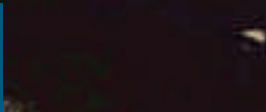




# GLOBAL ENTREPRENEURSHIP MONITOR



*GEM 2006 results*

*Niels Bosma and Rebecca Harding*





# 1

## GEM TEAMS AND SPONSORS: 2006

TEAM	INSTITUTION	FINANCIAL SPONSOR	APS VENDOR
Argentina	Center for Entrepreneurship IAE Management and Business School Universidad Austral	IAE Management and Business School Banco Rio	MORI Argentina
Australia	Australian Graduate School of Entrepreneurship, Swinburne University of Technology University of Adelaide		Australian Centre for Emerging Technologies and Society
Belgium	Vlerick Leuven Gent Management School Ghent University Université de Liège	Flemish Ministry of Economic Affairs (Steunpunt Ondernemerschap, Ondernemingen en Innovatie) Walloon Ministry of Economic Affairs	SNT Belgium
Brazil	IBQP — Instituto Brasileiro da Qualidade e Produtividade no Paraná	SEBRAE — Serviço Brasileiro de Apoio às Micro e Pequenas Empresas Sistema Federação das Indústrias do Estado do Paraná (FIEP, SESI, SENAI e IEL) IBQP — Instituto Brasileiro da Qualidade e Produtividade no Paraná	Instituto Bonilha
Canada	HEC — Montréal Sauder School of Business, The University of British Columbia	The W. Maurice Young Entrepreneurship and Venture Capital Research Centre The Social Sciences and Humanities Council of Canada	SOM
Chile	Universidad del Desarrollo Universidad Adolfo Ibáñez	Centro para el Emprendimiento y la Innovación Universidad del Desarrollo Centro de Entrepreneurship Grupo Santander Universidad Adolfo Ibáñez	Benchmark
China	National Entrepreneurship Centre, Tsinghua University	School of Economics and Management, Tsinghua University National Entrepreneurship Research Centre of Tsinghua University	AMI Synovate
Colombia	Universidad del Norte Pontificia Universidad Javeriana Cali Universidad de los Andes Universidad ICESI Pontificia	Universidad del Norte Universidad Javeriana Cali Universidad ICESI Universidad de Los Andes Comfenalco Valle	Centro Nacional de Consultorías
Czech Republic	University of Economics, Prague	Ministry of Industry and Trade of the Czech Republic Deloitte Czech Republic	Factum Invenio
Croatia	J.J. Strossmayer University in Osijek	Ministry of Economy, Labour and Entrepreneurship SME Policy Centre — CEPOR, Zagreb J.J. Strossmayer University in Osijek — Faculty of Economics, Osijek	Puls, d.o.o., Zagreb

## 2 GLOBAL ENTREPRENEURSHIP MONITOR 2006 Results

TEAM	INSTITUTION	FINANCIAL SPONSOR	APS VENDOR
Denmark	International Danish Entrepreneurship Academy, University of Southern Denmark	IDEA – International Danish Entrepreneurship Academy Karl Petersen og Hustrus Fond University of Southern Denmark National Agency for Enterprise and Construction Vækstfonden Ernst & Young Ringkøbing Amt Fyns Amt Viborg Amt Sønderjyllands Amt Vestsjællands Amt Århus Amt Vejle Amt	Institut for Konjunkturanalyse
Finland	Turku School of Economics	TEKES	TNS Gallup Oy
France	EM Lyon	Caisse des Dépôts et Consignations Observatoire des PME	CSA
Germany	Institute of Economic and Cultural Geography, University of Hannover Institut für Arbeitsmarktforschung	Institut für Arbeitsmarktforschung	Infas – Institute for Applied Social Sciences
Greece	Foundation for Economic and Industrial Research (IOBE)	Hellenic Bank Association	Datapower SA
Hungary	University of Pécs George Mason University Budapest Corvinus University	Ministry of Economy and Transport	Szocio-Graf Piac-es Közvélemény-kutató Intézet
Iceland	Reykjavik University	Reykjavik University The Confederation of Icelandic Employers New Business Venture Fund Prime Minister's Office	Gallup - Iceland
Ireland	University College, Dublin	Enterprise Ireland Forfás NDP Gender Equality Unit, Department of Justice, Equality and Law Reform	Behaviour and Attitudes
Italy	Bocconi University	Ernst & Young	Target Research
India	Pearl School of Business, Gurgaon	Pearl School of Business, Gurgaon	Metric Consultancy
Indonesia	Prasetiya Mulya Business School INRR (Institute of Natural and Regional Resources) Bogor University of Agriculture	Prasetiya Mulya Business School	MARS (Marketing Research Specialist) Indonesia

