



2014 United States Report

GLOBAL ENTREPRENEURSHIP MONITOR
National Entrepreneurial Assessment for the United States of America



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Global Entrepreneurship Monitor 2014 United States Report

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

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Executive Summary

The United States consistently exhibits among the highest entrepreneurship rates in developed economies. At 14% of the U.S. population of working age, entrepreneurship rose in 2014 to the highest level in the 16 years GEM has assessed this activity. This level represents approximately 27 million Americans starting or running new businesses. An additional 14 million people were estimated to be running established businesses.¹

This report details insights about entrepreneurship in the United States, examining multiple phases of this process, profiles of entrepreneurs and their businesses, and societal attitudes that reveal potential entrepreneurs and support for this activity. Global and longitudinal analyses enable comparisons with other economies around the world and also within the United States over time. Particular attention is paid to the value of teams, to the participation and characteristics of women, and to both younger and older entrepreneurs.

Entrepreneurship in the United States in 2014 involves high participation across each phase of the process, and it is accompanied by high levels of employee entrepreneurship activity. High impact is evident in the industry makeup, and in growth ambitions and innovativeness of American entrepreneurs, although low internationalization may represent missed opportunities. Positive attitudes about entrepreneurship are reflected in societal support for this activity, yet Americans show declining personal interactions with entrepreneurs over time. Analyses of women and of older and younger populations show the particular nature and needs of different groups.

KEY FINDINGS FROM THE REPORT INCLUDE THE FOLLOWING:

1. Established business activity at 7% continues to be slightly down from a high of 9% in 2012. This is likely a result of the drop in TEA rates in 2009 and 2010, which would be reflected in low activity for mature-business activity three or more years later.
2. High intentions (12%) and nascent activity (10%) suggest the presence of potential future entrepreneurs and conditions that enable people to take steps to get started.
3. Six percent of the U.S. working population launch businesses within organizations, indicating that entrepreneurship in start-ups coexists with entrepreneurship in organizations.
4. Among U.S. entrepreneurs, 36% operate in the business service sector, which is generally associated with knowledge and service-based businesses. This sector has the highest participation level among entrepreneurs in developed (innovation-driven) economies, yet the 36% figure for the United States is higher than the average of 29% reported in 28 other innovation-driven economies. Additionally, 9.4% of U.S. entrepreneurs are starting medium- or high-technology businesses.
5. Twenty-four percent of entrepreneurs in the United States expect to employ 20 or more people in the next five years, up from 16% in 2012 and 2013. The 24% figure may be compared to a 10% average in other innovation-driven economies.
6. Thirty-seven percent of entrepreneurs state they have products or services that are new to some or all customers and offered by no or few competitors. This innovation measure compares to 31% of entrepreneurs, on average, in other innovation-driven economies.

¹ Revised 9/22/15. Based on United States Census estimates of 199,604,500 adults (ages 18–64) in the U.S. population in 2014.

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7. Fifteen percent of entrepreneurs state that 25% or more of their customers come from outside the United States. This shows an increase over the 11% reported in 2013, but it is still lower than the 21% reported, on average, in other innovation-driven economies.
8. For the first time since GEM has tracked entrepreneurship, more than half the U.S. population (51%) believes there are good opportunities around them for starting businesses. In addition, fear of failure continued to edge downward to 30%, after reaching a high of 32% in 2012.
9. Twenty-nine percent of Americans personally know an entrepreneur; this measure has declined since 2005 when 46% indicated this affiliation.
10. The majority of entrepreneurs (55%) start businesses alone, and 23% start with three or more co-founders. However, only 35% of single-founder businesses expect to have six or more employees in the next five years, while 76% of firms founded by three or more individuals anticipate this level of employment.
11. Women's entrepreneurship in the United States exhibits among the highest rates (11%) in developed economies. Increases among young women resulted in a 17% TEA rate for those 25-34 years of age.
12. Women's participation across the main industry sectors has been relatively stagnant over time, with an emphasis (56%) on consumer sectors. Women are outpacing men on innovation (41% vs. 34%).
13. The United States shows the highest rate of entrepreneurship (11%) among persons age 55-64 across the 29 developed economies surveyed by GEM in 2014. Although innovation rates, business service sector participation and job creation start to decline after 55, this does not happen substantially until after age 65. These results suggest that those age 65-74 are primarily self-employed or running lifestyle businesses. However, those age 55-64 still show high levels of entrepreneurship and high impact.
14. Twenty percent of entrepreneurs age 18-34 currently employ six or more people. Fifty-eight percent of those age 18-24 and 46% of those age 25-34 project six or more employees in five years. Among both groups, 75% use the internet in their businesses.

BASED ON REPORT FINDINGS, BELOW ARE KEY RECOMMENDATIONS:

1. Assess participation across multiple phases of entrepreneurial activity, to determine the extent to which early participation feeds later phases, and to discern whether people have transitioned to later phases. Identify causes of disparities and examine conditions that may pose barriers to participation at any point in the process.
2. Account for employee entrepreneurship activity (EEA) when evaluating the impact of entrepreneurship in the United States. Examine external factors that may influence EEA.
3. Increase the globalization of high-impact entrepreneurs: those operating in business service and medium-/high-technology sectors, expressing growth ambitions and offering innovative products or services.
4. Foster personal connections with entrepreneurs for those with interest in and skills for starting their own businesses. Facilitate team-based entrepreneurship, which this report shows to be associated with high potential.
5. Build women's self-image as entrepreneurs, as well as their personal connections. This may be particularly beneficial for young women, who exhibit increased interest and energy for starting businesses.
6. Promote women's participation in a greater diversity of industries, including a move toward knowledge-intensive and capital-intensive businesses.
7. Address the particular needs of entrepreneurs age 55-64.
8. Provide support and training for youth, enhance their ambition and internet savvy, and help them develop sustainable businesses. Perhaps partner them with older entrepreneurs who have experience, networks and access to resources.

GEM aims to inform academics, educators, policy-makers, and practitioners about the nature of entrepreneurship and its proliferation across economies around the world. GEM also aims to foster understanding, support, and conditions that allow entrepreneurship to thrive. This report seeks to advance knowledge about the multidimensional nature of entrepreneurship in the United States, with comparisons to other economies and insights on longitudinal changes over time.

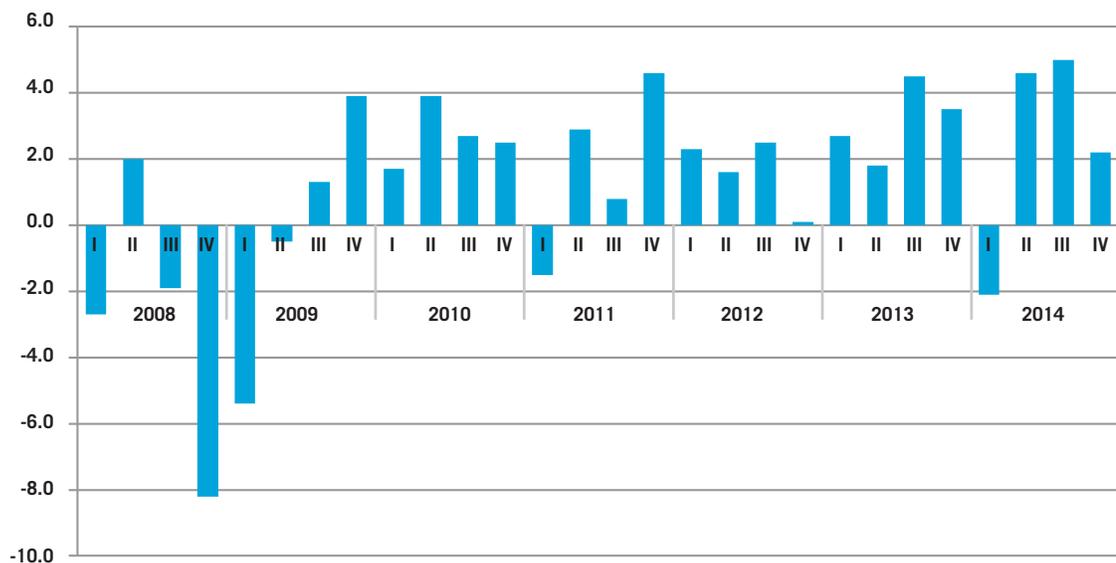
Introduction

The U.S. Economy in 2014

At the beginning of 2014, U.S. output declined in the first quarter as depicted in Figure 1. The economy shrank by 2.1% (annualized rate) but rebounded in the next three quarters with annualized growth rates of 4.6%, 5.0%, and 2.2% respectively. As a result, GDP grew by 2.4% in 2014. This is the third consecutive year that the economy has grown by more than 2% (2.3% in 2012 and 2.2% in 2013).

Compared to the other developed economies examined in this report, the United States experienced an impressive recovery following the Great Recession. U.S. GDP reached more than 8% above its pre-crisis high although GDP in the Euro area increased to only 2% above its pre-crisis peak. The United Kingdom and Germany, top performers in the European Union, reached over 3% above pre-crisis level, and France rose to nearly 1.5% above pre-crisis level. For Italy, Spain, Ireland, Greece, and Portugal, GDP was 9% lower than before the crisis. GDP in Japan was down 1% from its pre-crisis maximum.²

FIGURE 1
Percentage Change
in Real GDP from
Previous Quarter
(Seasonally
Adjusted Annual
Rates)



Source of data: U.S.
Bureau of Economic
Analysis

The United States was the most robust performer among developed economies in 2014 as a result of upward market movement. The Dow Jones Industrial Average (DJIA, the Dow) began the year at 16,577 and broke its closing record 53 times during 2014. A few days before year-end, the Dow closed for the first time in its history above 18,000. Another positive market indicator, the S&P 500 rose by 12.4% to a record high of 2,070.65 at the end of the year.

By November 2014, the U.S. economy had already created more jobs than during any other year since 1990. Seasonally adjusted unemployment for the working population above age 16 fell to 5.6%, 0.9% short of its level before the recession. Unemployment fell by 1% during the year. Only 2013 had a slightly larger reduction in the unemployment rate post-recession. Figure 2 shows the trend in the national unemployment rate, and Figure 3 depicts these rates across states, showing higher unemployment in western and southern states.

² Council of Economic Advisors, 2015. The Council of Economic Advisors is an agency within the Executive Office of the President of the United States.

Average monthly job growth was 241,000 jobs per month, the largest in any year since the 1990s. Almost all of this employment increase was in full-time jobs. Average hourly earnings rose by 0.7%. The Council of Economic Advisors to the President reported that since 2010, the increase in U.S. employment was greater than that of all advanced economies combined, including those in Europe, Japan, and other regions.³

In 2014, the United States remained the largest producer of oil and gas in the world for a second year. Energy prices, however, fell by about 50% in the second half of 2014. This created difficulty for the fracking industry but benefitted consumers. Since 2008, energy production from renewable sources increased substantially. Solar energy production increased by a factor of 10 and wind energy by a factor of three.

Employer-based health insurance premiums grew 3%, a figure which tied for the lowest on record. One reason for this was that health care experienced the lowest price inflation in nearly half a century, perhaps in part a result of the Affordable Care Act. This slowdown in the rise of health care costs, coupled with additional revenues for the government, lowered the U.S. deficit to 2.8% of GDP, less than its average for the previous 40 years.

