THIS REPORT MARKS THE 15TH ANNIVERSARY OF GEM, BOTH GLOBALLY AND IN THE UNITED STATES. THE GEM UNITED STATES TEAM WOULD LIKE TO EXTEND OUR DEEPEST GRATITUDE TO OUR COLLEGE LEADERS WHO HAVE SUPPORTED US OVER THE YEARS

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The Global Entrepreneurship Monitor and the authors thank the individuals in the United States who took the time to answer survey questions.

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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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Foreword

Kerry Healey, President

Congratulations are in order as GEM celebrates its 15th year of groundbreaking research on entrepreneurship in the United States and around the world. As the scope, reach and influence of GEM has grown over the years, the project itself has embodied and demonstrated many of the same entrepreneurial characteristics and qualities that it measures, tracks and reports on across a broad range of people and societies.

From its inception, GEM has been a collaborative effort, driven by people and institutions committed to turning an idea that originated at Babson College and London Business School to an incredible team of partners from around the world. Working collaboratively, we’re demonstrating how something we believe in so deeply—entrepreneurship—has the power to create economic and social value everywhere and change our world for the better.
On the inside front cover of this year’s 2013 GEM United States Report you’ll find a list that includes a group of distinguished college leaders who have supported GEM since its inception. I want to especially thank William D. Bygrave, co-founder of GEM and Professor Emeritus at Babson College, as well as our friends and colleagues at Baruch College for their leadership, scholarship and enthusiasm since becoming our institutional partner in 2008.

While GEM has accomplished so much, we have so many exciting stories still to be discovered and told. As Babson College president, one of my goals for GEM is to continue to increase both the scope and depth of the United States report in future years to include data from all 50 states. This year’s report clearly demonstrates that GEM is a powerful tool for policy makers, business leaders, governments, institutions and aspiring entrepreneurs across the nation in their search for new and better ways to create economic growth, add jobs and improve living standards.

We have much to celebrate in the 2013 GEM results. Americans expressed the most positive views yet about the environment for entrepreneurship around them since the survey started in 1999 and they are highly confident about their capabilities for starting a business. We have much to be proud of in our women entrepreneurs, who are starting businesses at a higher rate than any of the other 24 developed economies surveyed by GEM in 2013. Moreover, many of these women aspire to grow their businesses.
While these findings reinforce our notions of the United States as an entrepreneurial society, we must recognize that our work is not complete. To continue building and sustaining the impact of entrepreneurship in the United States, we must look toward ways to better support this activity, whether it’s improving the policy environment, fostering the ecosystem in which entrepreneurs can thrive, or providing education and training that enables Americans to act on opportunities when they recognize them.

The enthusiasm and energy for entrepreneurship is increasing everywhere, not only in the United States but in every corner of the world, and the implications for society can be transformational. The GEM United States 2013 Report is a key piece of evidence that our efforts to compile, analyze and share key data on entrepreneurship are having a measurable, positive and lasting impact. I look forward to supporting GEM both here and globally to continue building on our momentum to achieve ever greater success for the next 15 years and beyond.

Tony Hignell, President
In 2013, an estimated 25 million Americans were starting or running new businesses, and 7.7 million projected they would employ six or more people in the next five years. In addition to these entrepreneurs, an estimated 14 million Americans were running established business, of whom 3.2 million projected employing six or more employees in the next five years.

The United States consistently exhibits one of the highest entrepreneurship rates in the developed world. Entrepreneurship provides job options for those who see opportunities and those who need a source of income. They affect the U.S. economy as both current and future employers. Entrepreneurs additionally play key roles as suppliers, customers, and service providers for other businesses, creating value and employment beyond their specific organizations.

In 2013, the Global Entrepreneurship Monitor (GEM) conducted its 15th annual survey of entrepreneurship around the world. The United States survey of 5,698 working-age adults revealed high and stable new business startup rates for the third consecutive year. Nearly 13% of the U.S. working age population was in the process of starting or running a new business—the highest entrepreneurship rate reported among the 25 developed economies that participated in GEM 2013 from North America, Europe, and Asia. The majority of entrepreneurs in the United States start businesses to pursue an opportunity; however, necessity motives remain persistently higher than before the recession.

Beyond motives for getting started, however, the 2013 results illustrate the diverse nature of entrepreneurship in the United States and its effect on the U.S. economy. This report highlights global and longitudinal comparisons of entrepreneurship in the United States, the degree of support for potential entrepreneurs in American society, the value special populations like women and seniors bring to the entrepreneurship ranks, perceptions of well being among those who participate in this activity, and the unique entrepreneurship profile of four geographically distinct states.

**SELECT KEY FINDINGS**

- Americans have the most positive views yet about the environment for entrepreneurship around them. Approximately 47% of Americans believe there are good opportunities for starting a business, the highest level reported on this indicator since GEM started surveying the United States in 1999. In addition, fear of failure appears to have slowed its slight upward creep, although it has remained elevated since 2008, signaling some persistent caution.

- Americans as a whole are confident that they could start a business. In 2013, 56% of Americans believed they had the capabilities to launch a business—a remarkably stable indicator despite the recent economic turbulence, and the highest level among the 25 developed economies assessed in 2013.

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6 Belgium, Canada, Czech Republic, Finland, France, Germany, Greece, Ireland, Israel, Italy, Japan, Korea (Republic of), Luxembourg, Netherlands, Norway, Portugal, Puerto Rico, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, United Kingdom, United States.
• The United States exhibits not only high entrepreneurship rates, but high impact entrepreneurs as well. Some 37% of entrepreneurs expect to employ six or more employees in the next five years, and slightly more than one-third stated that they offered products or services that were new to some or all customers and had no or few competitors.

• Despite high levels of growth orientation and innovation, however, American entrepreneurs tend to focus internally. Only 11% report that more than 25% of their customers come from outside the United States. Additionally, NAFTA appears to be bypassing the entrepreneurs: less than 1% of entrepreneurs have more than 25% Canadian customers, and only 2% have that many Mexican customers.

• One out of ten women in the United States is starting or running a new business, a higher rate than any of the other 24 developed economies assessed in GEM in 2013. The results also show greater impact: the proportion of women that want to grow their businesses by more than five employees in the next five years increased from 31% in 2012 to 36% in 2013. This represents 3.73 million American women with growth-oriented businesses.

• Gaps between women and men in entrepreneurship rates, intentions to start, and perceptions of opportunities are greatest at the 35–44-year-old age range. In that age group, men show peak levels with regard to entrepreneurship rates and opportunity perceptions, while women do not show an upswing in rates for those indicators. Female youth also show a much lower entrepreneurship rate compared to their male counterparts, despite expressing slightly higher opportunity perceptions than male youth.

• The United States has the highest rate of entrepreneurship among 55–64 year olds in the 25 developed economies that participated in the GEM 2013 survey. The efforts of people in that age group seem to be supported by resources and positive attitudes. More than half of the entrepreneurs age 55 and above come from the highest third of household income. Societal attitude measures show that 55–64 year olds are equally likely as younger Americans to see entrepreneurial opportunities and they are less risk averse. Further, they are more confident in their abilities to start businesses than those 18–44 years of age.

• Opportunity-based entrepreneurs are more satisfied with their lives, which they are more likely to describe as “excellent” and “close to ideal” than those who do not become entrepreneurs. Necessity entrepreneurs, however, are substantially dissatisfied. Satisfaction appears to increase with age and among established business owners. Among the adult population, those with more positive well being scores are much more likely to perceive opportunities for entrepreneurship; they also show high perceptions of their capabilities and lower fear of failure that those with lower well being scores.

• U.S. states show distinct entrepreneurship profiles, with variations from the national averages on different dimensions. California has high gender equality and many international entrepreneurs, yet high necessity motives. Entrepreneurship in Michigan tends to attract men, as well as people in their mid-careers, and more manufacturing but less international activity than is reported nationally. New York exhibits a high level of youth participation, but fewer women, and a thriving business service sector. Texas has wealthy, educated entrepreneurs with high growth ambitions and international scope.
EXECUTIVE SUMMARY

TEN KEY RECOMMENDATIONS

1. Track opportunity perceptions and intentions as indicators of the current and forthcoming environment for entrepreneurship.

2. Identify and reduce barriers to growth-oriented and innovative entrepreneurs.

3. Develop objectives aimed at increasing the international scope of American entrepreneurs; equip entrepreneurs with the ability and support needed to compete internationally.

4. Examine the effects of trade agreements on new and small enterprises.

5. Provide visibility and support for growth-oriented female entrepreneurs.

6. Research youth and mid-career gender gaps and design initiatives to address them.

7. Acknowledge and leverage the value that older entrepreneurs can bring to American society.

8. Recognize the importance of entrepreneurial motivations in the satisfaction that entrepreneurs derive from this activity.

9. Promote the long-term personal satisfaction of entrepreneurship while addressing the pressures younger and early-stage entrepreneurs may experience.

10. Assess state-level differences in entrepreneurship; provide forums for discussing conditions that explain these differences, sharing experiences, and discussing potential solutions.
The United States economy has been experiencing a slow recovery since the Great Recession and 2013 was not an exception. There are, however, developments that make 2013 different. Wall Street rallied throughout 2013, ending with one of its best years in recent times. The Dow Jones Industrial Average rose 26.5% (from 13,104 to 16,577), its largest rise since 1989, and the S&P 500 rose by 32.4%, its largest increase since 1997. The unemployment rate, although still more than 6.5%, showed the largest annual drop since the recession. Health care costs exhibited smaller increases in 2013 and new housing starts reached an all-time high since the Great Recession started in December 2007. And the U.S. became the largest producer of oil and gas in the world, passing Saudi Arabia and Russia; it now produces more oil than it imports.