# 3

## GEM TEAMS AND SPONSORS: 2006

TEAM	INSTITUTION	FINANCIAL SPONSOR	APS VENDOR
Jamaica	University of Technology, Jamaica	University of Technology, Jamaica National Commercial Bank Jamaica Limited Export-Import. Bank of Jamaica Limited Port Authority of Jamaica Limited Digicel G-Tech Jamaica Limited	Koci Market Research & Data Mining Services
Japan	Kobe University Keio University Musashi University	Venture Enterprise Center	SSRI
Latvia	TeliaSonera Institute at Stockholm School of Economics in Riga	TeliaSonera NDB	Latvijas Fakti
Malaysia	Technopreneur Development Division, Multimedia Development Corp. Sdn Bhd	Economic Planning Unit, Prime Ministers Department Multimedia Development Corporation Sdn Bhd Technopreneurs Association of Malaysia Universiti Malaysia Sabah	Rehanstat Sdn Bhd
Mexico	Tec de Monterrey, Business Development Centre Tec de Monterrey, EGAP, Strategic Studies Centre	Tec de Monterrey and Secretaria de Economia	Profesionales en Estudios de Mercado y Cultura, S.C.
Netherlands	EIM Business and Policy Research	Dutch Ministry of Economic Affairs	Stratus (formerly known as Survey@)
Norway	Bodø Graduate School of Business	Innovation Norway Ministry of Trade and Industry Ministry of Local Government and Regional Development Kunnskapsparken Bodø AS, Center for Innovation and Entrepreneurship Kunnskapsfondet Nordland AS Bodø Graduate School of Business	TNS
Peru	Centro de Desarrollo Emprendedor, Universidad ESAN	Universidad ESAN Deltron Computer Wholesalers S.A.	SAMIMP Research
Philippines	Philippine Center for Entrepreneurship Foundation Inc	Philippine Center for Entrepreneurship Foundation Inc. President's Social Fund National Livelihood Support Fund	Synergy Business Consultancy
Russia	Saint Petersburg Team School of Management, Saint Petersburg	School of Management, Saint Petersburg	
	Moscow Team State University - Higher School of Economics, Moscow	State University – Higher School of Economics, Moscow	Levada – Center

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GLOBAL ENTREPRENEURSHIP MONITOR  
2006 Results

TEAM	INSTITUTION	FINANCIAL SPONSOR	APS VENDOR
Singapore	National University of Singapore (NUS) Entrepreneurship Centre	Standards, Productivity and Innovation Board (SPRING) Singapore and National University of Singapore (NUS) Enterprise	Joshua Research Consultants
Slovenia	Institute for Entrepreneurship and Small Business Management, Faculty of Economics & Business, University of Maribor	Slovenian Research Agency Ministry of the Economy Smart Com Chamber of Craft Finance – Slovenian Business Daily	RM PLUS
South Africa	UCT Centre for Innovation and Entrepreneurship, Graduate School of Business, University of Cape Town	Liberty Life, Standard Bank, South African Breweries and the National Research Foundation	AC Nielsen ZA
Spain	Instituto de Empresa	Instituto de Empresa Fundación cultural Banesto Fundación INCYDE	Institut Opinòmetre S.L.
Spain Andalucía Unit	Universidad de Cadiz	CENTRA (Fundación Centro de Estudios Andaluces) UNICAJA Junta de Andalucía (Consejería de Innovación, Ciencia y Empresa) Endesa	Institut Opinòmetre S.L.
Spain - Asturias Unit	Universidad de Oviedo	Consejería de Economía y Administración Pública del Principado de Asturias	Institut Opinòmetre S.L.
Spain - Basque Country Unit	Instituto Vasco de Competitividad Universidad del País Vasco	Eusko Ikaskuntza Diputación Foral de Gipuzkoa Diputación Foral de Bizkaia Sociedad para la Promoción y Reversión Industrial Diputación Foral de Araba FESIDE	Institut Opinòmetre S.L.
Spain - C.A. de Galicia	Confederación de Empresarios de Galicia (CEG) CEEI Galicia (BIC Galicia) Grupo de Investigación "Métodos y Gestión de Empresas" de la Universidad de Santiago de Compostela	Universidad de Santiago de Compostela BIC Galicia CEG	Institut Opinòmetre S.L.
Spain - Castilla y León Unit	Universidad de León	Junta de Castilla y León Universidad de León Centros Europeos de Empresas e Innovación de Castilla y León	Institut Opinòmetre S.L.
Spain – Castilla la Mancha Unit	Universidad de Castilla la Mancha	Ayuntamiento de Ciudad Real Ayuntamiento de Cuenca Caja Castilla la Mancha	Opinòmetre
Spain - Catalonia Unit	Universitat Autònoma de Barcelona Institut d'Estudis Regionals i Metropolitans de Barcelona	Diputació de Barcelona (Àrea de Promoció Econòmica i Ocupació) y Generalitat de Catalunya (Departament de treball i Indústria, Direcció General d'autoempresa)	Institut Opinòmetre S.L.
Spain – Comunidad Valenciana Unit	Universidad Miguel Hernandez	Air Nostrum LAN, S.A.	Institut Opinòmetre S.L.