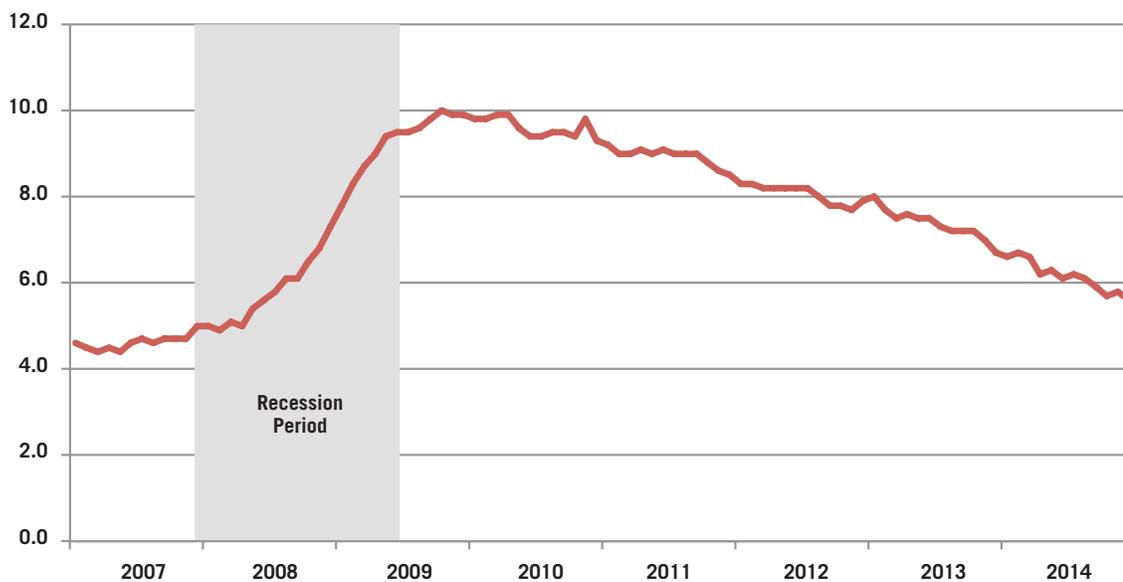


FIGURE 2
National Unemployment Rate (Seasonally Adjusted Percentage)

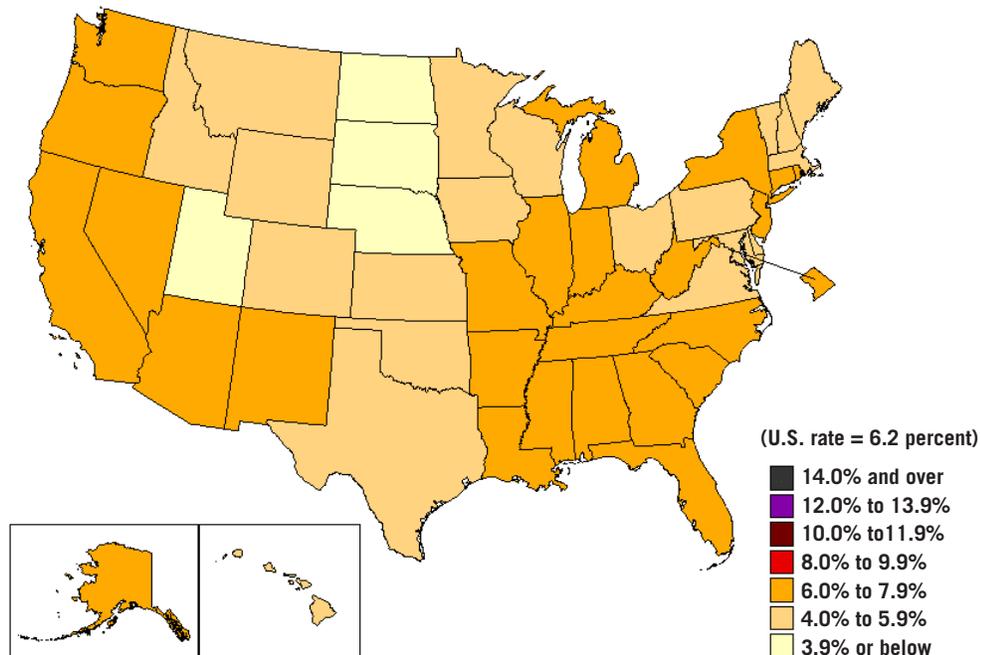
Source of data: U.S. Department of Labor, Bureau of Labor Statistics

3 Council of Economic Advisors, 2015.

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FIGURE 3
Unemployment Rates
by State, 2014
Annual Averages

Source: US Department of Labor, Bureau of Labor Statistics (accessed on May 5, 2015, via: <http://www.bls.gov/lau/maps/astrate.gif>)



MONETARY AND FISCAL POLICIES IN 2014

After the 2007-2008 financial crisis, the United States employed monetary policy, determined by the Federal Reserve, and fiscal policy, designed by Congress and the Executive Branch of the government, to lift the economy out of recession.

The Federal Reserve exercised its traditional tool of recovery, the open market operation, by reducing the federal funds rate, the interest rate at which banks borrow money. This operation reduces interest rates in the economy and thereby encourages borrowing and spending. As the federal funds rate dropped almost to zero, the Federal Reserve began to buy mortgage-backed securities and treasury bonds to increase monetary supply every month—an unconventional action called Quantitative Easing (QE).⁴ The Federal Reserve started tapering QE in January 2014 as the economy showed signs of recovery.

Despite the impressive recovery of the U.S. economy and perhaps because of it, some analysts worried that when the Federal Reserve would begin to raise interest rates in 2015, disinflationary forces might put a drag on recovery. On the other hand, low interest rates coupled with assets held by the Federal Reserve might lead to asset price bubbles. The Federal Reserve, however, was cautious in moving forward.

Between 2009 and 2014, the budget deficit decreased by 7%, the largest budget deficit reduction since the end of World War II. The deficit reduction led to a drag on the recovery and on growth, as did the expiration of payroll tax cuts at the end of 2012.

Gridlock among members of the Executive Branch and Congress made it difficult to design a fiscal policy without dealing with politics. This made it impossible for Washington to communicate the policy in advance

⁴ Quantitative Easing (QE) encouraged banks to lend more, especially in the mortgage market, to ease financial markets and the credit crunch. After three rounds of QE, on December 18, 2013, the Federal Reserve announced that it would start “tapering” QE, as the economy had shown signs of significant recovery during 2013. In January 2014, the Federal Reserve reduced its purchase of securities and bonds from \$85 billion to \$75 billion per month. At each FOMC meeting thereafter, the Federal Reserve reduced purchases until October 2014 when it stopped buying new securities. The total of assets bought was \$4.5 trillion. The Federal Reserve still buys assets, but only as much as required to replace maturing debt, so that total holding remains constant. The fact that the Federal Reserve continues to hold this quantity of assets affects long-term interest rates and speeds recovery.

to the public. Negotiations usually continued to the last minute before deadlines and often ended with postponement rather than a solution. Such a process did not instill confidence in economic recovery.

Although economic and political uncertainty may breed caution among entrepreneurs, deficit reduction was expected to improve perceptions about the future of the economy. By October 2014, the rise in GDP and the fall in unemployment caused consumer confidence to advance to its highest level in seven years.

The financial environment for entrepreneurship in the United States in 2014 was bolstered by the highest level of venture capital (VC) investment since 2000. In 2014, \$48 billion in VC was invested, with internet and software businesses seeing the highest level of VC investment in their industries since 2000.⁵ Angel investments totaled \$24 billion in 2014, with the software sector receiving the highest level of investment, followed by health care services/medical devices and equipment.⁶

ENTREPRENEURS IN THE UNITED STATES: A DYING BREED OR ALIVE AND WELL?

Recent studies and media reports have cited a decline in entrepreneurship in the United States over the last several decades. Using data from the U.S. Census Business Dynamics Statistics (BDS) database, these studies have concluded that from 1978 to 2012, the number of firms less than one year old declined as a proportion of all firms. Figure 4 shows the business establishment birth rate, the share of businesses established in the last 12 months and business exits, as a proportion of the total number of establishments, based on BDS data. A close look at the figure shows that the birth rate was volatile between 1977 and 1988, averaging around 14.5%. Between 1989 and 2007, the birth rate was almost constant around 12%. Between 2008 and 2012, the birth rate was volatile, ranging from 9% to 11%.

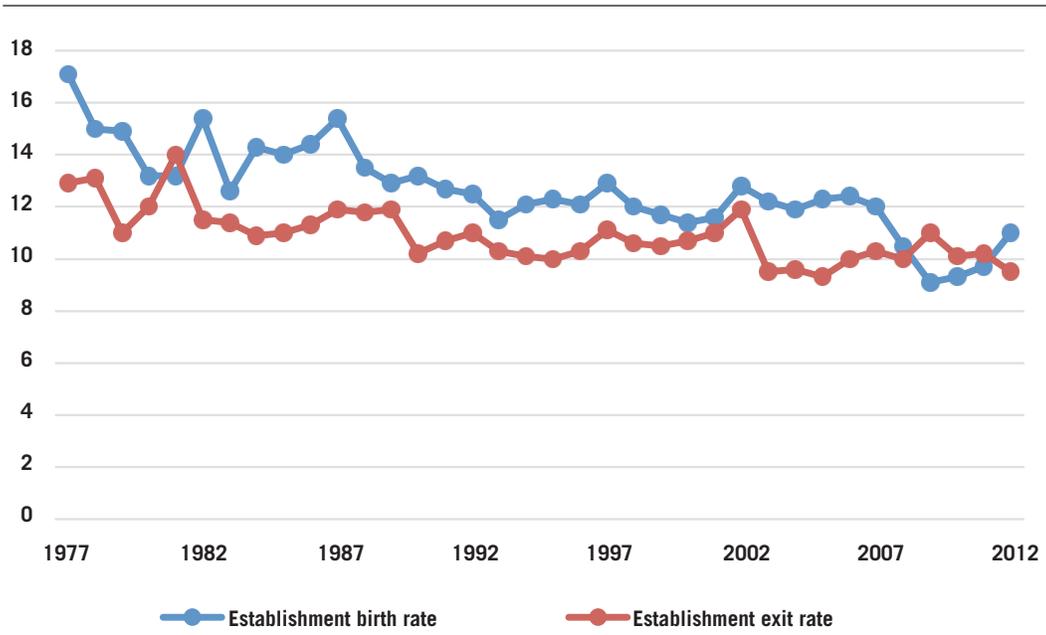


FIGURE 4
Share of New Establishments and Establishments that Exit the Market among Total Establishments in the Last 12 Months

Source of data: Business Dynamics Statistics, U.S. Census Bureau

With the advent of recession in 2007, the rate went down rapidly to 9% but has been going up since 2010 when the economy started recovering. These results are consistent with GEM findings. As Chapter 2 will

5 National Venture Capital Association (<http://nvca.org/pressreleases/annual-venture-capital-investment-tops-48-billion-2014-reaching-highest-level-decade-according-moneytree-report/>, accessed on 5/12/15).

6 Jeffrey Sohl, "The Angel Investor Market in 2014: A Market Correction in Deal Size," Center for Venture Research, May 14, 2015.