The year 2013 started after a period of slow growth: Gross domestic product (GDP) had slowed to 0.1% in the last quarter of 2012. Nevertheless, the growth rate rebounded to 1.1% in the first quarter and continued to increase to 2.5% and 4.1% in the second and third quarters, respectively. This transition is evident in Figure 1, which shows quarterly growth rates since 2008. The performance in the first quarter is particularly interesting, because the sequestration law went into effect on March 1, bringing broad reductions in spending.\(^1\)

In the last quarter, the GDP growth rate fell to 2.6%, due to the partial government shutdown over debt limit negotiations in October, which created uncertainty for entrepreneurs, investors and consumers.

\(^1\) The Budget Control Act of 2011 went into effect on March 1, 2013, mandating cuts to particular spending categories.
INTRODUCTION

In addition to the overall growth in GDP and investors’ optimism in the stock market, employment in the United States experienced a faster recovery. In 2013, the U.S. economy added about 2.3 million non-farm jobs—only a bit more than it did in 2012. At the same time, the unemployment rate for the working population above age 16 decreased from 7.9% at the beginning of 2013 to 6.7% at the end of the year—the largest annual decline in unemployment since the end of the recession. Figure 2 shows the unemployment rate from 2005 to 2013.

Throughout the year, the unemployment rate for women was, on average, about 0.6 percentage points lower than for men. Figure 3 depicts the unemployment rates across states, showing that the rates in some southwestern and southern states exceeded the national average. Of the four states highlighted in Chapter 5 of this report, two (California and Michigan) show higher-than-average unemployment rates, while the other two (New York and Texas) exhibit more moderate levels.

U.S. monetary policy, which is determined by the Federal Reserve, and fiscal policy, which is determined by Congress and the executive branch, are the two main macroeconomic policies that the government can use to stabilize the economy and encourage it to recover from recession.

**THE FEDERAL RESERVE**

Since the beginning of the recession, the Federal Reserve used two main instruments to lift the economy out of recession. The first one was the traditional open market operation, by which the Federal Reserve reduced the federal funds rate (the interest rate at which banks borrow money), in hopes of reducing interest rates across the economy, encouraging borrowing and spending, and in turn stimulating economic growth. The Federal Reserve eventually exhausted this instrument by reducing the federal funds rate to nearly zero in the fall of 2008 (where it remains). However, the economy did not improve as expected, so the Federal Reserve deployed its second instrument—an unconventional and somewhat controversial approach known as quantitative easing. Every month, the Federal Reserve bought a relatively large number of mortgage-backed securities and treasury bonds, thereby increasing the money supply. In theory, boosting the money supply would encourage banks to lend more, especially in the mortgage market, leading to an easing of the financial markets and the credit crunch. The Federal Reserve implemented three rounds of quantitative easing beginning in 2008 and declared that it would continue doing so, as long as the economy still failed to show strong signs of recovery.

On December 18, 2013, the Federal Reserve announced that it would start to “taper” its quantitative easing practices because the economy showed signs of significant recovery. With the unemployment rate down to about 6.7%, successive quarters of growth, and rallies on the stock markets, the Federal Reserve reduced the number of securities and bonds it bought from $85m down to $75m in January 2014. However, it also announced that it would keep the federal funds rate near zero well after the unemployment rate falls below 6.5%. This commitment to a policy well into the future gave investors, entrepreneurs and consumers confidence, encouraging them to borrow and invest more.
INTRODUCTION

In the past few years, the European Central Bank (ECB) was suspicious of the efficacy of quantitative easing. Recently, however, some top officials at the ECB who had been adamantly opposed to using it now indicated they would consider such a policy.

THE U.S. GOVERNMENT AND FISCAL POLICY

The emphasis of fiscal policy in 2013 was on reducing the budget deficit. In the last four years, the government trimmed the deficit by 5.4 percentage points of GDP; half of that reduction happened only in 2013, creating the fastest reduction in the U.S. budget deficit since World War II. However, such deficit reductions required cuts in spending and tax increases, which postponed economic recovery. The Congressional Budget Office, a respected non-partisan economic adviser, argued that the implemented fiscal policy may have reduced economic growth by as much as 1.5%. In his final speech as chairman of the Federal Reserve, Ben Bernanke (who stepped down in February 2014) noted that U.S. fiscal policy was working in the opposite direction to monetary policy, which aimed to speed up the recovery and increase growth in the economy. “To illustrate the extent of fiscal tightness,” Mr. Bernanke declared, “at the current point in the recovery from the 2001 recession, employment at all levels of government had increased by nearly 600,000 workers; in contrast, in the current recovery, government employment has declined by more than 700,000 jobs, a net difference of more than 1.3 million jobs.”

The fiscal policy was drafted amid many political battles between Congress and the White House; it was subjected to gridlock, give-and-take, and brinkmanship, such as the debt ceiling crisis3 and sequestration. This experience illustrates how politics encroach on the design of fiscal policy. Moreover, unlike monetary policy, which is clearly communicated well in advance, negotiations in Washington are fraught with uncertainty, with decisions sometimes delayed until the last minute. Even after decisions are made, they can be postponed, diminishing the confidence of entrepreneurs, investors and consumers about the future of the economy.

THE GLOBAL ENTREPRENEURSHIP MONITOR

Since 1999, the Global Entrepreneurship Monitor (GEM) has conducted annual adult population surveys (APS) in economies across the globe. National teams in each participating economy administer these surveys, under the central oversight of the GEM coordination team. The GEM U.S. team is based at Babson College in Massachusetts, in partnership with Baruch College in New York.

GEM was founded on the belief that, despite growing recognition about the importance of entrepreneurship to economic development, there was little understanding about the individuals that start businesses around the world. GEM surveys identify individuals who run both formal and informal businesses, overcoming problems with studies that focus exclusively on firm registrations. GEM also tracks entrepreneurship through a range of stages and assesses societal attitudes with regard to this activity. In addition, this research examines characteristics of the entrepreneurs, such as their profiles and motivations, as well as the impact they can have on their societies.

Additionally, with 15 years of data collection, GEM can exhibit longitudinal changes in the rate and nature of entrepreneurship in many economies. Through GEM’s harmonization processes, comparisons can be made with other participating economies. As such, GEM provides a comprehensive look at entrepreneurship around the world and over time, with valuable insights for academics, policy makers, educators and practitioners.

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3 The debt ceiling limits the amount that the federal government can borrow to pay debts it has already committed to. A debt ceiling crisis ran from January to October 2013, when the U.S. Congress argued about the national debt, the debt ceiling, as well as federal government spending.
GEM MEASURES

Figure 4 illustrates GEM's entrepreneurship indicators. These include societal attitudes toward entrepreneurship, participation in multiple phases of the entrepreneurship process, and profile and impact indicators. Contained within this figure is a key measure of GEM: total early-stage entrepreneurial activity (TEA), which comprises nascent entrepreneurs in the process of starting a business as well as new business owners.

A healthy entrepreneurial society requires individuals participating at multiple phases of the process. In order to have entrepreneurs, for instance, a society needs people who are willing to venture into this activity. Nascent entrepreneurs, if successful, become new business owners. Societies also need some element of sustainability to encourage others and allow these one-time startups to create ongoing value for current and new stakeholders. Established entrepreneurs are therefore also necessary.

The arrows connecting different phases (intentions, nascent, new, etc.) in Figure 4 are uneven, providing a reminder that, although the phases draw on those who graduate from earlier phases, some people in these earlier phases might not progress to the next one. In other words, not everyone who starts a business will become a new business owner, and so forth.

Two main characteristics provide additional detail about those individuals who participate in total entrepreneurial activity (TEA). First, indicators relating to profile tell us who is participating in entrepreneurship in the United States. As such, it is possible to discern whether all groups in society are engaging in this activity. Second, GEM recognizes that all entrepreneurs are important, but they can affect their societies to different degrees. Elements like industry participation, growth ambitions, innovation, and internationalization show the contribution entrepreneurs can make toward job creation and national competitiveness.

Finally, Figure 4 includes societal attitudes, which indicate the extent to which a society possesses a ready supply of potential entrepreneurs and like-minded stakeholders that can support them and participate in their efforts. These indicators show the degree to which people see opportunities, believe they are capable of
starting a business and are willing to take risks, along with whether they personally know entrepreneurs. As such, societal-level views toward entrepreneurship are key measures of an economy’s entrepreneurial potential and support.

ECONOMIC DEVELOPMENT LEVELS

When examining the rate and nature of entrepreneurship globally, it is useful to acknowledge differences across levels of economic development and to examine economies within a particular development stage. GEM groups the participating economies based on GDP per capita and the share of exports that comprise primary goods, following the World Economic Forum’s (WEF) Global Competitiveness Report.4

The United States is grouped with advanced countries in the innovation-driven phase of development. Businesses at this development stage are more likely knowledge intensive, with an expanding service sector. This report includes comparisons of the United States with 24 other innovation-driven economies from Europe, North America, and Asia, as well as the nation of Israel.

UNIQUE COMPONENTS OF THE 2012 REPORT

This report reveals GEM U.S. results for 2013 on the range of traditional entrepreneurship measures GEM tracks. The findings include both global and longitudinal comparisons (Chapter 1). The report devotes entire chapters to two special populations: women (Chapter 2) and seniors (Chapter 3). Chapter 4 reports on a special topic chosen by the GEM consortium for the 2013 survey: assessments of well being among entrepreneurs, established business owners and the general population. Finally, Chapter 5 explores the differences in entrepreneurship profile among four geographically diverse states: California, Michigan, New York and Texas. The report concludes with some key recommendations based on several distinct insights revealed in the data.

HOW TO USE THIS REPORT

Since 1999, GEM has served as a distinctive and valuable source of data on entrepreneurship for a variety of audiences. GEM has provided the basis for innumerable academic studies, including publications in peer-reviewed journals, books and other research outlets. The study has garnered the interest of journalists around the world, appearing in prestigious publications such as the Wall Street Journal, Economist, Financial Times, Huffington Post, and Business Week. In 2013 alone, GEM reports and datasets were downloaded nearly half a million times.