# 5

## GEM TEAMS AND SPONSORS: 2006

TEAM	INSTITUTION	FINANCIAL SPONSOR	APS VENDOR
Spain - Extremadura Unit	Fundación Xavier de Salas-Universidad de Extremadura	Junta de Extremadura Universidad de Extremadura Caja Badajoz Sodiex Sofix Pinilla E. Constructora Arram Consultores CCOO U.R. Extremadura Urvicasa Caja Rural de Extremadura Servex Palicrisa Fundación Academia Europea de Yuste Grupo Alfonso Gallardo Infostock Europa de Extremadura S.A. Joca Ingeniería y Construcciones S.A. Cámara de Comercio de Badajoz Conyser UGT Extremadura	Institut Opinòmetre S.L.
Spain – Canary Islands Unit	Universidad de Las Palmas de Gran Canaria Universidad de la Laguna	La Caja de Canarias Gobierno de Canarias Caja Canarias Cámara de Comercio de Las Palmas Cabildo de Gran Canaria Servicio Canario de Empleo Fondo Social Europeo	Institut Opinòmetre S.L.
Spain - Madrid Unit	Universidad Autónoma de Madrid	IMADE FGUAM	Institut Opinòmetre S.L.
Spain – Murcia Unit	Universidad de Murcia	Fundación Cajamurcia Instituto de Estudios Económicos de la Región de Murcia Insitituto de Fomento de la Región de Murcia Confederación Regional de Organizaciones Empresariales	Institut Opinòmetre S.L.
Spain - Navarra	Centro Europeo de Empresas e Innovación de Navarra (CEIN) Universidad Pública de Navarra	Gobierno de Navarra CEIN Servicio Navarro de Empleo	Institut Opinòmetre S.L.
Thailand	College of Management, Mahidol University	Office of Small and Medium Enterprises Promotion College of Management, Mahidol University	Taylor Nelson Sofres (Thailand) Ltd.
United Arab Emirates	Zayed University	The Mohammed Bin Rashid Establishment for Young Business Leaders	IPSOS (Emirates)

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GLOBAL ENTREPRENEURSHIP MONITOR  
2006 Results

TEAM	INSTITUTION	FINANCIAL SPONSOR	APS VENDOR
United Kingdom	Co-ordination Team	Small Business Service Barclays Bank plc East Midlands Development Agency, Yorkshire Forward South East England Development Agency, North West Development Agency, North East Government offices for the regions, One North East, East of England Development Agencies Barking and Dagenham District Council Institute for Family Business (UK)	IFF
	Northern Ireland Team Small Business Research Centre, Kingston University Economic Research Institute of Northern Ireland	Invest Northern Ireland	IFF
	Scottish Team University of Strathclyde	Hunter Centre for Entrepreneurship	IFF
	Welsh Team National Entrepreneurship Observatory University of Glamorgan Cardiff University	Welsh Development Agency	
United States	Babson College	Babson College	Opinion Research Corp.
Uruguay	Universidad de Montevideo	IEEM Business School - Universidad de Montevideo	Mori, Uruguay



# 1.0

## INTRODUCTION

## INTRODUCTION

The Global Entrepreneurship Monitor (GEM) cross-national assessment of entrepreneurial activity is now in its eighth cycle. Started in 1999, with ten participating countries, the project has expanded to include 42 countries in 2006.

GEM is a major research project aimed at describing and analysing entrepreneurial processes within a wide range of countries. In particular, GEM focuses on three main objectives:

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

To this end, the project has from the start, been designed as a multinational research programme providing annual assessments of the entrepreneurial sector for a range of countries.<sup>1</sup>

GEM's contribution to the knowledge and understanding of the entrepreneurial process is unique since, to date, no other data set exists that can provide consistent cross-country information and measurements of entrepreneurial activity in a global context.

Information about GEM and all GEM documents can be found at [www.gemconsortium.org](http://www.gemconsortium.org).

<sup>1</sup> GEM's research methodology and procedures are described in Reynolds, P.D., N. Bosma, E. Autio, S. Hunt, N. DeBono, I. Servais, P. Lopez-Garcia and N. Chin (2005), "Global Entrepreneurship Monitor: Data Collection Design and Implementation 1998–2003", *Small Business Economics* 24: 205–231

## EARLY-STAGE ENTREPRENEURIAL ACTIVITY AND ESTABLISHED BUSINESS OWNERSHIP

GEM estimates the level of involvement in early-stage entrepreneurial activity by combining the prevalence rate of nascent entrepreneurs (people in the process of starting a new business) and new business owners.

- Nascent entrepreneurs are those individuals, between the ages of 18 and 64 years, who have taken some action towards creating a new business in the past year. In order to qualify in this category, these individuals must also expect to own a share of the business they are starting and the business must not have paid any wages or salaries for more than three months.
- New business owners are individuals who are active as owner-managers of a new business that has paid wages or salaries for more than three months, but less than 42 months.

In addition to those individuals who are currently involved in the early-stages of a business, there are also many individuals who have owned and managed a business for a longer time. These individuals are included in GEM's estimates of the number of established business owners. Specifically, the percent of individuals in a population who owns and manages a business that has paid wages or salaries for more than 42 months.

These two measurements are both very important, as they convey different information about the entrepreneurial landscape of a country. Early-stage entrepreneurship indicates the dynamic entrepreneurial propensity of a country. In other words, it shows the percentage of the population willing and able to undertake an entrepreneurial venture. Established business ownership, instead, indicates the percentage of the population actively involved in running businesses that proved to be sustainable.



# 2.0

## ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT

## ENTREPRENEURSHIP AND PER CAPITA GDP LEVELS

A systematic relationship exists between a country's level of economic development and its level and type of entrepreneurial activity. Countries with similar per capita GDP tend to exhibit similar levels of entrepreneurial activity, while significant differences exist across countries with different per capita GDP levels.

