1% on an annualized basis and maximum unemployment rate was 5.3%. Also, as high as 71% of industries in the United States experienced declining employment during that period.

Although mild in comparison to previous recessions, the recession in 2001 can be seen to be preceded by a slowdown in Real GNP in 2000 and to be followed in 2002 and 2003 by sluggish GNP and high unemployment rates (see Table 12). Table 12 also appears to foreshadow the current (2008) slowdown in the U.S. economy. Although not yet declared a recession by the NBER, one can observe what appears to be an ominous decline in Real GNP from 2006 to 2007 (from 3.6% to 2.4%), and a rising percentage of industries with declining employment (from 29% to

57%). **Table 12. Recessions Duration, Depth, and Diffusion – The Three Ds of Recession: A Brief History**

	DURATION	DEPTH		DIFFUSION
	Months	% Change in Real GNP	Unemployment Rate, Maximum	% of Industries with Declining Employment, Maximum
1998	12	3.7	4.5	
1999	12	4.3	4.2	43
2000	12	3.3	4.0	43
3/2001-11/2001	9	-0.1a	5.3	71
2002	12	1.5	5.8	57
2003	12	2.8	6	57
2004	12	3.6	5.5	57
2005	12	2.3	5.1	36
2006	12	3.6	4.6	29
2007	12	2.4	4.6	57
THREE DEPRESSIONS				
3/1920-7/1921	18	n.a.	11.9	97
8/1929-3/1933	43	-32.6	24.9	100
5/1937-6/1938	13	-18.2	20.0	97
SIX SHARP RECESSIONS				
5/1923-7/1924	14	-4.1	5.5	94
11/1948-10/1949	11	-1.5	7.9	90
7/1953-5/1954	10	-3.2	6.1	87
8/1957-4/1958	8	-3.3	7.5	88
11/1973-3/1975	16	-4.9	9.0	88
7/1981-11/1982	16	-2.6	10.8	72
FIVE MILD RECESSIONS				
10/1926-11/1927	13	-2.0	4.4	71
4/1960-2/1961	10	-1.2	7.1	80
12/1969-11/1970	11	-1.0	6.1	80
1/1980-7/1980	6	-2.5	7.8	63
7/1990-3/1991	8	-1.2	6.9	73
AVERAGES				
1920-1938 (5)	20	-14.2	13.3	92
1948-1991 (9)	11	-2.4	7.7	80

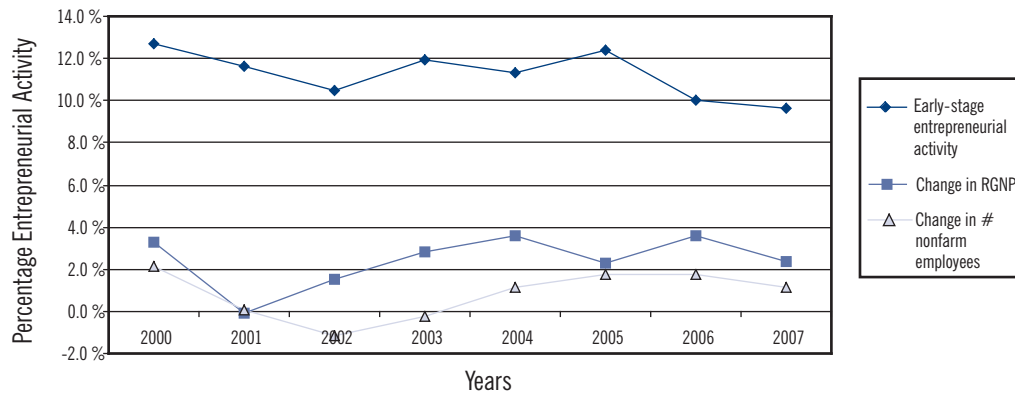
Source (for data prior to 1998): Based on table A-2 in G. H. Moore, *Business Cycles, Inflation and Forecasting*, 2nd ed., 1983. Note that the brief and mild recession of 1945 is omitted here.
 Source (for data 1998-2007): U.S. Bureau of Labor Statistics.