Educators around the world use GEM reports and data in their classes. Policy makers draw on GEM data to take the pulse of entrepreneurship in their districts and to inform policy discussions and decisions. GEM is a frequent and popular topic of presentations around the world; in the United States, GEM was presented at events hosted by the State Department, the World Bank, the National Governor’s Association, the American Institute of Economic Research, the International Federation of Accountants, and other organizations.

Much of the focus on enhancing entrepreneurship in a society is targeted toward the ecosystem for this endeavor. By “ecosystem,” we mean the mix of environmental factors that directly or indirectly clear a path for entrepreneurs to carry out their ambitions (or on the downside, throw obstacles in their path). The determinants of entrepreneurship are complex and not well understood; it is difficult to tie specific variables to the rate or profile of entrepreneurship in a particular economy. The entrepreneurial ecosystem, however, is critical to the study of entrepreneurship because it can represent conditions that entrepreneurs must navigate and levers that policy makers can address.

4 According to the WEF classification, the factor-driven phase is dominated by subsistence agriculture and extraction businesses, which rely heavily on labor and natural resources. The efficiency-driven phase is accompanied by industrialization and an increased reliance on economies of scale, and capital-intensive large organizations are more dominant. In the innovation-driven phase, businesses become increasingly knowledge intensive and the service sector expands.
Figure 5 illustrates how entrepreneurship in a society is influenced by its ecosystem and, in turn, affects economic development. The ecosystem conditions in this figure include basic requirements, efficiency enhancers and innovation and entrepreneurship factors. Those categories have been adopted from the WEF Global Competitiveness Report, and GEM has further modified the innovation and entrepreneurship factors. These ecosystem conditions represent those that can have some bearing on the GEM entrepreneurship measures: societal attitudes toward entrepreneurship, who and how many participate in various phases of this process, and the impact of entrepreneurs on their economies.

Policy makers might consider the health of their entrepreneurship ecosystem and the extent to which certain conditions might have an effect on the willingness of people to venture into entrepreneurship, their ambitions for such ventures and their ability to sustain their businesses over time. Comparisons of GEM results within and across states, regions and economies, as well as over time, can provide the basis for discussions on what may or may not work to stimulate entrepreneurship in an area.

A key aim of GEM is thus to inform academics, educators, policy makers and practitioners about the frequency and nature of entrepreneurship in and across economies around the world in order to provide better understanding, support and conditions that allow entrepreneurship to thrive.

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**FIGURE 5**

The Ecosystem and Role of Entrepreneurship in Society

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<td>- Market Size</td>
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Chapter 1:
Entrepreneurship in the United States: A Global and Longitudinal Comparison

In 2013, an estimated 25 million Americans were starting or running new businesses and an estimated 14 million ran established businesses. A global comparison shows that the United States exhibits the highest entrepreneurship rates among developed economies in North America, Europe, and Asia. Longitudinally, the United States has maintained this high rate of entrepreneurship for three years running, after reporting substantial declines in this activity in the aftermath of the recession.

A COMPARATIVE AND LONGITUDINAL VIEW OF ENTREPRENEURSHIP IN THE UNITED STATES

Figure 6 shows TEA rates for the economies that participated in the 2013 GEM survey. The economies are organized by TEA rate within three development levels. As a group, the developed economies (innovation-driven) typically show lower and less varied TEA rates compared with those in the earlier development stages.

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7 Based on United States Census estimates of 193,212,000 adults (ages 18–64) in the U.S. population.
While the United States displays high entrepreneurship rates, the country also exhibits a few distinct underlying characteristics of entrepreneurship. First, most of the TEA rates in the United States is due to nascent activity. While the average level of nascent activity is 4.4% among the developed economies in North America, Europe, and Asia, 9.2% of the U.S. adult population is in the process of starting a business. This represents generally high startup activity in the United States but also continues a surge in startup efforts since 2011. Nascent activity dropped to less than 5% in 2010, and then rebounded to more than 8% in 2011, maintaining this high level for the next two years.

A second characteristic of entrepreneurship in the United States is the persistently higher level of necessity motives reported in the past several years. In 2013, slightly more than 21% of U.S. entrepreneurs started their businesses because they had no other options for work; this compares to 18.5% on average for the developed economies. Generally, as an economy develops, more jobs become available to those who prefer work as employees, resulting in fewer startup efforts overall, but also fewer due to necessity.

Economic downturns, however, can cause a different trend. During recessionary periods, there is often a shift toward not only fewer entrepreneurs but also a higher proportion of necessity-driven entrepreneurs. As Figure 7 reveals, 12% of U.S. entrepreneurs started their businesses out of necessity in 2008. That proportion shot up to more than 28% in 2010, and then settled back to 21% over the next three years. While TEA rates in 2011 rebounded back to a higher level than in 2008 and remained stable for the next two years, necessity motives remained high.

![Figure 7](https://example.com/figure7.png)

*FIGURE 7*  
Longitudinal Trends in Necessity Motives Among Entrepreneurs in the United States Adult Population (18–64 years of age), 2008–2013

Taken together, these results suggest that people delayed or were deterred from starting businesses for a few years after the recession hit. Those that did start, however, more likely did so because they were being pushed into that activity out of necessity. This conclusion implies that opportunity entrepreneurs did not see attractive

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8 Total Entrepreneurial Activity comprises nascent and new entrepreneurs. Nascents are those entrepreneurs who have not paid salaries or wages for more than three months. Those who have been operating businesses for three months to three and a half years are classified as new entrepreneurs.
prospects for starting a business at the time. They may have decided to hold onto jobs that offered more stable incomes. Other factors also may have reduced their willingness to venture into entrepreneurship, such as the reduced availability of funding, a belief that customers were hesitant about spending, and lower levels of encouragement from those around them.

By 2011, however, people began to see better prospects for entrepreneurship and took steps to launch businesses, accounting for the high nascent rates reported in the past three years. This upward trend suggests that the reluctance previously hindering would-be entrepreneurs had started to ease. Layered on top of this, however, was a still-high level of necessity-driven activity. A two-fold explanation may therefore account for the higher rates emerging during the recovery: Some jobs did not return after the recession, leading some people to start businesses out of necessity, while others jumped in because they saw better prospects for their opportunities.

As Figure 8 shows, despite a plunge in TEA rates, people retained their intentions in 2009 and even exhibited higher intentions in 2010, a year before TEA rates rebounded. This suggests that people were not completely deterred from starting businesses during the recession, but likely delayed those efforts until conditions improved.

Another leading indicator of entrepreneurship is societal perceptions about the presence of opportunities in one’s environment. Figure 9 shows that fewer people thought there were good opportunities for entrepreneurship in 2009, yet this indicator nearly recovered to its 2008 level in 2010—a year before TEA rates rebounded. Opportunity perceptions continued upward and, in 2013, reached 47%, their highest level since GEM started surveying the U.S. population in 1999. Among developed economies, the U.S. shows comparatively high levels of opportunity perceptions. They are on par with Israel but eclipsed by Canada and, notably, two northern European economies—Norway and Sweden—where positive opportunity perceptions approached two-thirds of the population.

While opportunity perceptions exhibited considerable volatility in the fluctuating U.S. economy, Americans nonetheless remained confident that they could start a business. Among the developed economies, the United States reported the highest level of capabilities perceptions; that indicator has remained remarkably stable despite the recent economic turbulence. The slightly upward creep of fear of failure appears to have slowed, although it has remained high since 2008, signaling persistent caution in the United States. Compared to its developed peers, however, fear of failure in the United States is relatively low, indicating that Americans are both confident in their abilities and willing to take risks.
THE IMPACT OF ENTREPRENEURSHIP IN THE UNITED STATES

While the high number of entrepreneurs in the United States tells a compelling story, it is not a complete one. The hallmark of entrepreneurship in a developed economy is the quality of its entrepreneurs, even if they are fewer compared to less developed parts of the world. In many ways, entrepreneurship may be more selective in developed economies, particularly since people frequently have other options for work. The availability of other work thus creates opportunity costs, which means that entrepreneurship needs to offer something more rewarding to justify the associated risks.

While every business environment has a unique set of conditions that can constrain or enable entrepreneurship in various ways, developed economies generally rate higher on factors such as the availability of financial capital, an educated workforce, legal systems, and so forth. This environment facilitates a range of entrepreneurial endeavors: from those starting businesses that provide sufficient income to allow for an independent lifestyle to those launching highly innovative concepts that are positioned for high growth and international markets. However, a healthy economy depends on entrepreneurship that collectively exhibits sustainability and impact.

ESTABLISHED BUSINESS OWNERSHIP AND DISCONTINUANCE

The rate of established business ownership and discontinuation can provide indications of the sustainability of entrepreneurship in a society. A dynamic entrepreneurial society requires people who are willing to launch businesses with the realization that some will fail, while others with high potential can have the best shot at longer term success. An economy with a healthy supply of established business owners thereby has successful former entrepreneurs who have brought their ventures to a mature stage.
Business starts are often high in less developed economies, where relatively few progress to the mature phase. These circumstances may be due to environmental conditions that both compel people to start (such as a shortage of jobs) and simultaneously make it difficult to stay in business (such as unstable economies or governments, less developed markets or poor transportation or communications infrastructure). Alternatively, while many people may start businesses, day-to-day concerns may override goals aimed toward long-term business building.

In contrast, established business ownership is generally high relative to TEA in developed economies. Fewer people get started because there are other work options, which may mean that those businesses that do start up are more viable. In addition, more favorable conditions also enable them to maintain their businesses.

While the United States exhibits the highest startup rates among developed economies in North America, Europe, and Asia, its established business ownership rate of 7.5% falls above only two-thirds of its peers. In addition, that indicator has been sliding for two years after exceeding 9% in 2011; that decline may reflect a lagged effect of the drop in TEA rates during 2009 and 2010.

Discontinuance rates have been relatively stable over time, fluctuating little more than one percentage point between 2008 and 2013. While one might expect discontinuance to have increased during or after the recession, fewer businesses were started during those years, reducing the pool of possible businesses that could close. In addition, discontinuance need not always mean failure: People exit businesses for a range of reasons, some of which are positive, such as selling the business, retiring or pursuing another opportunity. The discontinuance indicator therefore includes a range of explanations.