At low levels of per capita GDP, industrial structure is characterised by the prevalence of many very small enterprises. As per capita income increases, industrialisation and economies of scale allow larger and established firms to satisfy the increasing demand of growing markets and to increase their relative role in the economy. This increase in the role of large firms is usually accompanied by a reduction in the number of new enterprises, since a growing number of people find stable employment in large industrial plants. As further increases in income are experienced, however, the role played by the entrepreneurial sector increases again, as more individuals have the resources to go into business for themselves in an economic environment that allows the exploitation of opportunities. In high income economies, through a growing services sector, enhanced differentiation of consumer wants and accelerated technology development, entrepreneurial businesses enjoy a newly found competitive advantage. Of course, the rate of aggregate entrepreneurial activity also depends on the demographic, cultural and institutional characteristics of each country.

Regardless of the level of development, and firm size, entrepreneurial behaviour remains a crucial engine of innovation

and growth for the economy and for individual companies since, by definition, it implies attention and willingness to take advantage of unexploited opportunities.

Consistently with the previous analysis, Figure 1 shows that:

- Early-stage entrepreneurial activity is generally higher in those countries with lower levels of GDP.
- Early-stage entrepreneurial activity is relatively low in high income countries, especially for the core countries of the European Union and Japan.
- Countries with highest levels of GDP show increasing early-stage entrepreneurial activity suggesting a new increase in opportunity related entrepreneurship.

Figure 1 illustrates the association between entrepreneurship and the level of economic development outlined earlier. However, this cross-sectional approach does not imply any specific causal relationships between entrepreneurial activity and economic development.

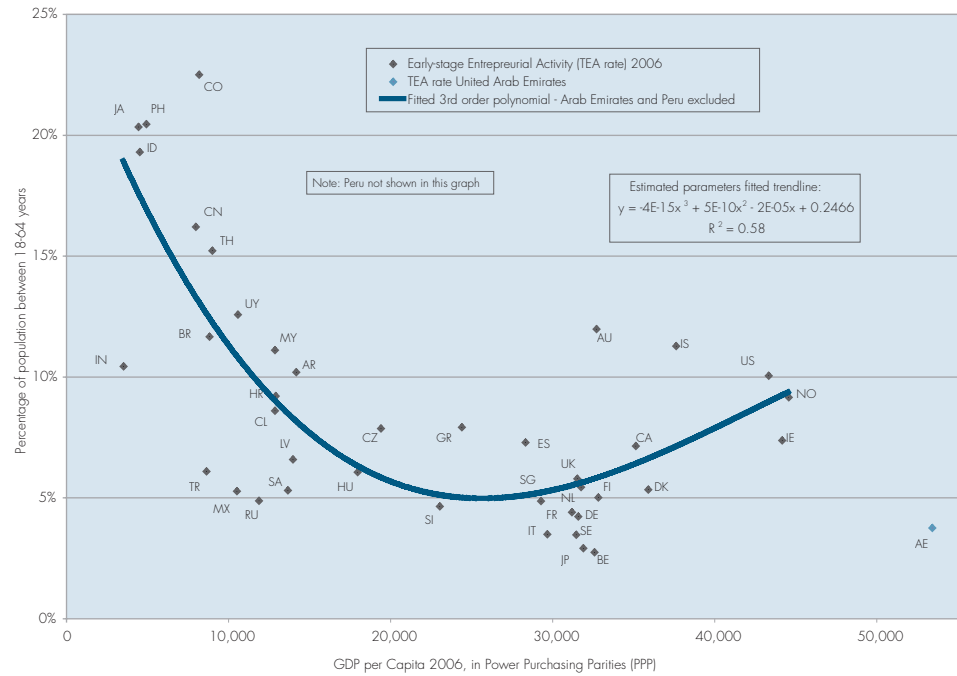
Figure 2 shows early-stage entrepreneurial activity across GEM countries in 2006.

There are wide variations in prevalence rates, although over the years, GEM data have shown these variations across countries to be relatively stable.

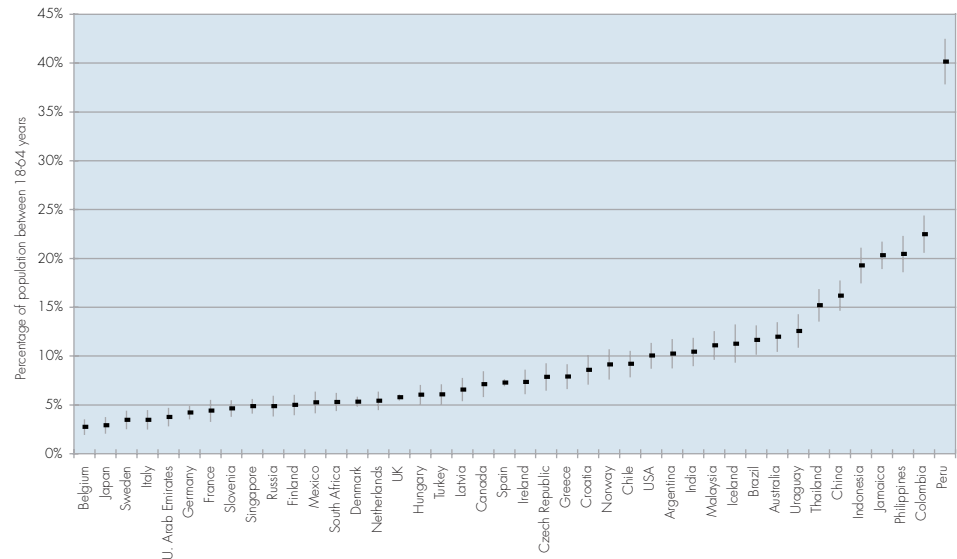
- Early-stage entrepreneurial activity is highest in Peru at 40.2%, and lowest in Belgium at 2.7%.
- The vertical bars indicate the confidence intervals (95%) of GEM estimates. Countries whose confidence intervals overlap do not differ from one another in a statistically significant manner.