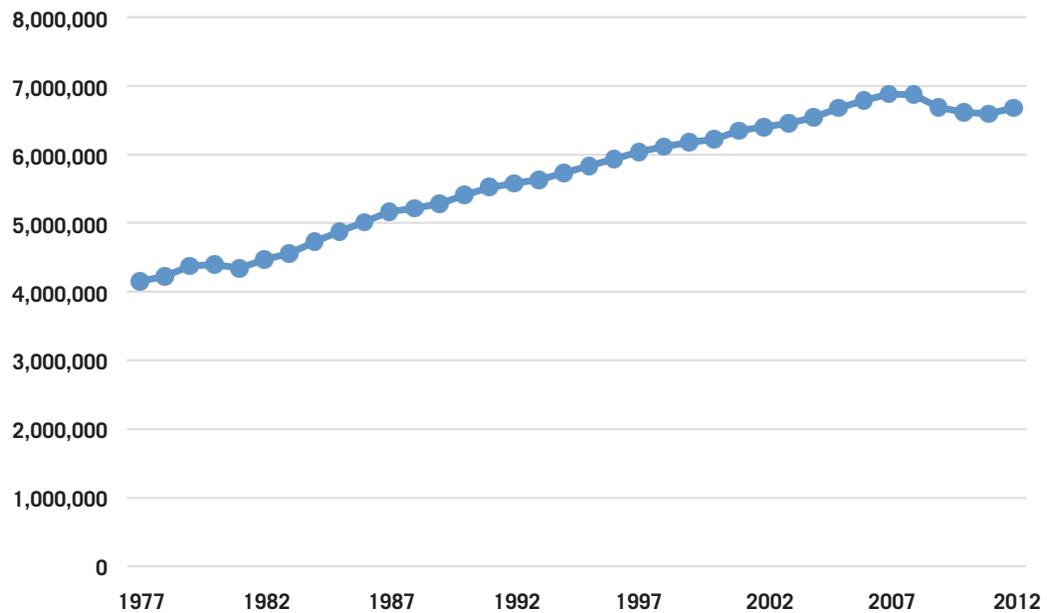
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reveal, rates across different phases of the entrepreneurship process fluctuated but were relatively stable until volatility occurred during the recession. Activity across all phases showed declines in 2009, with some indicators continuing to drop in 2010. Data from both GEM and the BDS have shown entrepreneurship to be on a rising path since the recovery, although BDS data after 2012 are not yet available. If the 2010-2012 trend continues, and if GEM data in 2013 and 2014 serve as a signal, the BDS data will continue to show rises in entrepreneurship.

Based on these assessments, the story of constant decline since 1978 is not quite accurate. For 18 years, the birth rate remained stable at around 12%. In addition, as Figure 4 shows, exit rates were lower than birth rates for all but one year until the Great Recession. This shows that the U.S. economy has performed well in retaining new businesses. As a result, the number of established firms has been growing, as confirmed in Figure 5.

FIGURE 5
Number of
Establishments
1997-2012

Source of data:
Business
Dynamics
Statistics, U.S.
Census Bureau



The number of businesses established each year has also grown, as Figure 6 shows, but not as fast as the total number of businesses in operation. In the 30-year period between 1977 and 2007, for example, the number of establishments increased by 66%. In this same period, the number of new firms started annually increased by 17%. Prior start-up activity and high sustainability may therefore result in more establishments over time. This might lead to a conclusion that the number of new firms, as a share of all firms, has declined. However, an alternative conclusion may be that the base of businesses has expanded.

GEM has consistently shown that developed economies have a high proportion of mature businesses relative to start-ups. Need or opportunity may drive a high rate of start-ups in emerging or developing economies, but mature business activity is often proportionately lower. This may be due in part to entrepreneurs not intending or able to sustain their businesses, or it may be that the businesses they start are not sustainable. However, studies such as the Global Competitiveness Report from the World Economic Forum⁷ show that developed economies have the most favorable and stable environments for business. This suggests that while failure is a risk associated with entrepreneurship, in countries such as the United States, the environment provides a better chance for long-term success. Information brought to light through analysis of these statistics demonstrates the value of a multi-phase perspective of the entrepreneurship process, as presented in this report.

7 <http://www.weforum.org/>.

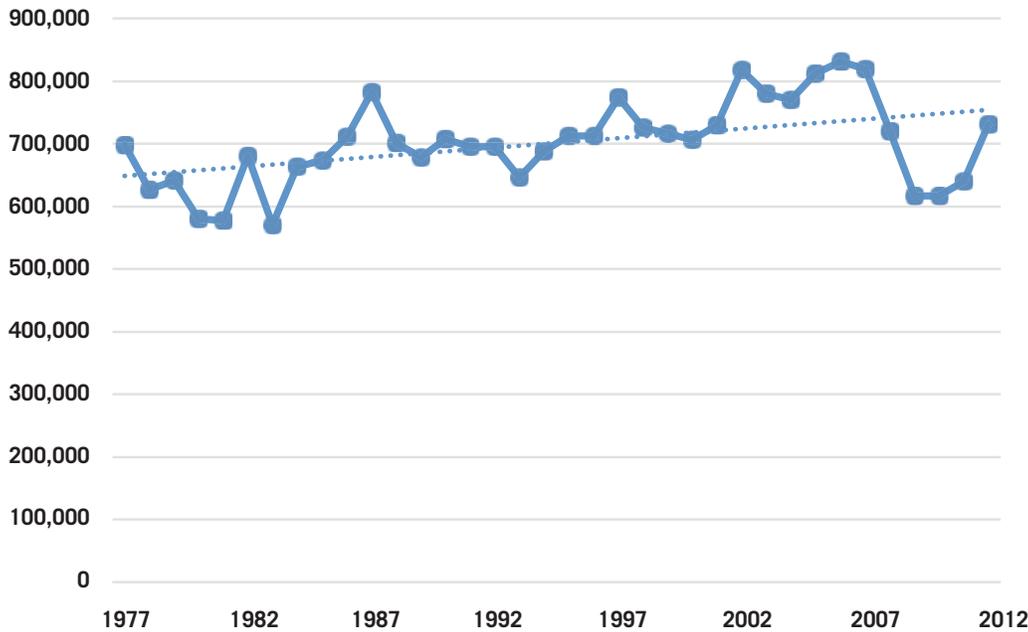


FIGURE 6
Number of New
Establishments
(Born in the Last 12
Months of 2012)

Source of data: Business Dynamics Statistics, U.S. Census Bureau

GEM has other distinct features that allow a more complete picture of entrepreneurship in the United States. The BDS data set only tracks employer firms.⁸ However, many ventures do not employ others in the start-up phase. In this respect, the BDS data set shows how many firms have become employers; it does not necessarily capture start-up activity. In addition, some businesses may add value to the economy as single-person operations. To the extent that technologies such as the internet, and other factors, have enabled the disaggregation of some business activities, individuals can operate as part of a value network involving many other participants and organizations.

The multi-phase emphasis of GEM enables examination of: potential entrepreneurs, those in the process of starting, those running new or mature businesses, and those who have discontinued. This provides a view of the process of entrepreneurship in the United States. In addition, U.S. media provide frequent examples of companies such as Google and Apple introducing novel products and services and remaining at the forefront of innovation and creativity. GEM recognizes that entrepreneurship can flourish inside existing organizations, and therefore measures employee entrepreneurship activity (EEA). For more background on GEM, go to www.gemconsortium.org.

GEM assesses other features of entrepreneurship, such as impact and inclusiveness. To understand the impact of entrepreneurship in the United States, it is important to look not just at the percentage of people participating in the activity, but also at the overall contribution they make to the economy. This report includes measures of the extent to which entrepreneurs participate in advanced industries, aspire to create jobs, introduce innovations and compete internationally.

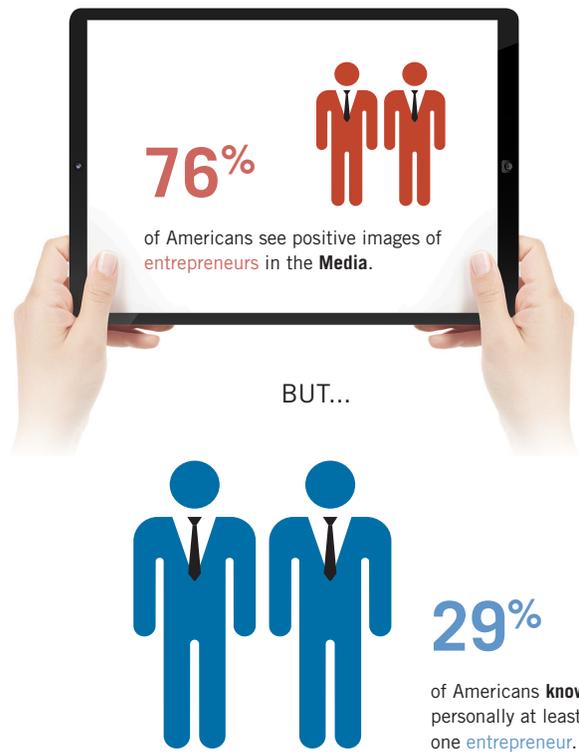
To capture a society's full potential for entrepreneurship, it is important that this activity be available to, and that it engage, all groups in society. This report contains dedicated chapters on women's entrepreneurship, senior entrepreneurship, and youth entrepreneurship—groups that often exhibit lower participation rates.

⁸ See "coverage, scope, and key definitions" in <http://www.census.gov/ces/dataproducts/bds/overview.html>. Also see Smith, Ron S. and Miranda Javier (2002). "The Longitudinal Business Database," Center for Economic Studies, U.S. Census Bureau.

INTRODUCTION

This report shows that entrepreneurship in the United States in 2014 has continued a four-year trend toward higher activity levels since the recession, registering the highest entrepreneurship rate since the survey began in 1999. Although much can be improved, entrepreneurship offers high current and prospective impact for the U.S. economy, and it is supported by positive societal attitudes.

Graphic by Janco Damas



Chapter 1:

The Distinct Profile of Entrepreneurship in the United States

The United States has long been recognized as an entrepreneurial country, but the essence of what that means is really multidimensional. As GEM data reveal, it can mean people participating at different phases of the process, entrepreneurs impacting society in various ways, and entrepreneurial attitudes in the society as a whole.

PARTICIPATION ACROSS PHASES OF THE ENTREPRENEURSHIP PROCESS

Although it represents only a small portion of the entrepreneurial profile of an economy, a core measure of entrepreneurship is the percentage of the adult population currently involved in starting or running a new business. Figure 7 shows Total Entrepreneurship Activity (TEA) across 70 economies participating in GEM in 2014. TEA includes those in the nascent phase of just getting started and those running new businesses less than three and a half years old.

As Figure 7 shows, entrepreneurship rates differ markedly around the world, even when accounting for economic development level. The highest activity levels may be found in several sub-Saharan African countries at the early development stage (factor-driven⁹), and in some Latin American countries at the middle stage (efficiency-driven).