A close examination of the reasons Americans exited their businesses, however, confirms the negative role of the economic climate. More than half of the business closures in the United States were due to a lack of profitability or problems obtaining finance. The only economies with higher proportions of business exits due to profit or finance problems included two Asian economies, Korea (Republic of) and Japan, and four European economies where the recession hit hard: Greece, Portugal, Ireland and Spain.
entrepreneurial activity. At higher development levels, business services start to replace that sector and, to a lesser extent, the transforming activity sector. As Figure 11 shows, the United States shows a high level of participation in the business services sector, including a slight increase in 2013.

**JOB EXPECTATIONS**

Entrepreneurs’ expectations that they will create jobs with their businesses can serve as a signal that they believe they have a high potential opportunity and can draw on their ambitions, capabilities and human, financial and other resources to grow their businesses. Growth-oriented entrepreneurs may not represent the majority of entrepreneurs, yet they can account for much of the job creation and economic development in a society.

Some economies have many entrepreneurs, but only a few that expect to grow their businesses. Conversely, other economies may have relatively few entrepreneurs but higher proportions of growth-oriented ones. As Figure 12 illustrates, the United States has both high entrepreneurship rates and a high proportion of growth-oriented entrepreneurs. Only Singapore has an overall higher percentage of such entrepreneurs in its adult population; although its overall TEA (rates) are lower than in the United States, more than half of the entrepreneurs in Singapore project that they will have six or more employees in the next five years.
CHAPTER 1

INNOVATION

Innovation-based entrepreneurship creates value for the entrepreneurs and their stakeholders, as well as for the people in their societies that use these novel products and services. Additionally, when entrepreneurs commercialize new concepts, technologies and knowledge, their innovations contribute to an economy’s global competitiveness.

The United States has among the highest levels of innovative entrepreneurs. Slightly more than one-third stated that they sell products or services that are new to some or all customers, and with few or no competitors. Given its high TEA rates and large population, the United States clearly has large numbers of innovative entrepreneurs. In addition, given the high level of competition that characterizes most industry environments in the United States, as well as the market’s receptiveness to innovations, we can safely assume that innovations must meet a relatively high standard, which has the potential to lead to globally competitive concepts.

INTERNATIONALIZATION

However, despite the presence of many high-growth-oriented and innovative entrepreneurs in the United States, few sell to international customers. This observation can primarily be attributed to the country’s large and diverse internal market; other large countries like China and Brazil also show low internationalization rates. As Figure 14 shows, economies with the highest internationalizing entrepreneurs also have small populations. For example, consider Singapore, which has slightly more than 5 million inhabitants, or Luxembourg, which has 0.5 million.
Additionally, many economies have long histories of trade, as well as cultural and language similarities that facilitate international exchange. Trade policies can also promote an international focus. Consider, for example, the development of common markets through the European Union (EU) and the Association of South East Asian Nations (ASEAN). In 1994, the United States, Canada and Mexico signed the North American Free Trade Agreement (NAFTA) to facilitate trade among the three countries. In 2013, the GEM U.S. survey included additional questions to assess whether internationally trading entrepreneurs were selling into Mexico and Canada.

Of the 11% of entrepreneurs who stated that 25% or more of their customers came from outside the United States, more than half stated that they sold at least some of their products or services into Canada or Mexico. However, few of these international-oriented entrepreneurs reported that many (25%+) of their international customers came from Canada and Mexico, as Figure 15 shows. This reveals that less than 1% of American entrepreneurs have many Canadian customers and only 2% have many Mexican customers.

American entrepreneurs are familiar with the U.S. market and may feel confident selling within a large market with relatively stable and predictable features, such as the legal system, infrastructure, social norms, the availability of technology and an educated workforce. Given the high numbers of growth and innovation-oriented entrepreneurs, a market exists for the opportunities introduced by high potential entrepreneurs.

At the same time, these market conditions may attract entrepreneurs and companies from other economies and regions. So despite a low level of internationalization, American entrepreneurs will nonetheless need to maintain their global competitiveness.
Chapter 2:
Women’s Entrepreneurship

ENTREPRENEURSHIP PARTICIPATION RATES FOR U.S. WOMEN

In 2013, one out of every ten women in the United States was starting or running a new business, a higher rate than any of the other 24 developed economies, as Figure 16 demonstrates. Women’s participation in entrepreneurship relative to men in the United States remained the same in 2013 from the previous year; seven women started or ran a business for every ten men. Of the developed economies, only Switzerland surpassed that ratio with equal gender participation—while Canada’s rate was approximately the same as the United States.

In 2012, men and women entrepreneurs showed equal proportions of necessity driven motives: 21% started a business because they had no other work options. In 2013, necessity motives declined slightly for women, to 18%. On the other hand, male entrepreneurs increased slightly to 23%. This finding suggests that women are increasingly starting new ventures because they see possibilities for new opportunities rather than because they have no other possible form of employment.

Figure 17 shows TEA rates for men and women by age group. Younger women have relatively low rates of business starts but show increased activity in their early and middle careers. This result may contradict expectations, since women in this age range are often planning to start a family. However, it may also signal that many women are continuing to work during their childbearing years and that entrepreneurship might offer more flexible work options. The gap between men and women is the greatest among youth (18–24) and...
also at mid-career (35–44), where male rates peak at 20% and then decline to nearly the same level as women in the 45–54 age group. For women, TEA rates hold remarkably steady throughout the early and mid-career age groups.

SOCIETAL ATTITUDES FOR WOMEN AND MEN

Over the years, GEM has examined the attitudes of the adult population as a means of gathering insights into potential entrepreneurs and support for entrepreneurship in a society. Among non-entrepreneurs, about seven women for every ten men have entrepreneurial intentions (14% of women intend to start a business in the next three years, compared to 19% of men). This gender ratio is nearly the same for nascent entrepreneurship rates, new business ownership rates and established business ownership rates. A similar gender gap therefore exists across all phases of the entrepreneurship process.

However, while TEA rates in 2013 were essentially the same for either gender compared to 2012, intentions rose by nearly 40% for both. This shows some stability in business rates but indicates that women and men are more likely to consider becoming an entrepreneur in the future. Whether these higher intentions will translate to actual starts remains to be seen, but they may signal an increase in positive impressions about entrepreneurship in general and perhaps the environment for such actions.

Figure 18 displays entrepreneurial intentions across age groups. The largest difference in intentions between the genders occurs in the youngest age groups; this gender gap narrows after 45 years, as Figure 18 illustrates. This finding is similar to the age patterns in TEA rates, where the gender gap is also generally greater before age 45.
Figure 19 shows a slightly lower level of opportunity perceptions for women compared to men. However, women exhibited a slightly larger increase from 2012 compared to men, reporting a 10% greater likelihood of perceiving opportunities in 2013. An examination of opportunity perceptions by age shows that this indicator remains relatively consistent across all ages among women, while it increases among men up to 35–44 years, and then gradually declines. This is also the peak age group for entrepreneurship rates among men. By mid-career, people have accumulated experience and networks, which may help them recognize opportunities. Importantly, this age effect appears to occur only in men.

The disparity between men and women concerning capabilities perceptions is quite high; men are nearly one-third more likely to believe that they have the ability to start a business. The difference among the genders is similar across all age groups. Capabilities perception rise for both men and women up to the 45–54 age group and then drop off slightly.

Fear of failure tends to be highest among 25–34 year olds for both men and women; it then drops off beyond that age group. As they age, both men and women apparently become more confident in their abilities and exhibit less fear of failure.
Despite showing lower opportunity and capabilities perceptions, as well as higher fear of failure relative to men, American women still compare favorably to those in other developed economies. They show higher opportunity perceptions than the working age population (both men and women) in nearly two-thirds of the other 24 developed economies that participated in the GEM 2013 survey. Additionally, only three economies had higher overall capabilities perceptions (men and women combined) than U.S. women, and only three had a lower fear of failure rate.

When people know entrepreneurs, such acquaintances offer the possibility for role models, networking, advice and encouragement. More than a quarter of working-age women in the United States know an entrepreneur, a level similar to the one reported in 2012. This indicator declined among men from 2012, when nearly one-third of American men knew an entrepreneur. Hence, the gender differential is now almost negligible in 2013; for the first time, women are nearly as likely as men to know entrepreneurs.

PROFILES OF BUSINESSES AND PERFORMANCE FOR WOMEN AND MEN ENTREPRENEURS

As in the past, American women continue to be overrepresented in the consumer-oriented sector. More than half start that type of business, yet fewer start business services companies compared to men (see Figure 20). Additionally, the percentage of women in the consumer sector rose in 2013 (from 49% in 2012 to 53%), while men’s participation in business services increased from 37% in 2012 to 43%. This is an important consideration, given the role of the knowledge economy in the United States and the greater potential for businesses in the B2B sector to experience dramatic growth, scalability and profits compared to those in the B2C (Business-to-Consumer) sector.

Both women and men entrepreneurs showed decreased participation in transforming businesses compared to 2012. This result was not surprising, given the declining manufacturing sector in the United States. This reduction in manufacturing is also typical of wealthier economies.

For the first time, the percentage of women who expected to grow their businesses to more than five employees in the next five years is nearly equal to that of men (36% to 38%), a notable change from last year when only 31% expected growth. This finding suggests that women are almost equally as growth oriented as their male counterparts. If we extrapolate to the general population, approximately 3.73 million women entrepreneurs desire to grow their businesses.
However, the percentage of women entrepreneurs who expect to show profits is lower than for men (58% to 52%). While that percentage stayed even for men, it declined for women by 7 percentage points from last year. We suggest two explanations for these lower profitability expectations. First, more women expect to grow their businesses, and such expectations typically require prior investments in employment and assets, as well as greater expenditures. While this may delay profitability in the shorter term, ideally it will pay off in higher long-term revenues and profits.