**Fig. 1** - Early-Stage Entrepreneurial Activity Rates and GDP per Capita, 2006

Note: GDP levels were taken from the IMF's World Economic Outlook Database (October 2006)



**Fig. 2** - Early-Stage Entrepreneurial Activity by Country, 2006



**Fig. 3** - Established Business Ownership  
by Country, 2006

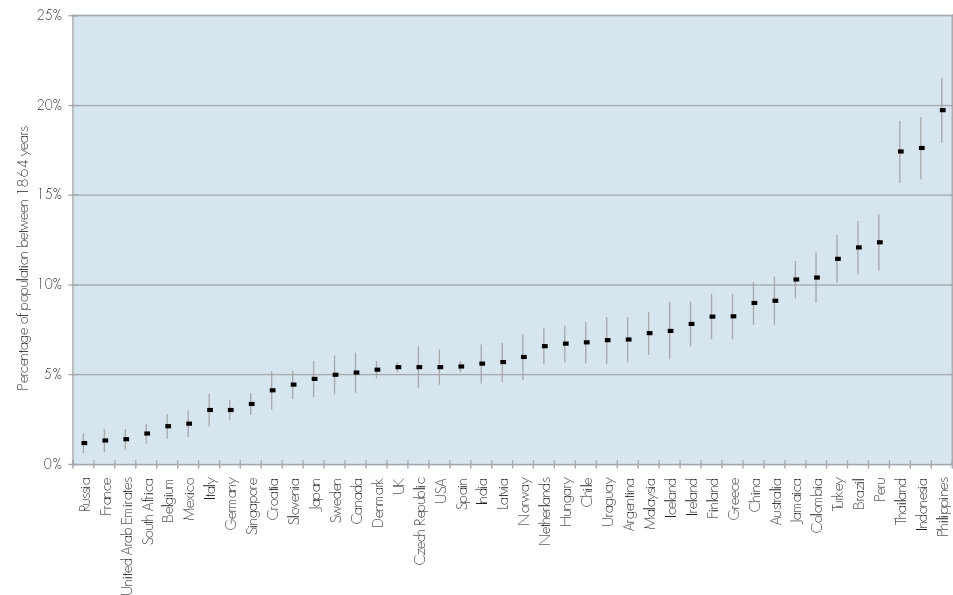


Figure 3 shows the prevalence rates of established business owners across GEM countries in 2006.

- Countries with higher early-stage entrepreneurial activity also tend to have higher prevalence rates of established business ownership. For example, the Philippines have the highest established business ownership at 19.7% and third highest early-stage entrepreneurial activity at 20.4%. Belgium, on the other hand, has the lowest rate of early-stage entrepreneurial activity and the fifth lowest rate of established business ownership.
- There are some exceptions to this general pattern. For instance, the United States have an established business rate, which is comparable to those of many European countries and Japan, whereas figure 2 showed that early-stage entrepreneurial activity is higher in the United States.



## HIGH INCOME VERSUS MIDDLE INCOME COUNTRIES

Given the established association between entrepreneurial activity and per capita GDP levels, countries that participated in the GEM study in 2006 can be divided into two groups, based on their per capita GDP.

### **Middle Income Countries<sup>2</sup>**

Argentina, Brazil, Chile, China, Colombia, Croatia, Czech Republic, Hungary, India, Indonesia, Jamaica, Latvia, Malaysia, Mexico, Peru, Philippines, Thailand, Turkey, Russia, South Africa, Uruguay.

### **High Income Countries<sup>3</sup>**

Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Netherlands, Norway, Singapore, Slovenia, Spain, Sweden, United Arab Emirates, United Kingdom, United States.

As suggested by figures 2 and 3, middle income countries lead in both early-stage entrepreneurial activity and the rate of established business ownership. The differences in prevalence rates between the two country groups are statistically significant at above 99% confidence level.

<sup>2</sup> These countries have per capita (PPP) GDP lower than USD \$20,000. In 2006, their average per capita (PPP) GDP is USD \$10,367 and their average real GDP growth (2005) equals 5.4%.

<sup>3</sup> These countries have per capita (PPP) GDP higher than USD \$20,000. In 2006, their average per capita (PPP) GDP is USD \$34,139 and their average real GDP growth (2005) equals 3.5%.