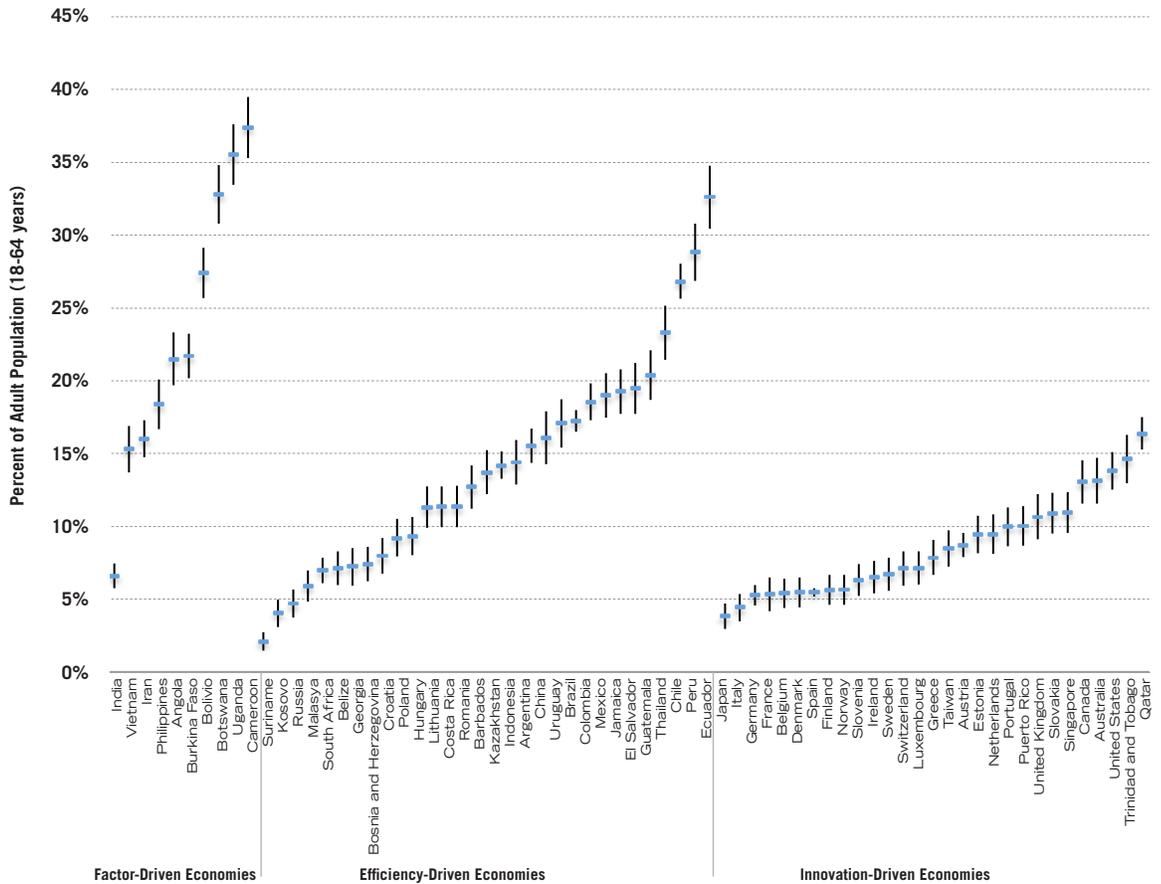
The United States is among developed (innovation-driven) economies where entrepreneurship rates tend to be lower on average. In these economies, there are more alternatives for employment, and often greater stability and benefits associated with being an employee. Additionally, it can be difficult to capture market share in mature, highly competitive markets that often characterize wealthier economies. Nonetheless, the United States exhibits one of the highest entrepreneurship rates (14%) among developed economies.

Across phases of the entrepreneurship process, an interesting picture emerges. In the earliest stages, *intention* signals the extent to which people want to start businesses, and *nascent activity* shows the extent to which they get started. In the United States, entrepreneurial intentions are relatively high for an innovation-driven economy, but there is a high proportion of people who have translated their intentions into action. For every 10 people who intend to start a business in the next three years, eight people are getting started. This compares on average with four people starting for every 10 people intending to start in efficiency-driven and innovation-driven economies.

9 The World Economic Forum classifies economies into three phases of economic development based on GDP per Capita. According to WEF, the factor-driven phase is dominated by subsistence agriculture and extraction businesses with heavy reliance on labor and natural resources. The efficiency-driven phase is accompanied by industrialization and increased reliance on economies of scale, with capital-intensive, large organizations dominant. In the innovation-driven phase, businesses are increasingly knowledge-intensive with an expanding service sector.

FIGURE 7
Early Stage Total
Entrepreneurship
Activity (TEA) in
GEM Economies
in 2014 by Phase
of Economic
Development

Global Entrepreneurship
 Monitor 2014 Global
 Report by Singer,
 et. al.



It is important to note that intentions may have risen at the time of the survey, and these intentions will show up as activity over time. However, the differences are substantial. The average level of intentions in efficiency-driven economies is very high (23% of the adult population), nearly twice that of the United States (12%). But nascent activity is lower (8%) than in the United States (10%). This suggests that many people in efficiency-driven economies want to start businesses, although few actually start. Innovation-driven economies show slightly lower intention levels than the United States and report just half the nascent activity (5%).

The high level of intentions in the efficiency-driven group may be due to necessity; proportionately more people in these economies start because they have no better choice for work (27%) compared to the innovation-driven group (18%). But at both levels of development, fewer are getting started. This may be due to various reasons. For example, costly or bureaucratic procedures may make it difficult to start, or people may not want to leave stable jobs with good benefits. These averages, however, do not reflect the variation in each group. The United States is an example of a country where there appears to be a good balance of participation between these two stages.

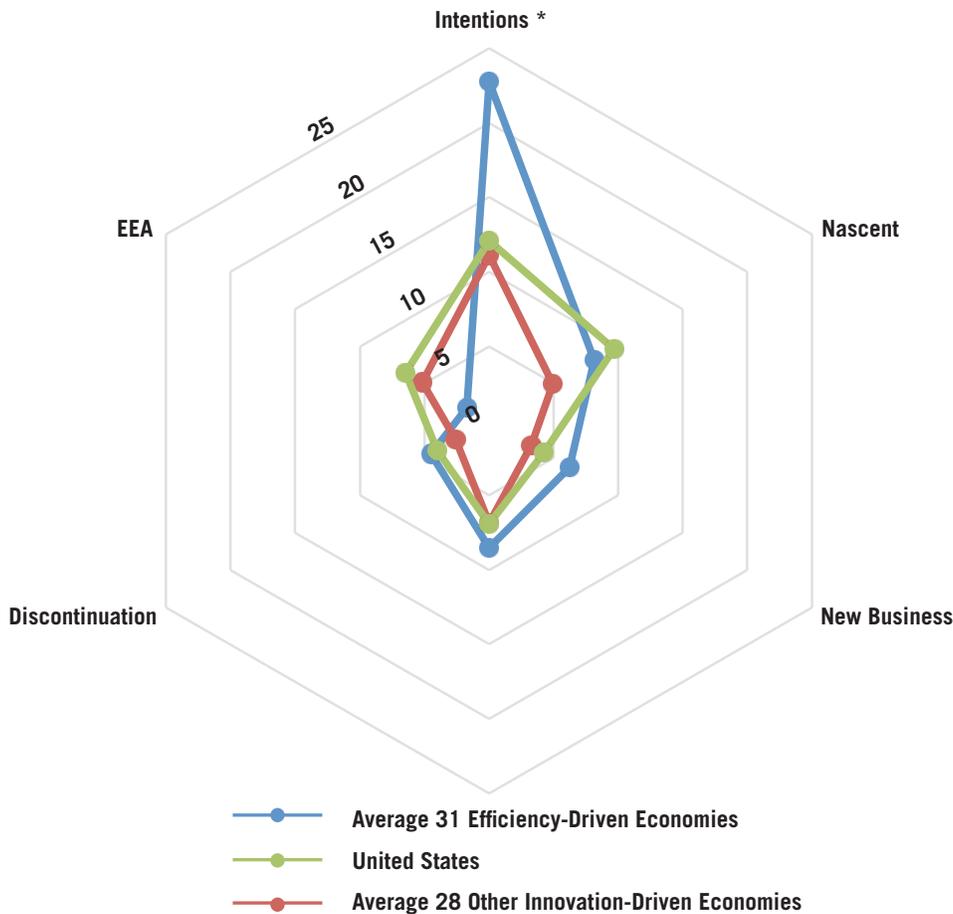


FIGURE 8
 Percentage of Adults Active in Different Phases of the Entrepreneurship Process, Employee Entrepreneurship Activity (EEA) for the United States, the Average of 28 Other Developed Economies, and 31 Developing Economies in 2014

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)

* Intentions assessed in the non-entrepreneur population

Compared to other developed economies, the United States exhibits slightly higher new business activity and about the same established business levels as the innovation-driven group average. New business activity spans from the nascent stage to three and a half years, beyond which an entrepreneur becomes classified as an established business owner. Innovation-driven economies report on average less entrepreneurship activity than in the United States, but there are equal proportions of mature business ownership. This may suggest greater selectivity among this group: that businesses that get started are more sustainable. Alternatively, it may indicate a relatively supportive environment and capabilities for sustaining businesses.

For the United States, one might expect a higher than average level of nascent activity accompanied by a higher than average established business rate. A lag effect may exist from the decline in TEA rates just after the recession when TEA dropped to 8% in 2009 and 2010. This may explain a lower rate of established businesses (three and a half years or older) in 2014. If this is the case, an increase in established business ownership should appear going forward.

The United States shows a discontinuation rate slightly higher than common for the innovation-driven group. It would make sense that more start-ups mean more stops; the risk inherent in entrepreneurship needs to be taken into account. This may suggest a high level of entrepreneurial dynamism: a willingness to try one’s hand at starting a business while recognizing not all efforts will work out. To have any chance for success, people need to be willing to venture forth.

A defining characteristic of entrepreneurship in innovation-driven economies is the higher rate of employee entrepreneurship activity (EEA). In economies where working as an employee provides attractive job options, entrepreneurs may be able* to exercise their ambitions within organizations. This is less the case in efficiency-driven economies where EEA rates average under 2%. In innovation-driven economies, the average EEA rate of over 5% offsets the lower nascent activity.

The United States exhibits high TEA and EEA rates. TEA and EEA (at 6%) do not appear to be behaving as substitutes. Instead, entrepreneurship in start-ups may coexist with entrepreneurship in organizations. Some people may prefer to be entrepreneurial in one context instead of another, while some may be entrepreneurial in both during their careers.

GEM recognizes the importance of measuring participation at various phases of the entrepreneurship process. A society's future entrepreneurial health relies on a current level of people who intend to start. Businesses that become stable employers and create ongoing value in a market emerge from the ambitions of those getting started today. People who leave their businesses can create ongoing value by repeating entrepreneurial efforts or by advising, financing, or providing other forms of support for entrepreneurs.

It may be difficult to determine a recommended balance to maintain across phases. Given the unique context of different economies, it's nonetheless worthwhile to study the level of participation in entrepreneurship across the process. Over time, shifts in participation at different stages may reflect shifts in the economy or longer-term issues. Chapter 2 explores these longitudinal patterns.