Second, and in contrast, lower profits may correlate with the sector in which women entrepreneurs are most likely to compete—consumer services—and women’s increase in participation in that sector in 2013. These types of businesses are often small companies that operate in areas with many local competitors. However, it is crucial to acknowledge that consumer businesses are prevalent in communities across the United States and collectively play a vital role in the U.S. economy.

Another measure of performance can be seen in the rate and reasons for discontinuation. About the same percentage of women stopped running a business in 2013 as in the prior year. However, an examination of the reasons for exiting reveals that, while profitability problems increased to the same level for both genders, the percentage of discontinuations due to problems with finance was higher for men than for women. Further, this percentage declined considerably for women compared to 2012. While we cannot conclusively determine that some of the challenges women face in securing financing for their businesses are diminishing, the difference is notable.

Overall, it appears that American women are making strides in their perceptions about opportunities, their confidence in their abilities, their propensity for risk and their personal affiliations with entrepreneurs. For those running businesses, more women have expectations for growth and they are less likely to discontinue due to problems obtaining financing.
Chapter 3:  
Senior Entrepreneurship in the United States

There is a general perception, fed by the media, that entrepreneurship is a young person’s game. Profiles of billionaires under the age of 30 may make for better headlines than 70 year olds with consulting businesses or retail stores. However, the GEM data reveal the key value of entrepreneurship to the older population and the importance of older entrepreneurs to the economy in the United States. This chapter focuses on entrepreneurship among those generally considered to be toward the end of their working careers (55–64 year olds) and those over 65 years of age.

PARTICIPATION BY AGE ACROSS PHASES OF ENTREPRENEURSHIP

Figure 22 shows the distribution of phases of entrepreneurial activity by age. As one would expect, entrepreneurial intentions are highest among the youngest group, ages 18 to 24. Many people in this group are still in school and others have yet to make a firm career decision. They are at a time in their lives to dream and many seem to be dreaming of becoming entrepreneurs. Intentions to start a business decline consistently and steeply with age; few people 65 years of age and older expect to start a business in the next three years.

Among entrepreneurs, somewhat similar declines can be seen in the older age groups. Entrepreneurship rates peak at 16% among 35–44 year olds, but drop to half that level for those 55–64 years of age. Yet the level of entrepreneurship among this older age group is still high for a developed economy. In fact, a comparison of entrepreneurship rates in the 55–64-year-old population across 25 developed economies shows that the United States reports the highest rate of entrepreneurship in this older age group. At the same time, there are relatively few entrepreneurs among Americans 65 years of age and older. However, considering that only 18.5% of the senior population is still engaged in the workforce, the balance having fully retired, a 3% entrepreneurship rate is the equivalent of 18% of the working population in this age group.

The reduced focus on starting and owning new businesses among the older age groups is counterbalanced by their established business ownership rates. The highest rates on this indicator can be seen in the 55–64-year-old population, with the 65+ group exhibiting the same level of business ownership as the 35–44 year olds. Taking into account the 18.5% workforce participation rate among this senior population, an 8% business ownership rate is the equivalent of 45% among those still working in this age group. Together with the TEA rates reported in this group, this finding suggests that nearly half of those remaining in the workforce after reaching 65 years of age are entrepreneurs or business owners.
NECESSITY AND OPPORTUNITY MOTIVES BY AGE

Figure 23 shows motivations for entrepreneurs by age based on the GEM categories “opportunity-driven” and “necessity-driven.” This figure shows that necessity-based entrepreneurship varies little for those under 65 years of age. Between 2% and 4% of the adult working population starts a business because they have no other options for work. There may be different reasons to explain why people of different ages may need to look to entrepreneurship as a source of income, and why they have no other alternatives for work. Examples include layoffs, lack of education or experience, skills that are no longer relevant, age discrimination or depressed regional economies. The main insight, however, is that necessity motives appear to be felt relatively equally among Americans, regardless of age.

The level of opportunity-driven entrepreneurship, on the other hand, is relatively similar for all groups under the age of 54, but drops substantially for the 55–64-year-old population and much further for the over 65 group. As Figure 23 shows, the drop off in TEA rates for the 55–64-year-old population is not due to a change in the percentage of necessity entrepreneurs in the population. Rather, it can be attributed to fewer opportunity entrepreneurs. This finding implies that fewer people above 55 years old are entering entrepreneurship by choice, while necessity motives exist at similar levels as the younger age groups. Still, 2.5 times as many entrepreneurs choose to start businesses as feel pushed into it in this age group, showing that opportunity-based motives are key drivers of entrepreneurship in the older population.
SOCIETAL ATTITUDES ABOUT ENTREPRENEURSHIP

Figure 24 shows great consistency regarding the perception of entrepreneurial opportunities across the age groups, with a slight decline among the 65+ group. People 55–64 years of age, in particular, are about as likely as their younger counterparts to see opportunities. As Chapter 1 reveals, opportunity perceptions fluctuate considerably with the economy over time; this indicator dropped in 2009 but has steadily climbed since then to reach the highest level reported in the 15 years of GEM. But what this analysis by age reveals is that the working-age population, from ages 18 to 64, share equal perceptions about the prospects for entrepreneurship in their environment.

Capabilities perceptions, on the other hand, show different patterns longitudinally and across different age groups. Chapter 1 showed the remarkable stability of capabilities perceptions in the U.S. working-age population from 2008 to 2013. Regardless of fluctuations in economic conditions, people remain confident about their ability to start businesses. Across age groups, however, capabilities perceptions show a somewhat bell-shaped distribution. The lowest assessment occurs among youth; it increases to the highest level among 45–54 year olds and is then followed by a slight drop in the 55–64-year-old population, with a more substantial decline after that. This finding suggests that those who are most engaged in work—particularly those at the peak of their careers—have the highest assessment of their capabilities, while those furthest from that experience have the lowest. Youth have not yet accumulated the experience and knowledge of older people, while seniors may feel less up-to-date with current knowledge and technology.

Fear of failure shows a quite different pattern. It starts relatively low among youth and trends upward for the next two age groups (25–44 years of age) before decreasing in the older population. We can hypothesize that youth are not yet fully aware of the risks of entrepreneurship, while older Americans are savvy enough to minimize risk or to steer clear of risky ventures. It may also be the case that these two groups feel they have less to lose. Youth may have fewer responsibilities like mortgages and children that might otherwise steer them toward a more cautious posture, and they have long careers ahead of them to make up losses. Older Americans, on the other hand, may have resources to fall back on and may have greater confidence that comes with business experience and knowledge.

This analysis of attitudes so far suggests that older Americans, particularly those between 55 and 64 years of age, are as likely to see entrepreneurial opportunities and are nearly as confident, or even more so, compared to their younger counterparts. Additionally, they don’t appear to be afraid to take risks. Yet as the beginning of this chapter details, they are only half as likely to start and run new businesses as the highest participating age group (35–44 year olds), and even less likely to start because they are opportunity-driven. Perhaps this points
to a gap among older Americans in transitioning from potential entrepreneurs toward those who actually start businesses. It certainly provokes questions about why these prospective entrepreneurs do not make the leap into this activity more often.

There may be particular environmental conditions that limit even willing individuals from entering entrepreneurship, or perhaps other personal characteristics explain the gap. For example, Figure 24 shows a steady decline with age in the percentage of people who know an entrepreneur. Research has shown that knowing entrepreneurs—including family members, friends or business associates—is a good predictor of one’s likelihood of becoming an entrepreneur. In all likelihood, this finding reflects shrinking personal networks as one works less and has less frequent contact with business acquaintances, and as one’s former contacts pass away.

**FIGURE 24**
Societal Attitudes by Age in the United States, 2013

*For those who see opportunity*
While entrepreneurship rates decline in the 55 and older populations, Figure 25 shows that these older entrepreneurs tend to come from wealthier households. As this figure shows, the proportion of entrepreneurs in the top one-third household income group grows with age. Only 30% of youth entrepreneurs (18–24) are in this top income category, but that level increases to over half of the 55–64-year-old population. Since older groups need to mitigate financial risk more than younger groups, one could see their greater wealth as particularly important as a hedge against perceived risk. However, this conclusion suggests some level of selectiveness that may explain low TEA rates among older entrepreneurs. Those who participate in this activity after 55 years of age are likely to be wealthy; older, lower income people display less accessibility and lower interest.

In conclusion, we see some significant differences in entrepreneurship rates, attitudes and motivations among different age groups. Certainly, we can see the exuberance of youth in their optimism and ambition to start businesses, as well as the capabilities and confidence of people in their mid-career years. But we also see the power of the certainly smaller but highly entrepreneurial older groups. As many of them reap the benefits of years of entrepreneurship, they have higher incomes, lower fear of failure, confidence in their abilities and a continuing belief that opportunities still abound.