# 3.0

## CHARACTERISTICS OF ENTREPRENEURIAL ACTIVITY

MOTIVATION

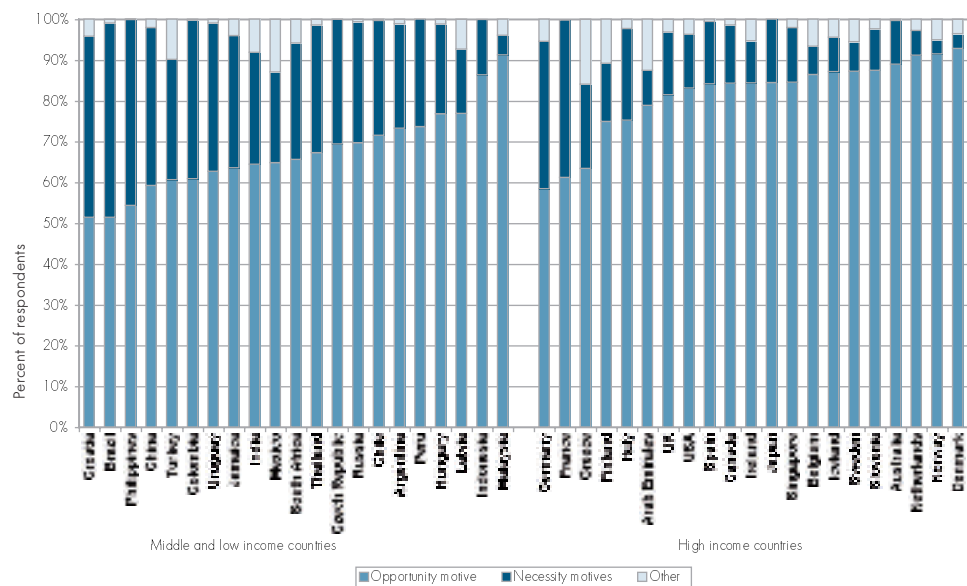
The GEM survey allows for differentiation according to the reasons that motivate entrepreneurial behaviour. In the GEM framework, individuals start a business for two main reasons:

- They want to exploit a perceived business opportunity (opportunity entrepreneurs).
- They are pushed into entrepreneurship because all other options for work are either absent or unsatisfactory (necessity entrepreneurs).

The vast majority of early-stage entrepreneurs across the world claim that they are attempting to take advantage of a business opportunity. Yet, figure 4 shows that there is also variation across countries in the balance of start-up motives. Overall, the results show that necessity entrepreneurship is relatively more common in middle income countries than in high income countries.

- In the group of middle income countries, the lowest percentages of opportunity-driven early-stage entrepreneurial activity are found in Croatia, Brazil and the Philippines at around 50%. At the other end, about 90% of Malaysia's and Indonesia's early-stage entrepreneurs report to be driven by opportunity.
- There is also wide variation in the group of high income countries. The highest percentages of opportunity-driven early-stage entrepreneurial activity are found in Denmark, Norway and the Netherlands (all higher than 90%). Germany, France and Greece have much lower shares of opportunity-driven early-stage entrepreneurs at about 60%.

Figure 4 - Opportunity to Necessity Early-Stage Entrepreneurship



## INNOVATIVENESS

By increasing the competitive offering of new products and services, entrepreneurs contribute towards greater market efficiency. In addition, many entrepreneurs are important agents of innovation. To measure innovativeness, GEM asked entrepreneurs and business owners how they evaluate the newness of their product or service, the competition they face, and the novelty of their product or service technology. Because they represent individual entrepreneurs' perceptions of their own situation, such assessments are inevitably context-specific, and they are likely to vary between countries.

Figure 5 compares the newness of the products and services among early-stage entrepreneurs and established business owners in the two country groups. The pattern is very similar for both groups: the majority of businesses are offering products or services that are not new to customers, and only a small fraction claim that what they offer is new to all customers.

- In middle income countries, early-stage entrepreneurs are somewhat more likely (19%) to say that their product is new to all customers than those in high income countries (15%).
- 52% of early-stage entrepreneurs in middle income countries and 56% of early-stage entrepreneurs in high income countries did not consider their product to be new to their customers.
- Similarly, established business owners in middle income countries were more likely to say that their product was new to all customers (16%) than established business owners in high income countries (9%).
- In high income countries, established business owners are more likely than their counterparts in middle income countries to view their product as new to none of their customers (71% compared to 62%).
- The proportion of established business owners who believe to have an innovative product is significantly lower than the related percentage of early-stage entrepreneurs.

**Figure 5** - Newness of Products by Country Group, 2006

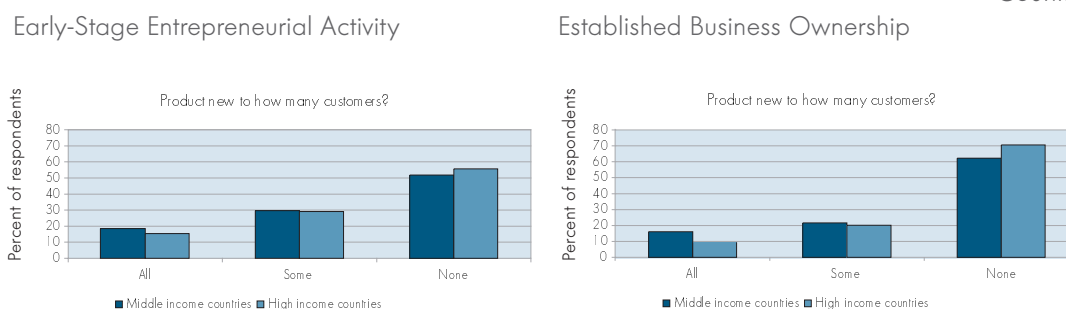


Figure 6 shows that most entrepreneurs also say that they expect to face many competitors in their markets. Established business owners in the two country groups show no significant difference in their evaluation of the degree of competition they face.

- Regardless of country group, about half of early-stage entrepreneurs expect many competitors (51% in high income countries and 57% in middle income countries).
- Only 11% of early-stage entrepreneurs in high income countries and 9% in middle income countries expected to have no competitors.
- In the middle income country cluster, established business owners are more likely to say that they have many competitors compared to their high income counterparts (70% compared to 63%).
- Only 6% of established business owners in both middle income countries and high income countries claim that there are no other businesses offering the same product.