The United States in 2014 shows a high level of start-up rates for an innovation-driven economy. A slightly higher discontinuance rate may reflect this higher level of starts and the inherent fallout that occurs with some. New and established business activity is more in line with the average for developed economies. Going forward, the jump in entrepreneurship that began in 2011 should appear later in high ownership of established business. High EEA rates signal the presence of entrepreneurs who are starting both independent businesses also those for their employers.

THE POTENTIAL IMPACT OF ENTREPRENEURSHIP IN THE UNITED STATES

Another dimension characterizing start-up activity is a quality measure that recognizes entrepreneurs do not all have the same impact on their societies. Many entrepreneurs operate locally, run me-too types of businesses, and do not employ others. These businesses add value because they allow people to create their own jobs, and they serve a community by meeting demand for needed products and services. Entrepreneurship of all kinds is therefore beneficial.

However at a broader level, it is important to assess the overall profile of entrepreneurship in an economy. This includes the extent to which entrepreneurs target advanced industries, create jobs, launch innovative products and services, and compete globally. Viewing the profile of entrepreneurship at a societal level, GEM recognizes that rates of entrepreneurship tell only part of the story; it is critical to examine the collective impact.

Innovation-driven economies typically exhibit lower start-up and established business rates than less-developed economies but higher average impact of entrepreneurship. As Figure 9 shows, the 28 other innovation-driven economies have greater average proportions of entrepreneurs competing in businesses services with high job-creation expectations, innovation, and international sales.

Across all economic development levels, entrepreneurs participate most frequently in the consumer sector: businesses that serve consumers directly through retail, or through services such as in hotels, restaurants, and real estate. Participation in this sector and in the extractive sector is greatest at the factor-driven stage of development. In the efficiency-driven stage, these sectors typically decrease, with more entrepreneurs participating in transforming and business services.¹⁰

A distinct feature of innovation-driven economies is the prevalence of entrepreneurs in the business service sector, while the other three sectors show lower participation. Many economic development efforts promote knowledge-intensive businesses and emphasize the transition to a service-based economy. These businesses are often found in the business service sector, so it is useful to track the extent to which entrepreneurs compete in this industry category.

10 Extractive businesses are based on natural resources and may include farming, forestry, and mining. Transforming involves the manufacturing of goods and is generally capital-intensive, but it may also be labor-intensive. Business services target the business customer and generally rely on greater knowledge intensity.

Figure 9 shows a striking difference in the proportion of entrepreneurs starting businesses in this sector in efficiency-driven economies (12%) vs. innovation-driven economies (29%). In the United States, 36% of entrepreneurs compete in the business service sector, three times more than in efficiency-driven economies.

The United States exhibits a higher level of innovation (37%) than the other 28 innovation-driven economies (31%). However, job creation expectations show a greater spread. The United States shows more than twice the level of high-expectation entrepreneurs (24%) than the innovation-driven average (10%). This may signal high ambitions among American entrepreneurs, motivated to grow their businesses and believing opportunities hold high-growth potential. It may also reflect the U.S. industry makeup—in particular, the level of participation in the business service sector.

The United States falls short, however, in its low level of internationalization, 15% compared to 21% for the innovation-driven group. Many innovation-driven economies in Europe are small, with frequent cross-border trade and travel facilitated by the European Union. In addition, Europeans are multilingual and have similar cultures. Other small economies such as Taiwan and Singapore also have a history of international trade. It is perhaps not surprising that entrepreneurs from these economies show comparatively high levels of internationalization.

The United States, on the other hand, has a large internal market. Conditions favor internal activity in part because things are familiar and predictable to entrepreneurs. The high level of innovation and growth expectations suggests that American entrepreneurs generally feel there are good opportunities for introducing innovations and expanding businesses. Nonetheless, they should venture out to international markets. Global trade can enhance the perspective and competitiveness of U.S. entrepreneurs, which would serve them well in building future sustainable businesses. It would also fortify against incoming global competition.

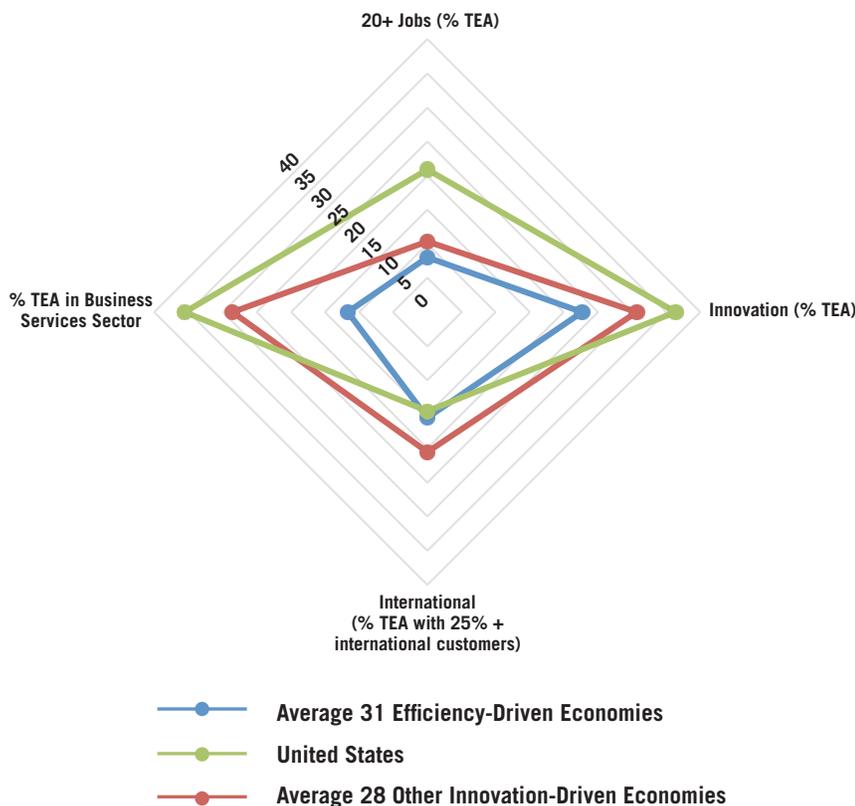


FIGURE 9
Percentage of Business Sector TEA Expecting to Employ 20 or More in Next Five Years, with New Products or Services, Few Competitors, 25% or Fewer International Customers

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)

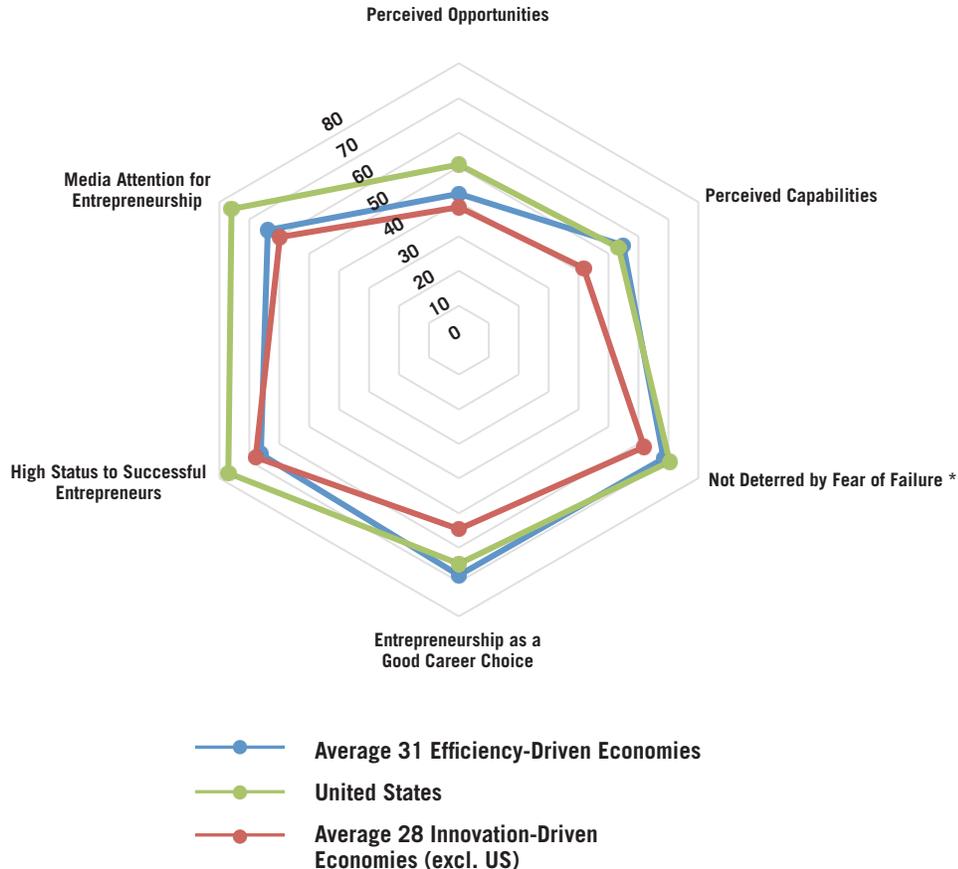
SOCIETAL ATTITUDES ABOUT ENTREPRENEURSHIP IN THE UNITED STATES

An entrepreneurial society comprises those who participate directly, those who might become future entrepreneurs, those who support entrepreneurs, and those who generate a positive environment for starting businesses. GEM tracks a range of measures of societal perceptions about entrepreneurship in the adult population. Figure 10 shows that efficiency-driven economies exhibit attitudes somewhat more favorable to entrepreneurship than do innovation-driven economies.

Opportunity perceptions are high in the United States (51%). For the first time since GEM has tracked entrepreneurship, more than half the U.S. population believes good opportunities exist for starting businesses. This attitude may be conceptualized as an external assessment of the environment for entrepreneurship in the United States. Societal impressions about the status of entrepreneurs and whether they receive positive media attention can also be seen as external perceptions. On these measures, efficiency-driven and innovation-driven economies show similar averages. The United States has higher levels on both measures, reflecting the media attention entrepreneurs receive and the positive view of entrepreneurship.