The economic influence of this group should send a signal to policy makers that these entrepreneurs, and the businesses they own, need specific and customized attention. For example, there are a lot of older established business owners, but since many lack succession plans, these businesses will close when the owner desires to stop working or due to other circumstances, such as sickness, death, and family obligations. The result is a loss of economic activity. Programs to encourage succession planning or the sale of these businesses to local buyers could be very beneficial to the community. States that see net emigration of their older citizens to warmer or less expensive states might question whether this out-migration isn’t also taking some of their best businesses to other tax jurisdictions. Incentives to encourage these businesses to remain local might help to stem this outflow. The shrinking number of affiliations that the older population has with entrepreneurs and business owners also has implications for policy. More effort toward linking these later-life entrepreneurs with those in younger age groups could serve to boost the former’s participation rate.
Chapter 4:
Well Being

WELL BEING AMONG ENTREPRENEURS AND ESTABLISHED BUSINESS OWNERS

When one examines the data regarding well being and happiness, the primary overarching conclusion is that entrepreneurship is an excellent career choice. On the whole, those who choose a path of entrepreneurship end up more satisfied with their lives and more likely to see their lives as “excellent” and “close to ideal” than those who do not become entrepreneurs. Entrepreneurs also feel they have obtained the important things they wanted in their lives and in general would not change anything if they had the opportunity to live their lives over again. Although we cannot infer that entrepreneurship itself makes someone happy, there is little doubt that starting and owning a business is associated with a stronger sense of well being and happiness. In fact, as Figure 26 shows, established business owners rate their well being more than twice as high as non-entrepreneurs/non-business owners.9

![Figure 26: Well Being Ratings for Entrepreneurs, Established Business Owners, and Others in the United States Adult Population (18–64 years of age), 2013](source: Global Entrepreneurship Monitor United States 2013 Adult Population Survey)

Alternatively, Figure 26 shows that nascent entrepreneurs and those in their first few years of business lag a bit behind non-entrepreneurs/non-business owners. On the surface, this finding might seem to conflict with the overarching finding mentioned above until one considers the evolution of an entrepreneur and his or her business. Because of the temporal component to these questions, it is unsurprising that entrepreneurs in their first few years of starting their business do not score exceedingly high on questions that ask whether they have achieved everything they wanted in life or if their lives are “excellent” or “ideal.” These folks are still striving

9 The scale was based on the GEM Global dataset from 70 economies, and it resulted in a hypothetical range of -1.7 (less subjective well being at country-level) to 1.7 (higher rate of subjective well being).
to build their businesses. Nobody would ever claim that being an entrepreneur is easy or without difficulties, but this broad measure provides strong evidence that those who choose the path of entrepreneurship eventually build not just a business, but a satisfactory life.

**WELL BEING FOR ENTREPRENEURS BY GENDER**

The temporal effect is magnified when we take gender into account. As Figure 27 shows, the difference in well being ratings between entrepreneurs and non-entrepreneurs is due to a higher well being rating among women non-entrepreneurs. In fact, men have similar ratings whether they are entrepreneurs or not. This finding suggests that women are relatively satisfied with their lives, but such satisfaction is lower among those who start businesses. Yet it surges among women running mature businesses, suggesting that women temporarily experience less satisfaction with their lives as they start a business, but experience a greater payoff when they become established business owners.

![Figure 27](image-url)

*Source: Global Entrepreneurship Monitor United States 2013 Adult Population Survey*
WELL BEING FOR ENTREPRENEURS BY AGE

Figure 28 also demonstrates the temporal aspect by connecting well being with the age of the entrepreneur. The data in Figure 26 show that those who are early in the process of building a venture are not likely to be as happy as those who have established their businesses. This suggests that those who have sustained their efforts into maturity tend to find greater fulfillment. Figure 28 shows a parallel effect with regard to the age of the entrepreneur. Young entrepreneurs may not have figured it all out in life yet, but when they reach mid-career, they are generally as happy as non-entrepreneurs. Soon thereafter, entrepreneurs in their mid-40s and older are significantly more satisfied than their non-entrepreneur counterparts.

The lower well being scores among entrepreneurs shown in Figure 26 can also be explained as a function of one's motivations for starting a business. Figure 29 accounts for these motives by distinguishing between entrepreneurs who were pushed into their activity out of necessity and those who chose to start a business to pursue an opportunity. The latter, it turns out, rate their well being higher than the non-entrepreneur/non-business owner population. This illustrates the importance of promoting opportunity-based entrepreneurship, particularly to the extent that these businesses and their stakeholders benefit from owners who are more satisfied with their work.
An examination of individuals’ well being in relationship to their income exhibits some expected results. For instance, as Figure 30 demonstrates, people express dissatisfaction with their lives and report low levels of well being and happiness when they find themselves struggling financially. This is true whether one is an entrepreneur or not. While we know that money does not cure all ills, research suggests that financial difficulties predispose many people to feel less satisfied with their well being. As one looks across the chart, however, a familiar story appears. Once again we see that business owners are happier than non-entrepreneurs regardless of how much money they make.

Perhaps the most interesting point in Figure 30 is that established business owners in the middle income group report the same level of well being as non-entrepreneurs in the upper third. We can interpret this finding in two ways. People may be happier to be on their own even if they make less money or, on the other hand, non-entrepreneurs who make more money still are not as happy as entrepreneurs. Either way it is a compelling case for the well being of those who choose the entrepreneurship path.

With regard to societal attitudes, Figure 31 suggests that those with a sense of well being are particularly likely to see opportunities for entrepreneurship. In addition, they have lower fear of failure and are more likely to believe they are capable of starting a business. To the extent societal attitudes indicate the presence of potential entrepreneurs, stakeholders and general support for entrepreneurship, it is apparent that those with high well being scores are more likely to see opportunities around them, to be confident they can act on these opportunities and to remain undeterred by the risk of failing.
In sum, the data on well being suggest a strong relationship between entrepreneurship and one’s well being. Whether measured by income, stage of life, age, or motives, all signs point toward entrepreneurship as being a satisfactory life choice.
Chapter 5:
Entrepreneurship in Four States

For the past three years, the GEM USA report has oversampled several states to acquire detailed data on entrepreneurship. In 2013, the U.S. GEM survey adopted a special focus on California, Michigan, New York, and Texas. Together, these four states account for 30% of the U.S. population and 32% of the total U.S. Gross Domestic Product (GDP). They are located in different geographic regions and exhibit diverse business, economic and political climates. For example, California and New York were hard hit by the recession, Texas has seen continued growth in various industries, perhaps most notably energy, and major parts of the state of Michigan have experienced long-term economic decline.

Table 1 highlights some key demographic and economic statistics on the four states. California is the largest state in the United States, with a population equivalent to that of Poland. This state is also distinct with regard to its wealth and productivity—it is typically ranked among the top ten economies in the world. California’s household income is the highest among the four states and its GDP per capita is high and increasing. Yet this state receives low rankings with regard to its tax climate and its high unemployment rates.

Nearly one-eighth of the working population in Michigan works in manufacturing, and the state has suffered from high unemployment and stagnant population growth. Its GDP per capita is the lowest among the four states, but it is growing at close to the national average. The state has a relatively favorable tax climate.

New York reports the highest GDP per capita among the four states, yet it also experiences low growth. Median household income is low and population growth is slower than average. The state ranks the lowest of all 50 states on its state business tax climate.

Texas is experiencing high population growth and low unemployment. Although household incomes are average, residents pay no state income tax. GDP per capita is above average but growing rapidly, likely facilitated by a positive state business tax climate.
### ENTREPRENEURIAL ACTIVITY

An examination of total entrepreneurial activity (TEA) in the four states shows Michigan and Texas at around the national average, California trailing slightly and New York a little lower. Figure 32 exhibits entrepreneurial intentions as well as established business ownership. The latter hovers within one percentage point of the national average for all four states. However, intentions show greater variation. This indicator can represent the future pipeline of entrepreneurs, providing a picture of impending growth in entrepreneurship in these states. Since more than one-fifth of working age adults in Texas express intentions to start a business, one would expect continued growth in entrepreneurship rates in this state. Michigan, on the other hand, displays healthy current participation levels, but low rates of intentions, suggesting weaker growth in future startup efforts.
ENTREPRENEURIAL ATTITUDES

Figure 33 presents some of the attitudes that may underlie the patterns above. With regard to societal perceptions about opportunities and capabilities, as well as the presence of other entrepreneurs in their networks, Texas residents stand above the national averages and those of the other three states. At the other end of the spectrum is New York, which ranks lowest on perceived opportunities, perceived capabilities and knowing other entrepreneurs. This state, however, shows the lowest fear of failure. Perhaps because New Yorkers show lower levels on the other entrepreneurial attitudes, they have a lower awareness of the risks involved. Yet this finding may also illustrate how societal attitudes can vary among states due to differences in business environments, economic conditions, culture and awareness about entrepreneurship.

California and Michigan are close to each other and to national averages on the attitude measures, although fear of failure is higher in Michigan. Indeed, given that this state is experiencing highly visible economic problems, failure may be a more top-of-mind concern to aspiring entrepreneurs and others in Michigan.
NECESSITY–AND OPPORTUNITY–DRIVEN ENTREPRENEURSHIP

Figure 34 displays rates of opportunity-and necessity-driven entrepreneurship in each of the four states and nationwide. Opportunity-driven entrepreneurs tend to start and grow higher potential businesses, so a prevalence of these entrepreneurs can serve as a leading indicator of future economic attainment. Here we see stark differences among the states. California has the highest rate of necessity-driven entrepreneurship (28%), while Texas has half this proportion. Yet along with Michigan, Texas’s rate of opportunity-driven entrepreneurship is higher than the national average. New York, while exhibiting the lowest TEA rate among the four states, matches the national rate of necessity-driven entrepreneurship but has low opportunity-driven entrepreneurship. These results suggest that Texas and Michigan are best positioned for future entrepreneurship-based growth. On the other hand, California will need to find ways to shift more of its necessity-based entrepreneurship toward opportunity-driven activity. New York can also encourage more opportunity-based entrepreneurship.
MEN AND WOMEN ENTREPRENEURS

Nationwide, there are 45% more men than women entrepreneurs. This fact, of course, raises the question of whether the lower rate of female entrepreneurship reflects an untapped resource for economic growth. Among the four states, California comes closest to equality among the sexes; it has lower male rates and higher female rates than the U.S. average. Both Michigan and New York have lower rates of women’s entrepreneurship than the nation as a whole. However, Michigan achieves a greater overall TEA rate with high levels of participation among men.

A number of issues may underlie these gender differences. For example, ethnic make-up, immigration patterns, and age demographics may go hand-in-hand with gender variations. For example, California and Texas have large Mexican-American populations—an ethnic group that tends to report high rates of female entrepreneurship. Additional explanations may lie in the environment for entrepreneurship and focused initiatives or programs. For example, there appears to be strong support for women entrepreneurs throughout the state of California, including networking and advocacy groups such as Ladies Who Launch and the National Association of Women Business Owners.