Figure 23 shows changes in early-stage entrepreneurial activity alongside changes in Real GNP and changes in the number of employees in the United States. As is evident in Figure 23, declines in entrepreneurial activity occurred alongside declines in both Real GNP and number of employees in the period surrounding the last recession of 2001.

early-stage job losses in the construction industry and other industries associated with the housing market. This housing market decline may explain, in part, the drop in the early-stage prevalence rates in the United States in 2006 and in 2007 as well as the declining real GNP in 2007. If a recession is to occur in the United States, a continuing decline in the housing market would be a major contributing factor.

Again, we can observe declines in Real GNP and entrepreneurial activity from 2006 to 2007. In 2006, the U.S. housing market started to decline, causing

Figure 23. U.S. Entrepreneurial Trends with Real GNP



Sources: a) For the early-stage entrepreneurial activity: GEM Adult Population Survey Files 2000 – 2007; b) For the change in RGNP: Table 12 (previous page) and c) For the change in the number of nonfarm employees: U.S. Department of Labor, Bureau of Labor Statistics, Series Id:CEU0000000001.

Table 13 shows a breakdown of changes in U.S. growth rates by industry. In the recession year of 2001, the largest declines occurred in the agriculture and related industries, in the manufacturing industry, and in the wholesale trade industry. Of interest is that in 2002 more industries experienced declines than in 2001 (five versus eight industries). In 2002, the largest declines occurred in the information industry, the mining industry, and the manufacturing industry. Finally, Table 13 shows a decline in seven industries in 2007; more industries showed declining growth in 2007 than in 2001 (7 versus 5, respectively). This may be a precursor to a recession in 2008 and/or 2009.

Table 13. U.S. Growth Rates by Industry

INDUSTRY	1999	2000	2001†	2002	2003	2004	2005	2006	2007
All	1.54	2.55	0.03	-0.33	0.92	1.10	1.78	1.90	1.12
Agriculture and Related Industries	-2.87	-24.90	-6.70	0.52	-1.56	-1.89	-1.57	0.41	-5.03
Nonagricultural Industries:									
- Mining Industry	-7.67	-10.38	13.26	-6.69	4.58	2.67	15.77	10.10	7.13
- Construction Industry	4.75	5.93	2.26	-1.71	1.57	6.21	3.98	4.93	0.91
- Manufacturing Industry	-2.83	2.70	-6.16	-6.52	-1.92	-2.47	-1.40	0.76	-0.46
- Wholesale Trade Industry	1.16	3.03	-4.65	3.08	8.25	2.54	-0.46	-0.39	-4.25
- Retail Trade Industry	1.09	1.91	0.15	-0.78	3.56	0.30	3.42	-0.34	-1.17
- Transportation and Utilities Industry	2.07	2.46	-1.61	-0.23	-4.06	0.91	4.95	1.29	2.62
- Information Industry	1.84	7.98	-1.33	-7.84	-0.11	-6.08	-1.76	5.03	-0.20
- Financial Activities Industry	2.34	0.70	0.75	1.28	1.91	2.27	2.35	2.81	-0.02
- Professional and Business Services	2.32	2.72	3.07	-0.38	-0.97	1.65	1.32	4.02	5.06
- Education and Health Services Industry	2.64	1.60	2.52	2.89	2.30	1.62	1.58	2.62	2.42
- Leisure and Hospitality Industry	1.76	0.38	1.64	1.50	0.57	1.84	2.12	0.61	2.22
- Other Services Industry	2.23	2.11	0.42	2.90	2.25	1.29	1.69	0.97	-1.64
- Public Administration Industry	1.19	1.33	1.88	1.27	-1.01	1.95	2.59	-0.09	3.40

† U.S. recession occurred from March to November 2001.