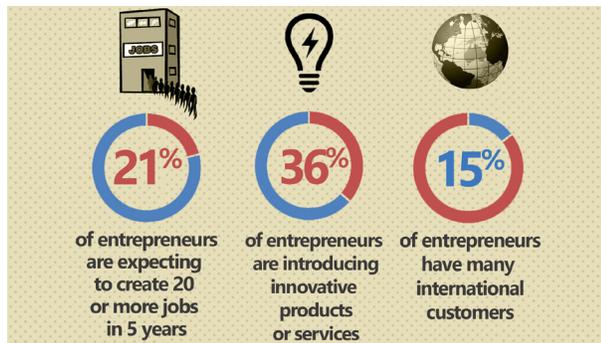
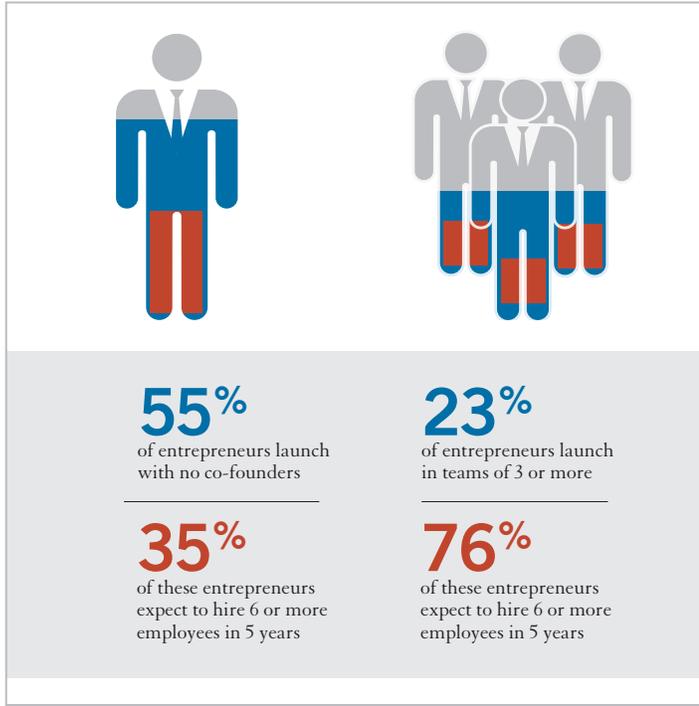
Three measures represent more internal perceptions or self-assessments: perceived capabilities for starting a business, not being deterred by fear of failure, and believing entrepreneurship is a good career choice. In the United States, these measures are higher than the average for innovation-driven economies, where entrepreneurship often competes with good job alternatives. Here, the United States tends to behave more like a typical efficiency-driven economy. It shows confidence and capabilities for entrepreneurship, willingness to take a risk, and belief that starting a business is a rewarding endeavor. All suggest the importance of internal attitudes in stimulating entrepreneurship in a society.

FIGURE 10
Societal Attitudes about Entrepreneurship as a Percentage of the Adult Population (18-64 years of age) for the United States and the Average of 28 Other Innovation-Driven Economies and 31 Efficiency-Driven Economies



*Among those seeing opportunities
Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)

Graphics by Janco Damas



Chapter 2

Entrepreneurship Patterns in the United States: 2001-2014

Longitudinally, the United States has maintained a high rate of entrepreneurship for four years after reporting substantial post-recession declines in this activity. Figure 11 presents these trends. In 2014, the percentage of Americans involved in starting or running new businesses was at its highest level during the 10-year period 2005-2014.

Most of this is due to nascent activity.¹¹ Ten percent of the U.S. adult population was in the process of starting a business. This represents a high level of nascent activity for the United States and continues a surge in start-up efforts since 2011. After bottoming out at less than 5% in 2010, nascent start-up rates have rebounded to more than 9% since 2011.

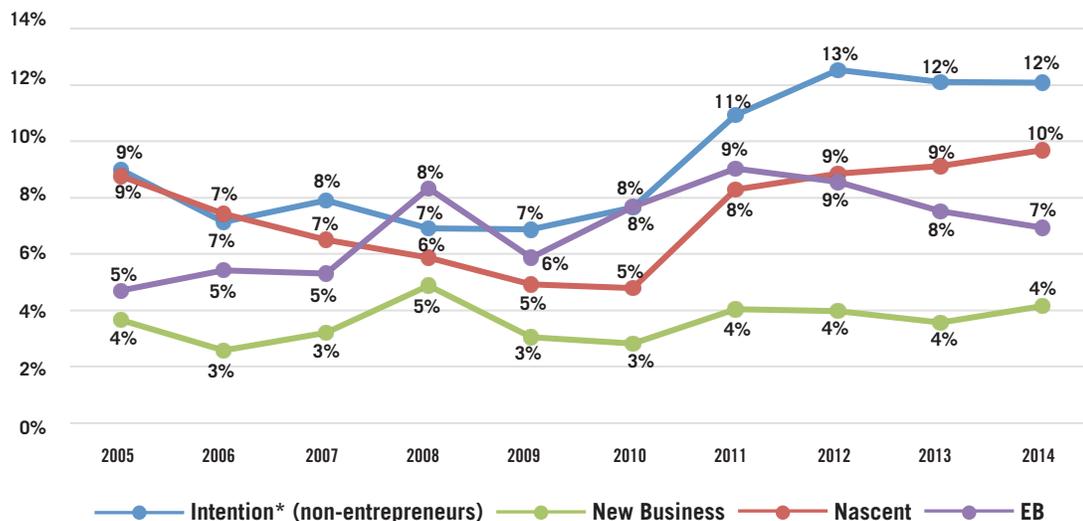
Figure 11 shows a plunge in both nascent and new business activity in 2009, which continued to edge downward in 2010. The 2011 jump in these phases suggests that people were beginning to see better prospects for entrepreneurship and were taking steps to launch businesses. This upward trend suggests that the reluctance previously hindering would-be entrepreneurs had started to ease. The 2014 data continue the stable and slightly increasing pattern in these early phases.

Entrepreneurial intentions appear to behave as a leading indicator with a drop in 2008 and 2009 and an increase in 2010, ahead of the jump in nascent and new activity. The 2014 results show a continued high but stable level in this indicator since 2012.

Established business activity continued a slight downward trend with three years of declines, likely a consequence of the drop in earlier phases during 2009 and 2010. Established business activity may be expected to reverse this trend in the next year or two.

FIGURE 11
Longitudinal Trends
in Intentions* and
Activity 2005-2014

*Intentions assessed in the non-entrepreneur population
Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)



11 Total Entrepreneurship Activity comprises nascent and new entrepreneurs. Nascent are 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.

Entrepreneurs pursue business creation either because of a perceived opportunity or out of economic necessity. Figure 12 displays the percentage of entrepreneurs who indicated these motivations. Since 2005, percentages for both motivations have been relatively steady with few exceptions. From 2008 to 2010, opportunity-motivation declined while necessity-motivation increased, likely a result of the Great Recession. Necessity-motivation began to drop in 2011 but remained higher than before the recession. However in 2014, this trend reversed as opportunity-motivation increased to pre-recession levels and necessity motivation declined.

As an economy develops, more jobs become available to those who prefer work as employees. This results in fewer start-up efforts, but also fewer due to necessity. This is reflected in cross-national comparisons of economies at different development levels. The United States, for example, has fewer entrepreneurs than most developing economies, but proportionately more who are opportunity-motivated.

A longitudinal analysis within a country tells the relationship between shifts in the economy and the job situation, as well as the number of entrepreneurs and their motivations. During the 2008-2014 period in the United States, GEM data show how entrepreneurship levels and the necessity/opportunity balance vary in a country experiencing drastic fluctuations in the economy and in employment. After the Great Recession, positive signs in the economy caused entrepreneurs to jump in because they saw better opportunity prospects. But it took years for jobs to return, and in the meantime, many people continued to start businesses out of necessity. This shows that it takes a return to a healthy economy to attract opportunity-motivated entrepreneurs and a rebound in jobs to provide options for otherwise necessity-driven entrepreneurs.

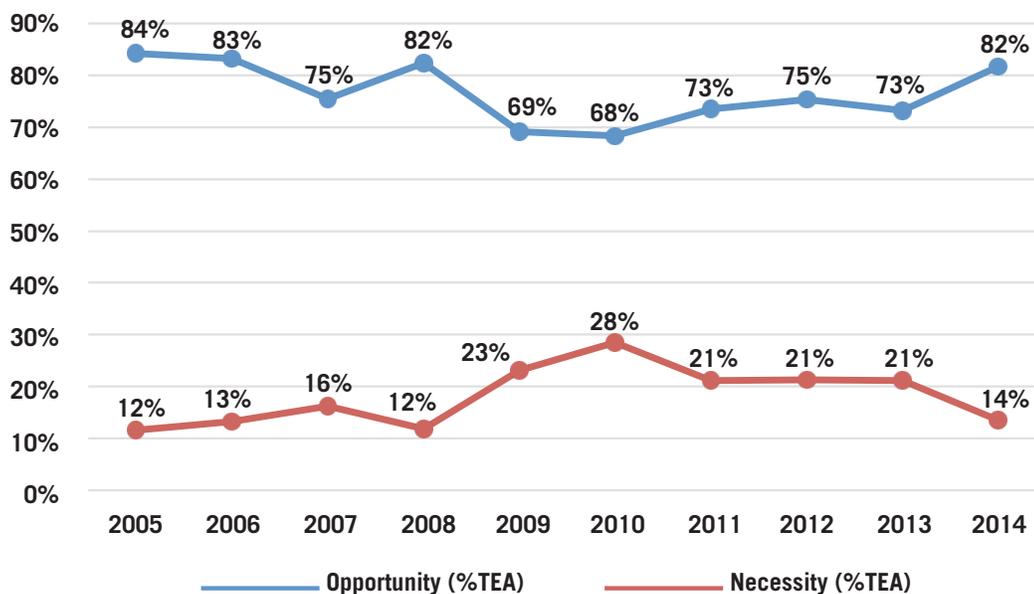


FIGURE 12
Longitudinal Trends
in the Percentage
of TEA Based
on Opportunity
or Necessity
Motivations
2005-2014

Source: Global
Entrepreneurship Monitor
2014 Adult Population
Survey (APS)

CHAPTER 2

A dynamic entrepreneurial society requires a strong economy with conditions that support this activity. It also requires people willing to launch businesses, realizing some will fail, while others with high potential reach for longer-term success. Discontinuance levels reflect the ability and willingness of people to get started, and the recognition that these efforts are not always sustainable.

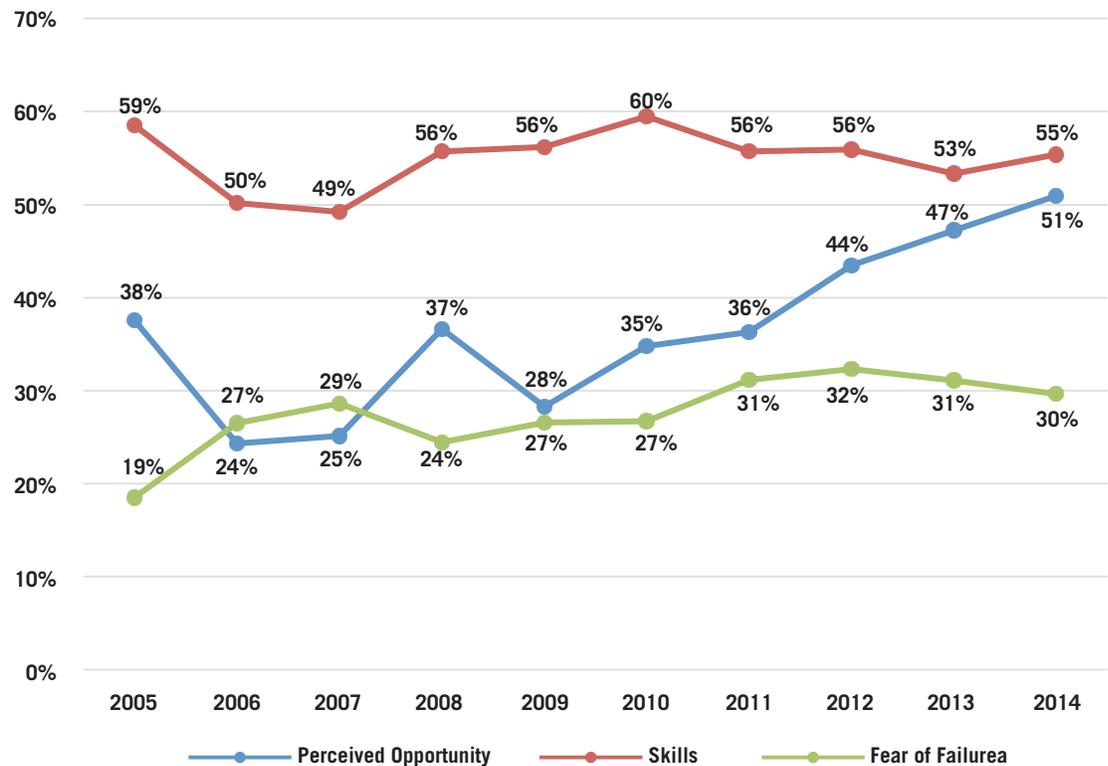
Discontinuance rates in the United States have been relatively stable over time. Between 2008 and 2014 when other GEM indicators displayed high variation, discontinuance fluctuated between 3.4% and 4.5%, with 2014 results at 4.0%. Although one might expect discontinuance to have increased during or after 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.