A third important indicator of the innovativeness of a business comprises the technologies and productive processes it uses. Figure 7 shows significant differences in the use of new technologies between high and middle income country groups.

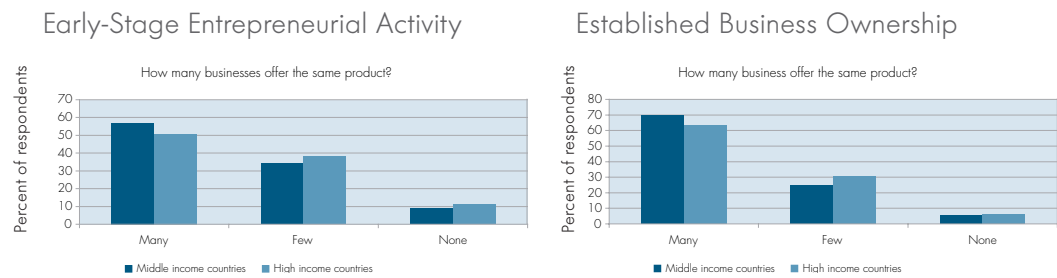
- In both country groups, the percentage of established business owners claiming that their technology is not new is significantly higher than the comparable percentage of early-stage entrepreneurs.

- Early-stage entrepreneurs in middle income countries are substantially more likely to use new technologies than their counterparts in high income countries. Depending on levels of development, a technology considered new in a middle income country may not be considered as new in a high income country.
- In middle income countries, 16% of early-stage entrepreneurs claimed that they used the very latest technology (not available a year ago) and 22% claimed they used new technology (available for 1-5 years). In high income countries, these figures are 7% and 18% respectively.

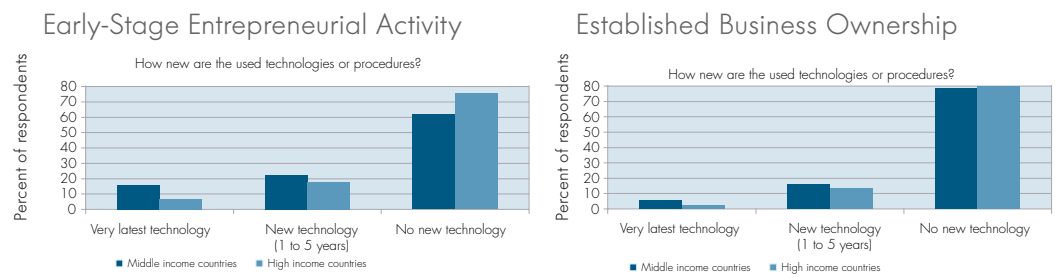
## SECTORAL DISTRIBUTION

In order to analyse the sectors in which people attempt to start businesses and compare their distribution with those of established business, GEM codes activity according to the International Standard of Industrial Classification of All Economic Activities (ISIC). Figure 8 shows that the largest share of early-stage entrepreneurs and established business owners are active in consumer oriented activities (where the primary customer is a physical person e.g. retail, restaurants and bars, lodging, health, education, social services, recreation), followed by transformation (construction, manufacturing, transportation, and wholesale distribution) business services (where the primary customer is another business), and extractive activities (extraction of products from the natural environment).

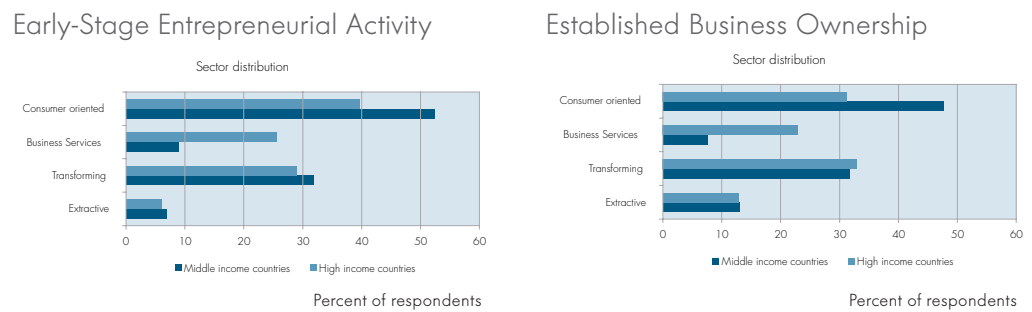
**Figure. 6** - Expected Number of Competitors by Country Group, 2006



**Figure. 7** - Newness of Technology by Country Income Grouping, 2006



**Figure. 8** - Sectoral Distribution of Entrepreneurial Activity by Country Clusters, 2006



- Early-stage entrepreneurs in high income countries are much more likely to be found in the business services sector than those in middle income countries (25% vs 9%). The pattern for established business ownership is very similar; early-stage entrepreneurs in middle income countries are more likely to sell their products directly to the consumer. In other words, figure 8 confirms that there is more business-to-business trade in high income countries.
- For both country groups the share of early-stage entrepreneurs who are active in extractive sectors is significantly lower than the share of established business owners who are active in extractive sectors.