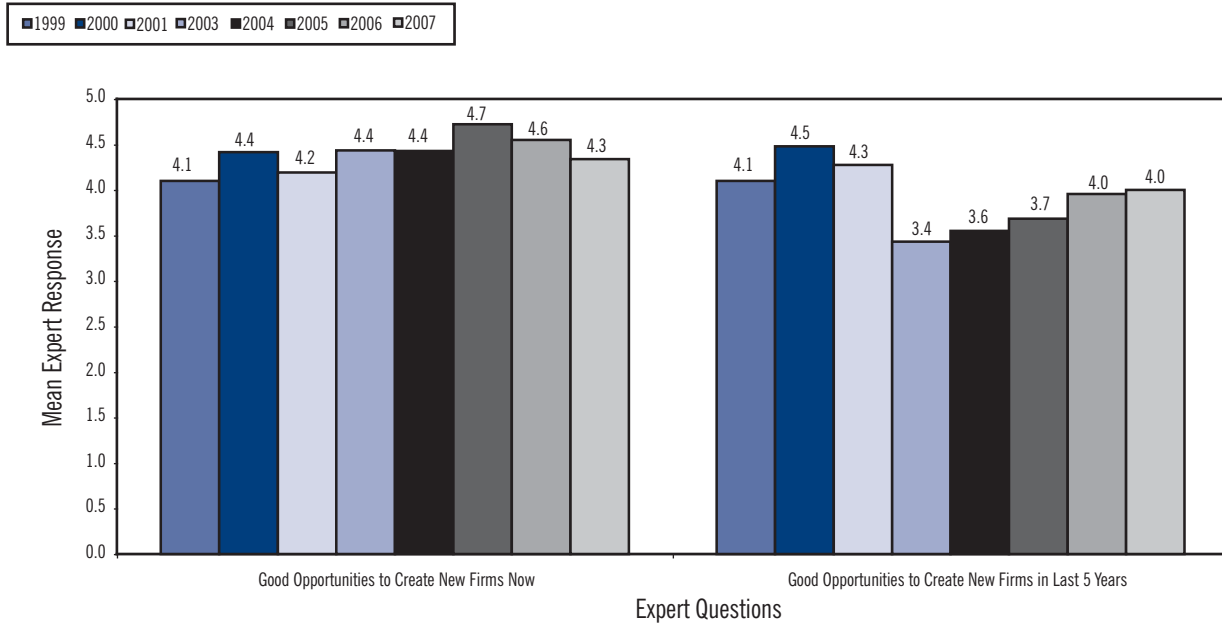
Table 14. Change in U.S. Employment, Business Establishments, and Firms

YEAR	EMPLOYMENT	% CHG	ESTABLISHMENTS	%CHG	FIRMS	% CHG	EMPLOY/ESTAB
1988	87,844,303	N.A.	6,016,367	N.A.	4,954,645		14.6
1989	91,626,094	4.31	6,106,922	1.51	5,021,315	1.35	15.0
1990	93,469,275	2.01	6,175,559	1.12	5,073,795	1.05	15.1
1991	92,307,559	(1.24)	6,200,859	0.41	5,051,025	(0.45)	14.9
1992	92,825,797	0.56	6,319,300	1.91	5,095,356	0.88	14.7
1993	94,773,913	2.10	6,401,233	1.30	5,193,642	1.93	14.8
1994	96,721,594	2.06	6,509,065	1.68	5,276,964	1.60	14.9
1995	100,314,946	3.72	6,612,721	1.59	5,369,068	1.75	15.2
1996	102,187,297	1.87	6,738,476	1.90	5,478,047	2.03	15.2
1997	105,299,123	3.05	6,894,869	2.32	5,541,918	1.17	15.3
1998	108,117,731	2.68	6,941,822	0.68	5,579,177	0.67	15.6
1999	110,705,661	2.39	7,008,444	0.96	5,607,743	0.51	15.8
2000	114,064,976	3.03	7,070,048	0.88	5,652,544	0.80	16.1
2001	115,061,184	0.87	7,095,302	0.36	5,657,774	0.09	16.2
2002	112,400,654	(2.31)	7,200,770	1.49	5,697,759	0.71	15.6
2003	113,398,043	0.89	7,254,745	0.75	5,767,127	1.22	15.6
2004	115,074,924	1.48	7,387,724	1.83	5,885,784	2.06	15.6
2005	116,317,003	1.08	7,499,702	1.52	5,983,546	1.66	15.5