ATTITUDES ABOUT ENTREPRENEURSHIP

Several trends appear in adult attitudes about entrepreneurship. Figure 13 shows that perceptions about entrepreneurial opportunities increased steadily after 2009, peaking in 2014. Assessments of one's skills for starting a business rose steadily after 2009. Fear of failure rose after 2009, but topped off in 2012 followed by a slightly declining trend.

FIGURE 13
Longitudinal Trends
in Attitudes about
Entrepreneurship
2005-2014

Source: Global
Entrepreneurship
Monitor 2014 Adult
Population Survey
(APS)



Notwithstanding economic turbulence reflected in major shifts in entrepreneurial activity in 2009 and thereafter, Americans were equally positive in 2009 and 2014 about entrepreneurship as a good career choice and as representing high status. In 2014, 65% of Americans (vs. 66% in 2009) thought entrepreneurship was a good career choice, and 77% (vs. 75% in 2009) believed entrepreneurs had high status. However in 2014, 76% of Americans thought entrepreneurs were represented positively in the media vs. 67% in 2009.

Despite high visibility of entrepreneurship, the percentage of adults who know an entrepreneur has declined slowly, more than a one-third drop from 2005 to 2014, as shown in Figure 14. In a time of increasing online connectivity, Americans know fewer entrepreneurs on a personal basis. Media attention can offer role models and inspiration, but personal relationships with entrepreneurs can provide advice, connections to resources and stakeholders, and other advantages.

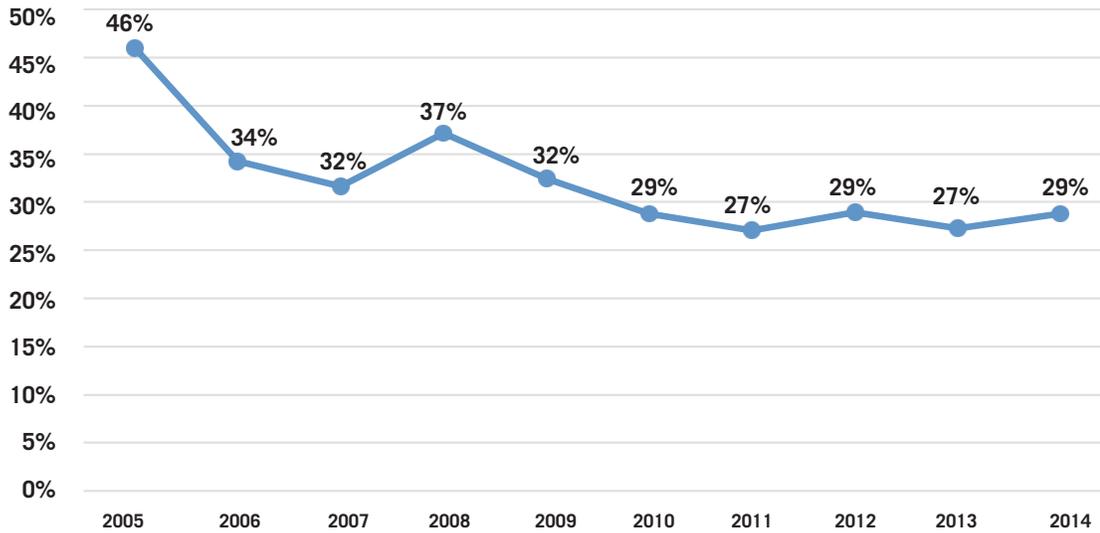


FIGURE 14
Longitudinal Trends
in Knowing an
Entrepreneur
2005-2014

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)

INDUSTRY SECTOR PARTICIPATION

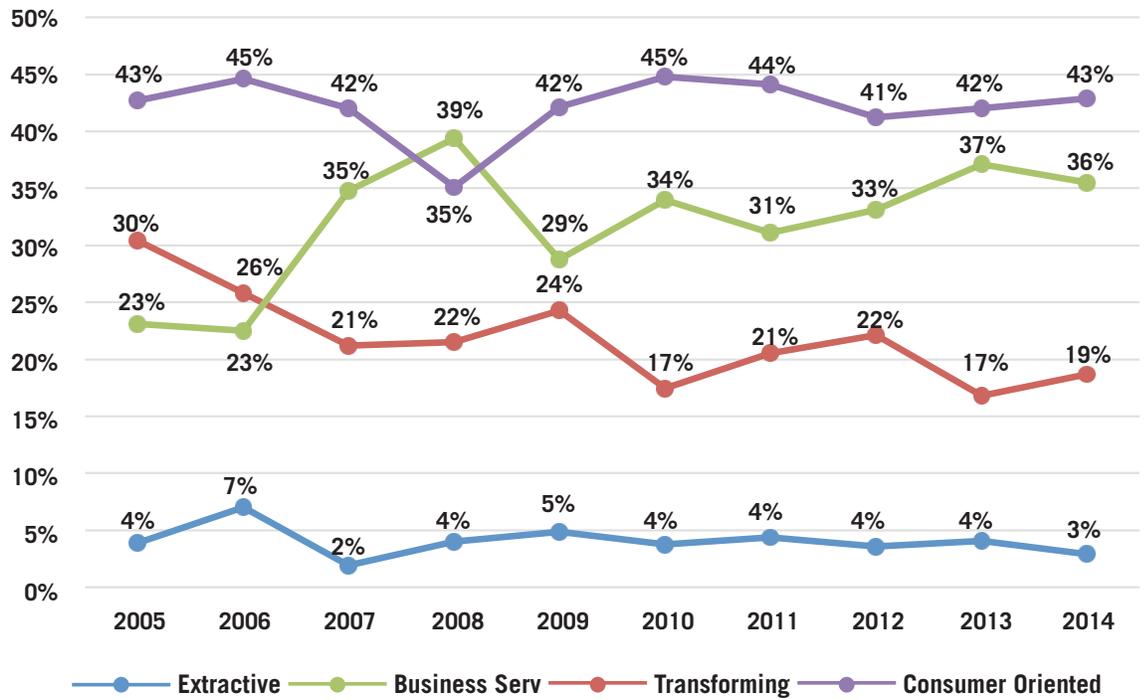
Although some economies promote specific industries at times, highly developed economies naturally progress toward knowledge-intensive activities and expanding the service sector. At early stages of economic development, the consumer sector accounts for most entrepreneurial activity. At higher development levels, business service begins to replace this sector and, to a lesser extent, the transforming sector.

Figure 15 shows the consumer and business service sectors represent most U.S. entrepreneurial activity since 2007. The consumer sector maintained a relatively stable level in the past decade. During this same period, the number of business starts fell in the transforming sector but trended upward in the business service sector. This may indicate a ceiling of activity in consumer products and services, and that a knowledge-intensive focus is replacing capital intensity among entrepreneurs.

CHAPTER 2

Figure 15
Longitudinal Trends
in Percentage
of TEA in Major
Industrial Sectors
2005-2014

Source: Global
Entrepreneurship
Monitor 2014 Adult
Population Survey
(APS)



TECHNOLOGY

GEM assesses two aspects related to technology in entrepreneurship. First, the use of new technology, which may include non-technology firms using the latest technology, for example in sales or production. Second, the percentage of firms competing in medium- and high-technology sectors. Figure 16 shows trends regarding the first indicator. Since 2006, the use of new technology among entrepreneurs has fluctuated widely, ranging from a high of 12% in 2007 to a low of 4% in 2009.

FIGURE 16
Longitudinal Trends
in Percentage
of TEA Selling
Products or Services
Based on New
Technology
2006-2014

Source: Global
Entrepreneurship
Monitor 2014 Adult
Population Survey
(APS)

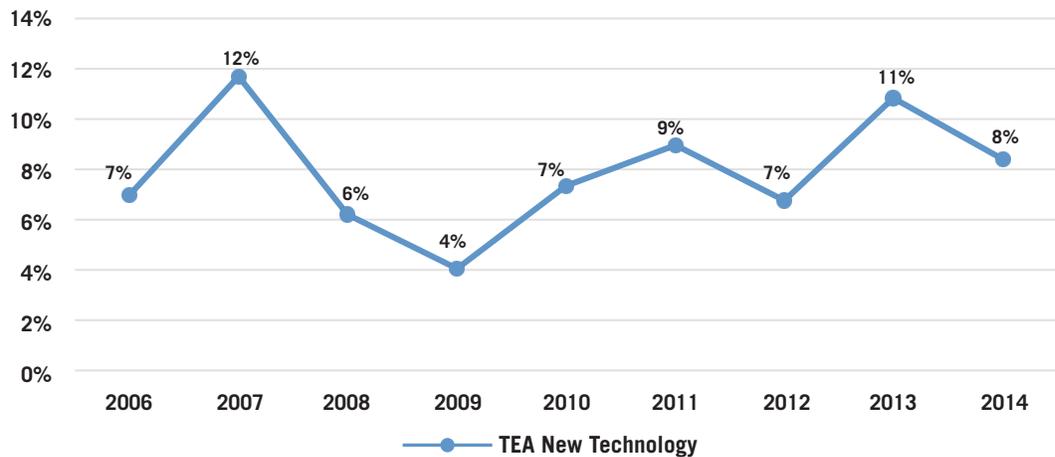


Figure 17 reports the percentage of entrepreneurs competing in the medium- or high-technology sector. Again, these results show wide fluctuations, but recent years may clarify. Few people were starting technology businesses in 2009, as the recession led to a decline in entrepreneurship and a higher proportion of necessity motives. As entrepreneurship rebounded, particularly opportunity-motivated entrepreneurship, there was a return to the technology sector. This illustrates the sensitivity of these key industries to economic cycles.