## ENTREPRENEURIAL DEMOGRAPHICS

Scholars of entrepreneurship in a variety of disciplines agree that age, gender, work status, education, income, and perceptions are all significant socio-economic factors in a person's decision to start a business.

### Age

The age distribution of early-stage entrepreneurs is comparable between high income countries and middle income countries. In particular, early-stage entrepreneurial activity is most prevalent in the age group of individuals 25-34 years old, and least prevalent in the 55-64 year old group.

The age distribution of established business owners is also comparable between the two-country groups. On average, established business owners are older than early-stage entrepreneurs. Respondents aged 45-54 years old in both the middle and high income groups reported the highest rate of established business ownership.

### Gender

In general, men are significantly more likely to start a business than women. In none of the countries participating in GEM in 2006 are women more active in starting and owning businesses than men. Only in the Philippines are women and men about equally likely to be entrepreneurially active. Significant differences exist, however, in the gender gap between countries.

The gender gap exists for both early-stage entrepreneurial activity and established business ownership, and in both country groups. Yet, the gender gap is more pronounced in high income countries than in middle income countries. This could be because (i) the access of women to labour markets may be more restricted in middle income countries, prompting them to start their own businesses instead and (ii) in higher income countries women may have access to social services and safety nets that may discourage them from setting up businesses.

For both country groups, the gender gap is greater among established business owners than among early-stage entrepreneurs. The available data does not allow us to say whether this might be due to a higher success of males in getting the business started and sustainable, or whether this might signal greater future participation of women in entrepreneurial activity.

### Work Status

In both country groups, the participation rates of people currently starting a business are by far the highest among working people, either full-time or part-time. In both country groups, participation rates in early-stage entrepreneurial activity are much lower among people who



are currently not working (e.g., due to unemployment), or who are not actively participating in the labour market because they are either students or retired. Overall, the work status patterns are quite similar between the two country groups, except that the participation rates of not-working people are higher in the middle income countries.

### **Education**

Similar to 2005, in both clusters, people with post-secondary or graduate educations are more involved in early-stage entrepreneurial activity.

Established business ownership in both middle and high income countries does not show a similarly strong correlation with educational attainment.

Overall, however, the relationship between entrepreneurial activity at all stages and education is unclear. This is probably due to the fact that entrepreneurial ventures are the response to a variety of circumstances and present a variety of characteristics.

### **Household Income**

Across all countries, regardless of per capita GDP, individuals with a higher household income are more likely to be involved in early-stage entrepreneurial activity. However, differences among income groups within each country are less pronounced in middle income countries.

When grouping early-stage entrepreneurial activity rates with respect to household income categories, the aggregate difference within high income countries is greater than the aggregate difference within middle income countries. This difference is far less pronounced for established entrepreneurship. Also, the prevalence of established business ownership shows a somewhat different pattern for the two country groups. Higher income levels are much more common among established business owners in high income countries than in middle income countries.

## CONCLUDING REMARKS

The GEM project provides a comprehensive description of entrepreneurial activity around the globe. This, in turn, is intended to provide a platform for debate concerning policy implications. Governments have an important role to play in encouraging entrepreneurial activity, and this role is likely to vary according to the income level of a given country.

The institutional environments that entrepreneurs operate in – political, legal, and cultural – directly influence their activity and hence the course of economic development of the country. Entrepreneurs are present in every country and every cultural setting. The institutional environment will direct the activities of entrepreneurs. Thus, when it comes to entrepreneurship, the creation of institutions conducive to entrepreneurial activity, such as property rights, monetary stability, respect and enforcement of the rules of law, legal and financial transparency, market openness, and a fair competitive environment are the fundamental responsibilities of government all over the world.

In addition to these general principles, the expanded view of entrepreneurship provided by the GEM study confirms that entrepreneurship comes in many forms. Therefore, when it comes to entrepreneurial policy, one size does not fit all. Effective policies with respect to entrepreneurship need to be tailored to the local context and depend on what aspect of its entrepreneurial portfolio a country wishes to enhance.

Since its inception in 1999, GEM has provided an unprecedented amount of information on entrepreneurial activity across countries. We invite academics, policy makers, entrepreneurs, and anyone interested and passionate about entrepreneurship to use this information and to work with us to further increase what we know about this important phenomenon.

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CONTACTS



London Business School is a leader in management education, consistently ranked among the top-ten business schools in the world. Our academic faculty produces high-quality, world impacting research, and nurtures future leaders. Our students and executive education participants hail from 131 countries. We are based in the world's best-connected city. More than 75% of Fortune 500 companies have offices in London, and the capital city is home to more international banks than any other city. We offer 'London experience. World impact.' Our vision to be the pre-eminent global business school.



Babson, located just outside of Boston in Wellesley, Massachusetts, is an independent school of management that takes an innovative approach to preparing undergraduates, graduate students, and working professionals for the modern business world. Entrepreneurship is Babson's heritage. Its roots extend to the College's inception 85 years ago, when Roger W. Babson, who had built a successful investment information publishing firm, noted a significant opportunity to improve the quality of management education. Believing that the real-world experience of business practitioners uniquely equipped them to teach management, he founded the school that bears his name in 1919. Babson has held true to its entrepreneurial legacy and today is internationally recognised as the leader in entrepreneurial management education. It leads the way through such innovative learning concepts as integrated curriculum, cross-functional team teaching, and blended classroom and web-based learning. For more information on Babson please visit [www.babson.edu](http://www.babson.edu).



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