Source: U.S. Census Bureau—Statistics of U.S. Businesses. These data were developed in cooperation with, and partially funded by, the Office of Advocacy of the U.S. Small Business Administration (SBA). Statistics of U.S. Businesses (SUSB) is an annual series that provides national and subnational data on the distribution of economic data by size and industry. Statistics of U.S. Businesses covers most of the country's economic activity. The series excludes data on nonemployer businesses, private households, railroads, agricultural production, and most government entities. http://www.census.gov/csd/susb/susb_download.htm.

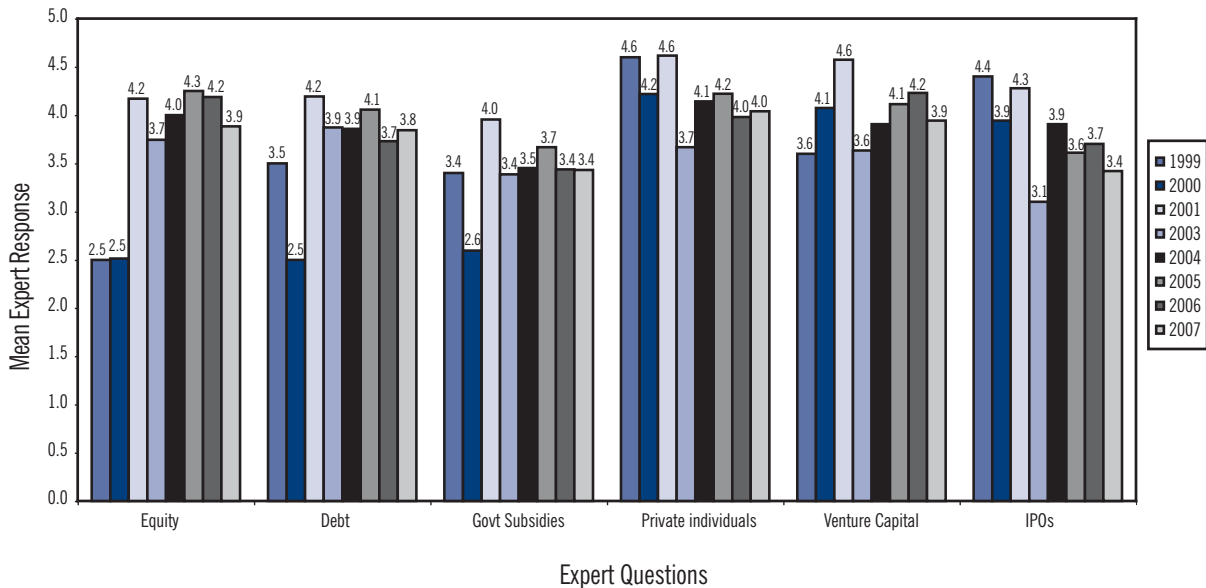
Figure 24 and Figure 25 show the opinions of experts from GEM surveys on issues affecting entrepreneurial activity. In Figure 24, there are slight declines, on average, in the perception of GEM experts concerning the existence of good opportunities to create new firms both now and in the last five years. Also, the declines occurred in year 2001 (the year of the last recession) and most recently in 2007. Figure 25 shows the mean responses of GEM experts for available funding from key funding sources for entrepreneurs in the United States. On average, in 2007, GEM experts stated that it was somewhere between “Neither true nor false” and “Somewhat true” that there was sufficient funding available for entrepreneurs.