ENTREPRENEURSHIP RATES BY AGE GROUPS

Figure 36 compares entrepreneurship by age group among the four states. As this figure illustrates, New York has a high prevalence of young entrepreneurs, while Michigan does not. Among the mid-career population, all four states show rates close to the national average. In the 55+ group, Texas reports almost double the national average for older entrepreneurs. While this finding likely reflects a strong base of entrepreneurial ventures among mature adults in Texas, and to some extent in Michigan, it also suggests that maintaining these businesses through future retirements among the entrepreneurs should be a state priority.
CHAPTER 5

FIGURE 36
Entrepreneurship Rates by Age in the Adult Population (18–64 years of age) in the United States and in Four States, 2013

Source: Global Entrepreneurship Monitor United States 2013 Adult Population Survey

HOUSEHOLD INCOME

Nationally, entrepreneurs show slightly higher household income levels compared to the general population. Among the four states, household income patterns among entrepreneurs vary considerably. California comes closest to mirroring the national trends for entrepreneurs, and New York has nearly equal participation across all three income levels. In Michigan, entrepreneurship appears to capture more of the middle income group, while more than half of the entrepreneurs in Texas come from households in the highest income bracket. The results in Texas bode well for the entrepreneurial economy and reflect the state’s robust growth. On the other hand, states like Michigan and New York have an opportunity to leverage their higher rates of entrepreneurship among lower and middle-income groups by intentionally fostering entrepreneurship as a wealth-building economic development strategy.

FIGURE 37
Distribution of Total Entrepreneurial Activity over Household Income Groups in the United States and in Four States, 2013

Source: Global Entrepreneurship Monitor United States 2013 Adult Population Survey
EDUCATION LEVELS

Nationally, more than two-thirds of entrepreneurs have at least a college degree. Figure 38 shows the distribution of educational attainment at the post-secondary and higher levels of education for the United States and in the four states. Texas exhibits the highest levels of educated entrepreneurs; three-quarters have a post-secondary degree or higher level of education. It is interesting to note that New York and California have higher proportions of entrepreneurs with some graduate experience. Perhaps strong technology and financial sectors in these states attract those with advanced degrees into entrepreneurship.

Because education is a complex process, it is difficult to establish high education as a precursor to entrepreneurial activity. In addition, entrepreneurs receive education in many ways. In addition to degree programs, they also learn from programs outside formal schooling, corporate training seminars, self-study, and so forth. Moreover, some education is directly related to business and entrepreneurship, and some disciplines underlie the business concepts themselves, while other education is not related to the opportunity or entrepreneurship skills. But whatever the cause and effect relationship, it is clear that entrepreneurs are generally highly educated.

FIGURE 38
Percentage of Entrepreneurs with a Post-Secondary Degree and with Graduate Experience in the United States and in Four States, 2013

Source: Global Entrepreneurship Monitor United States 2013 Adult Population Survey

INDUSTRY PARTICIPATION

The four states show distinct patterns with regard to the distribution of entrepreneurship over four main industry sectors. These patterns tend to mirror the economies of each state. New York has very few entrepreneurs in transforming industries and many more in business services—a reminder of that state’s strength in finance, as well as insurance, advertising, publishing, consulting and other business services industries. The historically manufacturing-based state of Michigan reports the largest percentage of entrepreneurs in transforming industries. Texas has the highest focus on consumer-oriented businesses such as retail and customer services, but relatively few entrepreneurs in the knowledge-intensive business services sector, which may be a cause for further investigation. California, with its large and diverse economy, comes closest to mirroring the national economy.
GROWTH PROJECTIONS

Overall, entrepreneurs drive the engine of economic growth by creating jobs. In addressing this key aspect of entrepreneurship, the GEM survey asks entrepreneurs how many jobs they expect their business will create in the next five years. Figure 40 shows these results. Nationwide, 37% of entrepreneurs expect to have six or more employees in the next five years. In Texas, half of the entrepreneurs project this level of growth, standing out among the other three states, which report job expectations relatively close to the national number. This is consistent with the high education and income levels of Texas entrepreneurs, which may provide the resources needed for growth-oriented businesses, as well as the high levels of opportunity motives reported in this state, which are generally associated with greater potential.
INTERNATIONALIZATION

It could be reasoned that the hallmark of successful entrepreneurship is linked, at least in part, to one’s ability to develop and exploit foreign markets. However, the U.S. economy is so large and diverse that an entrepreneur can build a prosperous business without selling outside American borders. The GEM data demonstrate that this is, in fact, the case, although substantial variations exist across the four states. Figure 41 shows international patterns of entrepreneurs and established business owners. Nationwide, 11% of all entrepreneurs report having more than 25% of their customers coming from outside the United States. California and Texas report much higher levels: more than 50% higher than the national average and equal to or greater than half of the developed economies assessed by GEM in 2013. Texas also shows a high proportion of internationally-focused mature business owners, contributing to an overall high international emphasis among those starting and running businesses in the state.

New York entrepreneurs show a slightly lower international focus among entrepreneurs and business owners compared to national averages. High levels of participation in the business services sector may account for this result, particularly to the extent these entrepreneurs provide businesses with services that, for example, involve U.S.-specific knowledge or that involve frequent face-to-face interaction.

The results reveal a disproportionate focus on the domestic market in Michigan, where few entrepreneurs and no established business owners report substantial international business. Given the overall trend toward global business in the United States and elsewhere, these statistics are reason for optimism in the entrepreneurship communities in Texas and California, while they suggest key areas to investigate and address in New York and Michigan.

FIGURE 41
Percentage of TEA and Established Business Owners with at Least 25% International Customers in the United States and in Four States, 2013

Source: Global Entrepreneurship Monitor United States 2013 Adult Population Survey
Overall, these states display quite different entrepreneurship profiles, with varying strengths and weaknesses relative to each other and national averages. Texas looks like an entrepreneurial juggernaut according to these statistics. Its population shows high levels of intentions and opportunity perceptions, and it is home to wealthy, educated and growth-oriented entrepreneurs. However, the other states also show particular strengths and aspects that policy makers can and should develop. California shows gender equality and high international sales. Nearly two-thirds of Michigan’s entrepreneurs participate in the capital- and knowledge-intensive manufacturing and business services sectors. New York also has many entrepreneurs in the business services sector in addition to high youth participation in entrepreneurship. If states think of their entrepreneurs and enterprises as portfolios of business assets, this state-level data can be used to manage that portfolio through strategic interventions aimed at leveraging strengths and buttressing weaknesses.\(^{10}\)

Conclusions

A key aim of the United States Global Entrepreneurship Monitor is to provide members of a broad audience—educators, researchers, policy makers, practitioners—with information and analysis that can enhance understanding, decision making, and actions with regard to entrepreneurship. This 2013 report paints a comprehensive and detailed picture of entrepreneurship in the United States; within these pages, one can extract a number of particularly noteworthy insights. Drawing on several of these, this report closes with ten key recommendations that are intended to provoke further reflection and dialogue.

1. TRACK OPPORTUNITY PERCEPTIONS AND INTENTIONS AS INDICATORS OF THE CURRENT AND FORTHCOMING ENVIRONMENT FOR ENTREPRENEURSHIP.

Opportunity perceptions appear to be a leading indicator of shifts in entrepreneurship and in societal support for this activity. The fact that Americans remain confident even when opportunity perceptions and TEA rates decline suggests that there are potential entrepreneurs in society, but external conditions shape their willingness to act. This may reveal the importance of tracking societal perceptions about opportunities, and perhaps also intentions, which also show fluctuations over time. For research, it could be useful to study whether some aspects influence opportunity perceptions in addition to external conditions. For example, do people have different opportunity recognition abilities and can training or other personal skills influence those?

2. IDENTIFY AND REDUCE BARRIERS TO GROWTH-ORIENTED AND INNOVATIVE ENTREPRENEURS.

The United States is unusual in that it has both high levels of entrepreneurship and a high proportion of growth-oriented and innovative entrepreneurs. This finding underscores the importance of entrepreneurs in creating jobs and introducing creative ideas and breakthrough innovations that can boost economic growth and improve societal well being. An enabling entrepreneurship ecosystem can facilitate their efforts, but they likely must operate despite some barriers or become deterred by them. Policies or conditions that create disincentives for hiring more employees or that place constraints on the creation or commercialization of innovations at any point in the process can be examined for solutions that can enable these entrepreneurs to realize their aspirations.

3. DEVELOP OBJECTIVES AIMED AT INCREASING THE INTERNATIONAL SCOPE OF U.S. ENTREPRENEURS; EQUIP ENTREPRENEURS WITH THE ABILITY AND SUPPORT THEY NEED TO COMPETE INTERNATIONALLY.

Although the GEM U.S. data reveal high levels of entrepreneurship and high proportions of growth-oriented and innovative entrepreneurs, the results also show low levels of international sales. This should raise concerns about whether these entrepreneurs are missing opportunities to leverage their ideas in international markets and whether they can contribute as a whole to the United States’ global competitiveness. This may call for training and support to help entrepreneurs understand and navigate international markets, as well as an examination of policies that may facilitate trade.
CONCLUSIONS

4. EXAMINE THE EFFECTS OF TRADE AGREEMENTS ON NEW AND SMALL ENTERPRISES.

The low level of sales to America’s NAFTA partners suggests that the benefits of this trade agreement may not extend to entrepreneurs. Further research could examine other effects of NAFTA on entrepreneurship and small business—for example, whether entrepreneurs benefit from access to suppliers from Mexico and Canada, or whether they are selling to NAFTA-trading firms in the United States. Given the collective impact entrepreneurs and small businesses have on the U.S. economy, it would make sense to consider their particular characteristics and needs in such policy decisions.

5. PROVIDE VISIBILITY AND SUPPORT FOR GROWTH-ORIENTED FEMALE ENTREPRENEURS.

The United States shows the highest female entrepreneurship rates among the developed economies, and the 2013 survey revealed an increase in the proportion of growth-oriented women entrepreneurs from 2012. These are positive trends. However, female participation in entrepreneurship remains unequal to that of males. The gender parity shown consistently in Switzerland can serve as an example of this possibility in the developed world. Visibility and support for entrepreneurship as a positive career choice may attract more ambitious women to pursue such opportunities.