Figure 24. GEM U.S. Expert Survey – Mean Response for New Firm Entrepreneurship Opportunity
 1 = “Completely false”; 2 = “Somewhat false”; 3 = “Neither true nor false,”;
 4 = “Somewhat true”; 5 = “Completely true”



Source: GEM Global National Expert Surveys (NES)

Figure 25. GEM U.S. Expert Survey – Mean Response for Available Funding
 1 = “Completely false”; 2 = “Somewhat false”; 3 = “Neither true nor false,”;
 4 = “Somewhat true”; 5 = “Completely true”



Source: GEM Global National Expert Surveys (NES)

The Economy and Entrepreneurial Activity in the United States

Table 15 shows U.S. Dynamism. GEM defines dynamism as the ratio of early-stage entrepreneurship to business ownership. High levels of dynamism are positively associated with high early-stage entrepreneurship prevalence rates, high venture capital investment, and significantly higher levels of high expectation entrepreneurship. As Table 15 shows, there are substantial reductions in the dynamism levels in the United States in 2006 and 2007 compared to 2005.

Table 15. U.S. Dynamism

YEAR	2001	2002	2003	2004	2005	2006	2007
U.S. dynamism	2.03	1.85	2.21	2.08	2.66	1.85	1.80
U.S. early-stage activity rate	11.60	10.50	11.90	11.30	12.40	10.03	9.61
U.S. established business ownership activity rate	5.72	5.69	5.39	5.44	4.67	5.42	4.97

Source: GEM Global Adult Population Survey (APS)

References and Endnotes

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Puryear, A., E. G. Rogoff, M.-S. Lee, R. K. Z. Heck, G. W. Haynes, J. Onochie, and E. B. Grossman (2008). "Sampling Minority Business Owners and Their Families: The Understudied Entrepreneurial Experience," *Journal of Small Business Management* 46(3), pp. 422–55.

ENDNOTES

¹ Reynolds, P.D. with Autio, E., Levie, J., et al (1998). Babson College and London Business School. *Global Entrepreneurship Monitor Data Collection Analysis Strategies Operations Manual*. London Business School: mimeo. P.6

² Most new businesses do not survive beyond three or four years. This is the main rationale for the choice of 42 months as the cut-off period. However, the choice of 42 months reflects also operational issues. According to Reynolds et al., "The relevant interview question asked only the year when salary and wage payments were initiated and most surveys occurred in the summer months; so the alternatives for choosing a 'new firm age' were 1.5 years, 2.5 years, 3.5 years, etc. The shortest timeframe that would provide enough cases for stable prevalence rates with a total sample of 2,000 seemed to occur at 3.5 years. Conceptually, any time period under five years seemed satisfactory so this age was considered an appropriate trade-off between conceptual and operational considerations in the early years of the project. There has been no compelling reason to adjust this criteria and a desire for a stable time series has led to its continued use. It should be considered a procedure to capture existing firms less than three or four years old." [Reynolds, P.D., Bosma, N.S., Autio, E., et al. (2005)]

³ FRBSF Economic Letter, No. 2001 - 29, October 19, 2001.



GERA AND GEM

The Global Entrepreneurship Research Association (GERA) is, for formal constitutional and regulatory purposes, the umbrella organization that hosts the GEM project. GERA is an association formed of Babson College, London Business School, and representatives of the Association of GEM national teams.

The GEM program is a major initiative aimed at describing and analyzing entrepreneurial processes within a wide range of countries. The program has three main objectives:

- To measure differences in the level of entrepreneurial activity between countries
- To uncover factors leading to appropriate levels of entrepreneurship
- To suggest policies that may enhance the national level of entrepreneurial activity

New developments and all global, national, and special topic reports, can be found at www.gemconsortium.org. The program is sponsored by Babson College and London Business School.



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