6. RESEARCH YOUTH AND MID-CAREER GENDER GAPS AND DESIGN INITIATIVES TO ADDRESS THEM.

This report shows the greatest gender gap in entrepreneurship rates, intentions to start and perceptions about opportunities occur at the mid-career level (35–44 years old). While entrepreneurship rates and opportunity perceptions increase and peak among men in their mid-30s to 40s, women do not exhibit such an increase. To the extent that men may be leveraging their experience, access to resources, networks and other advantages, it would be fruitful to research the nature of these assets among women and investigate what limits them from greater participation in entrepreneurship during what appears to be a promising age for men to enter this activity. Explaining and addressing issues related to childcare, for example, may help close this gap. Targeted initiatives for this age range may include connecting women to opportunities and startup teams in new ways (e.g., through Small Business Development Centers, women’s centers, community colleges and so forth), or providing avenues for women to develop entrepreneurship skills through short self-directed and self-paced learning that is women-focused rather than generic.

7. ACKNOWLEDGE AND LEVERAGE THE VALUE THAT OLDER ENTREPRENEURS CAN BRING TO AMERICAN SOCIETY.

Older Americans have experience, access to resources and networks that could make this age group the most promising growth demographic for entrepreneurship in the United States. Their positive attitudes about the opportunities that surround them and their confidence in their abilities, combined with their low fear of failure, suggest a readiness for entrepreneurship. Some in this age group may face age bias in their workplace or simply not feel ready to retire; starting a business may offer a viable alternative for them to continue to generate income. Others may have the resources or secure positions that provide them with an alternative to either retire or venture into a new endeavor while they are still productive. By identifying and minimizing barriers to entrepreneurship for this particular age group, the United States may benefit from an older population that is generating income and engaged in their business networks and their communities, rather than solely relying on pensions, savings and social security.
8. **RECOGNIZE THE IMPORTANCE OF ENTREPRENEURIAL MOTIVATIONS IN THE SATISFACTION THAT ENTREPRENEURS DERIVE FROM THIS ACTIVITY.**

To the extent entrepreneurship is associated with opportunity, it is clear that entrepreneurs are satisfied with their work. This finding highlights the importance of assessing and improving the level of opportunity-based entrepreneurship in the United States. At the same time, the low well-being scores reported by necessity entrepreneurs indicate that entrepreneurship is not for everyone. However, one’s ability to create income when necessary may be vital to reducing income gaps at certain junctures, despite the fact that this endeavor may not be optimal for the person as a career choice over the long run. The most recent recession and the upsurge in the proportion of necessity-driven entrepreneurship provide examples. Perhaps this indicates an opportunity for stop-gap entrepreneurship—businesses that can be started, but also easily stopped when better options become available.

9. **PROMOTE THE LONG-TERM PERSONAL SATISFACTION OF ENTREPRENEURSHIP WHILE ADDRESSING THE PRESSURES YOUNGER AND EARLY-STAGE ENTREPRENEURS MAY EXPERIENCE.**

The findings on well-being also suggest that satisfaction increases with later stages of business ownership and for older (and wealthier) entrepreneurs. This finding may mean that those who persevere with their entrepreneurial endeavors, perhaps with one venture or through several efforts, will eventually reap personal benefits from their persistence. Further research could delve into the nature of these well-being scores—whether well-being comes from sustaining a venture, through multiple startup efforts, or through starting a business later in one’s career. It will also be important to make visible the attractiveness of entrepreneurship as a long-term and later career choice, but to also help younger or early-stage entrepreneurs manage the tension or discontent they may be experiencing.

10. **ASSESS STATE-LEVEL DIFFERENCES IN ENTREPRENEURSHIP AND PROVIDE FORUMS FOR DISCUSSING CONDITIONS THAT EXPLAIN THESE DIFFERENCES, SHARING EXPERIENCES AND DISCUSSING POTENTIAL SOLUTIONS.**

The state-level results show the importance of adapting state-level policies and designing interventions to meet the particular profile and needs of entrepreneurship in a state. For example, California might address its lower levels of opportunity-driven entrepreneurship, Michigan could assess opportunities for international trade, New York could increase participation among women, and Texas could develop its knowledge-intensive service sector for entrepreneurs. At the same time, other states may learn from California’s gender equality and international trade, Michigan’s manufacturing opportunities, New York’s youth participation and business services emphasis, and Texas’s growth entrepreneurs. Engaging policy makers and state governments in policy forums and other venues to exchange ideas on state-level entrepreneurship could prove fruitful. Such events would enable participants to share their experiences, discuss particular contributing conditions and debate how the experiences of some states can be applied and adapted in others, as well as generate ideas for new approaches. With globally comparable data, it may also be useful to understand the entrepreneurship profiles, contributing conditions and interventions exercised in other economies.

**CONCLUSIONS**
Afterword

GEM itself is a great example of social entrepreneurship. It is the largest entrepreneurship research organization anywhere in the world. It surely must be one of the largest multi-national research projects in the business sciences and probably the social sciences. Looking back at its first few years, GEM was fortunate that it was started in 1997 when the world was gripped with entrepreneurial fever because of the astounding things that Internet entrepreneurs were doing. We were blessed to have the Internet for facilitating our email communications; for enabling us to use the Web for our research; and for disseminating the results of our research. Also we were fortunate that GEM was started when the Kauffman Foundation was in its infancy and was looking for big entrepreneurship projects that it could support; the Foundation was already a substantial benefactor of Babson College; and that I and my late Babson colleague Jeff Timmons were closely connected with the leaders of the Foundation. GEM could not have been started at a better time. As I like to say, there is no luck in entrepreneurship except in the timing.

William D. Bygrave
What turned out to be a major turning point occurred in the late spring/early summer of 1998. Tony Blair became the UK prime minister in 1997 and was keen to stimulate British competitiveness. Michael Hay had good connections with Tony Blair’s new administration, including connections to Tony Blair himself. Michael arranged for LBS and Babson to make a presentation on the preliminary GEM results to a UK government seminar entitled “Enterprising Nation: Building an Entrepreneurial Culture.” The seminar was sponsored by the Chancellor of the Exchequer and the President of the Board of Trade. It was attended by about 30 British opinion makers including three members of Blair’s cabinet. The GEM delegation comprised Michael Hay, Paul Reynolds, David Potter (Psion/Symbian), and me. Our presentation and subsequent discussion were well received by the policy makers. It gave us confidence that GEM had potential—lots of potential. Equally important, it was a boost to our raising money and recruiting additional teams.

I want to thank everyone who has ever been involved with GEM for building such an enduring organization. GEM has published 15 Annual Global Reports and many special reports. National teams have published almost 1,000 national reports. Countries comprising about 95% of the world’s GDP and more than two-thirds of its population have participated in GEM. It’s amazing. As GEM looks forward some things to consider are:

- Quality of entrepreneurship. As the USA and many other nations struggle to pull out of the slumping economies that resulted from the banking collapse in 2008, there is more and more concern about the quality of the jobs being created—or perhaps I should say lack of quality. In the USA for example, the unemployment rate has dropped to its lowest level in 5 years. Unfortunately, most new jobs are “low quality” because they are part-time and/or low paying. I wonder if the same applies to entrepreneurship. What percent of new businesses are part-time and/or in industries where wages and profits are low? For example, about half of all the 29 million businesses in the USA are part-time undertakings and half are full-time. Only 6 million of them are employer companies with one or more employees in addition to the self-employed owner.

- Internet and the Web. The Internet and the Web have transformed entrepreneurship by creating new opportunities and facilitating the way in which entrepreneurs run their businesses. For example, almost 750,000 Americans reported that selling things on eBay was their primary or secondary source of income in 2005.

- Financing entrepreneurship. GEM in recent years has not paid enough attention to the financing aspects of entrepreneurship. It’s time to address this deficiency in the APS, and to be bold and add topics such as microfinance and crowdfunding. The Venture Capital Journal, for instance, recently devoted an entire edition to crowdfunding.

- Vision. Bill Gates said that the vision thing is easy; it’s the implementation that’s so hard. Michael Hay and I found that out with GEM. Our early vision was to use GEM as the basis for what I will call a “World Entrepreneurship Forum” modeled along the lines of the World Economic Forum, but not nearly as grand. So far our vision remains just that… nothing but a vision. Now that GEM is well-established and recognized worldwide, it would be wonderful if it could move towards that vision.

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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.

BABSON COLLEGE

Babson College is a founding institution and lead sponsor of the Global Entrepreneurship Monitor (GEM). Located in Wellesley, Massachusetts, USA, Babson is recognized internationally as a leader in entrepreneurial management education. U.S. News & World Report has ranked Babson #1 in entrepreneurship education for 18 years in a row. Babson grants B.S. degrees through its innovative undergraduate program and offers M.B.A. and M.S. degrees through its F.W. Olin Graduate School of Business. The School of Executive Education offers executive development programs to experienced managers worldwide. Babson’s student body is globally diverse, hailing from 45 U.S. states and 57 countries. (Non-U.S. students comprise more than 20% of undergraduates and 40% of full-time MBA students.) Students can choose from more than 100 entrepreneurship courses offered each year, taught by 17 tenured or tenure-track faculty, all with entrepreneurship experience, seven faculty from other divisions around the college, and highly accomplished business leaders who serve as adjunct faculty.

BARUCH COLLEGE

Baruch College has a 160-year history of excellence in public higher education with an emphasis on business. A senior college in the City University of New York system, Baruch College offers undergraduate and graduate programs of study through its three schools: the Zicklin School of Business, the Weissman School of Arts and Sciences and the School of Public Affairs. Housed at the Zicklin School is the Lawrence N. Field Center for Entrepreneurship, a model of entrepreneurship education built around the collaboration of an institution of higher education, government and the private sector. For information, visit www.baruch.cuny.edu.
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