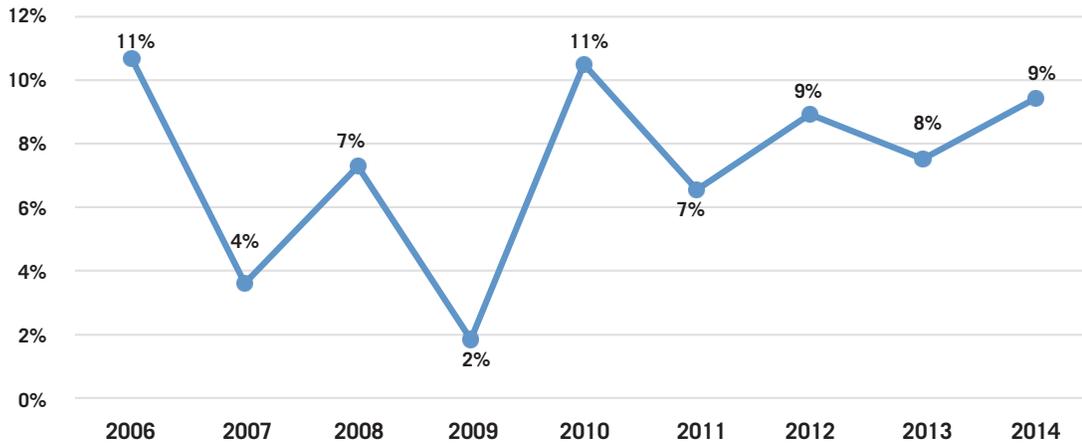


FIGURE 17
Longitudinal Trends in Percentage of TEA Competing in the Medium- or High-Technology Sectors 2006-2014

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)

INNOVATION

Innovation-based entrepreneurship creates value for entrepreneurs and their stakeholders, as well as for people who use their products and services. When entrepreneurs commercialize new concepts, technologies and knowledge, their innovations contribute to an economy’s global competitiveness.

Figure 18 presents trends in the percentage of entrepreneurs with innovative products and services. Since 2011, over one-third of U.S. entrepreneurs reported selling products or services that are new to some or all customers and that have few or no competitors. This percentage rose in 2014. Innovation levels have been consistently lower among established business owners, which is not surprising since entrepreneurs are more likely to need innovative offerings to establish a foothold in the market.

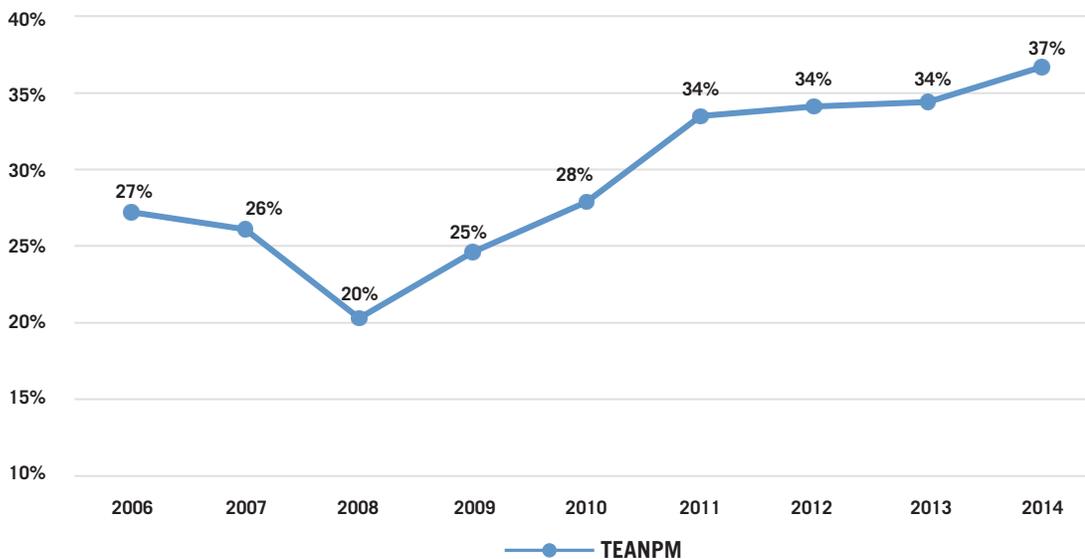


FIGURE 18
Longitudinal Trends in Percentage of TEA Selling New Product and Market Innovations 2006-2014

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)

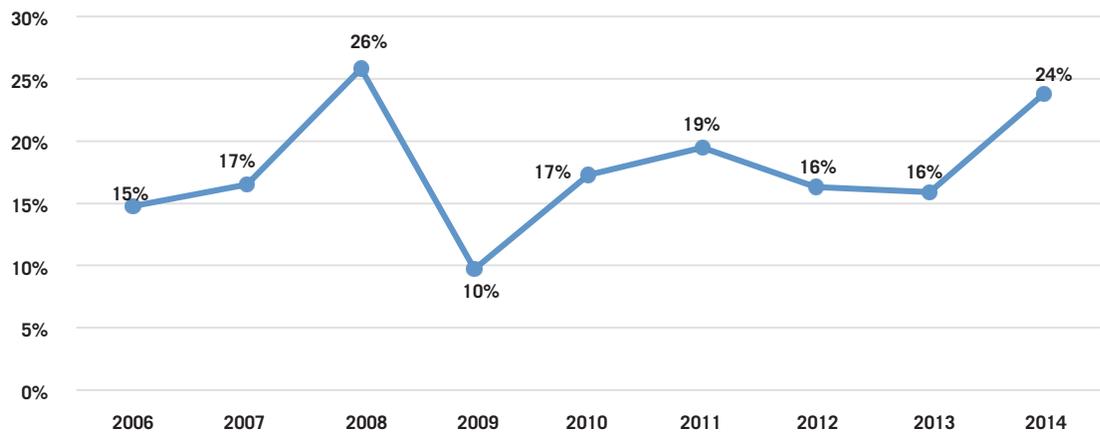
JOB EXPECTATIONS

Entrepreneurs' expectations that their businesses will create jobs show they believe they have a high potential opportunity, and that they 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 account for much job creation and economic development in a society.

Figure 19 shows at least 10% of U.S. entrepreneurs expect to create at least 20 jobs in the next five years. The highest level recorded on this measure was in 2008, after which it plunged to its lowest level in 2009. This is consistent with the drop in TEA rates and the rise in necessity-driven entrepreneurship reported in that year. However, in 2014, the percentage of entrepreneurs with high job expectations increased by 50% over the prior two years, implying greater optimism and ambition.

FIGURE 19
Longitudinal Trends
in Percentage of
Entrepreneurs
Expecting to Create
20 or More Jobs in
the Next Five Years
2006-2014

Source: Global
Entrepreneurship
Monitor 2014 Adult
Population Survey
(APS)



Internationalization has remained low among U.S. entrepreneurs since 2009, with 11% to 13% of entrepreneurs reporting 25% or more international customers. It appears that lower global reach accompanied the drop in entrepreneurship and the shift to necessity after the recession. Although this indicator edged up to 15% in 2014, it is one to watch in the future, given these consistently low levels.

U.S. society appears increasingly optimistic about entrepreneurship, particularly to the extent average working-age Americans see opportunities for starting a business. One concern that should be brought to light, however, is the pattern of declining personal affiliations with entrepreneurs. Perhaps this results from a society increasingly communicating through technology rather than in person. Nevertheless, the value of mentors, advice, networks and other benefits of knowing an entrepreneur cannot be overemphasized.

Early phases of the entrepreneurship process show stable or slightly increasing levels, and more entrepreneurs started because they wanted to pursue an opportunity. These are all positive signs that entrepreneurship in the U.S. is alive and well. However, established business levels will need to be monitored to detect whether recent downward trends, likely due to the TEA drop in 2009 and 2010, will reverse as the upswing in post-recession entrepreneurship evolves into mature business ownership.

In 2014, the number of technology-based businesses grew, knowledge-intensive services replaced capital-intensive manufacturing, and the consumer sector maintained stable levels. Job-creation potential has grown. Innovation is increasing but the indicator to watch is internationalization, up in 2014 after languishing at low levels.

ENTREPRENEURIAL TEAMS

Years of prior GEM data show that the American public perceives being an entrepreneur a good career option. This perception is partly driven by positive media portrayals. Everyone sees the lasting impact of successful entrepreneurs such as Bill Gates, Steve Jobs or Oprah Winfrey and a promising future being developed by individuals such as Mark Zuckerberg and Elon Musk. Television programs such as *Shark Tank* and daily media stories highlight positive representations of entrepreneurs. All this attention, however, has a strong bias toward the *individual* entrepreneur and obscures the importance of *teams*.

Although an individual leader makes a strong impact, as a venture develops, teams are needed to bring about lasting success for any organization. During the earliest stages of development, does a founding team vs. a single individual make a difference? This chapter examines early-stage entrepreneurial activity and differences among ventures founded by individuals and by teams.

Slightly more than half of ventures in the United States are founded by single individuals, as Figure 20 shows. However, previous research suggests that having more partners rather than fewer at the time of founding is likely to deliver benefits. To clarify, it is important to remember that the number of founders is different from the concept of a “new venture team,” which often includes individuals who join a venture during development, but after the nascent stage. Research which examines the number of founders suggests that firms founded by more than one individual are likely to have higher revenue.¹² This same research shows that nascent firms with three or more founders were more profitable than firms founded by single individuals.

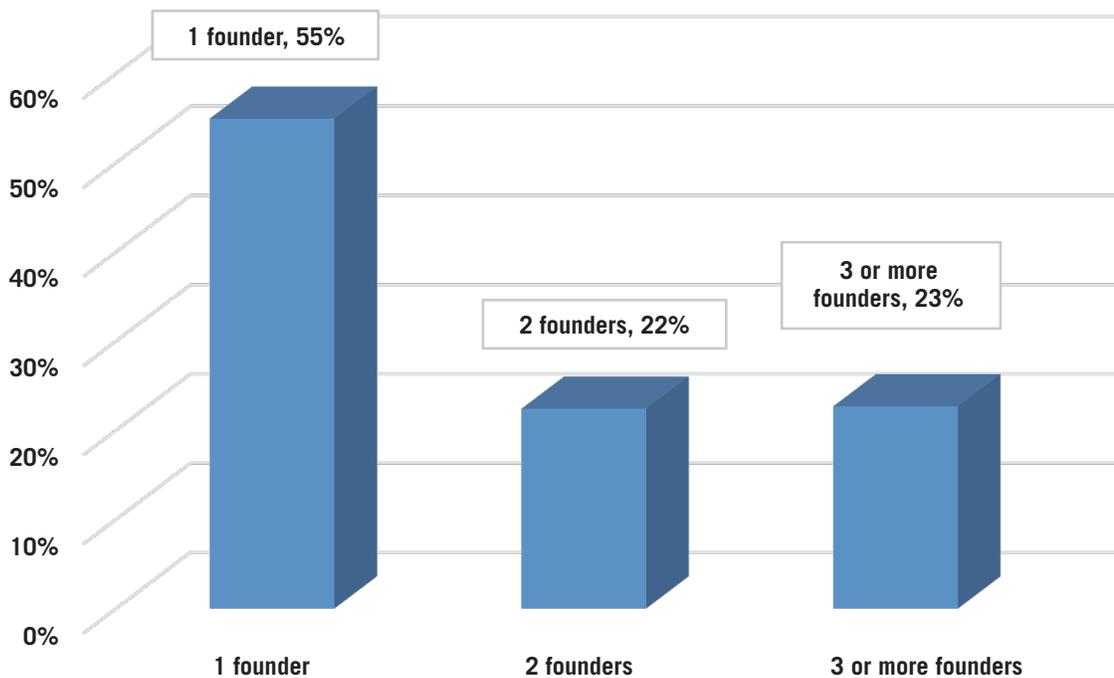


FIGURE 20
Percentage of TEA
with 1, 2, and 3+
Founders, GEM
United States 2014

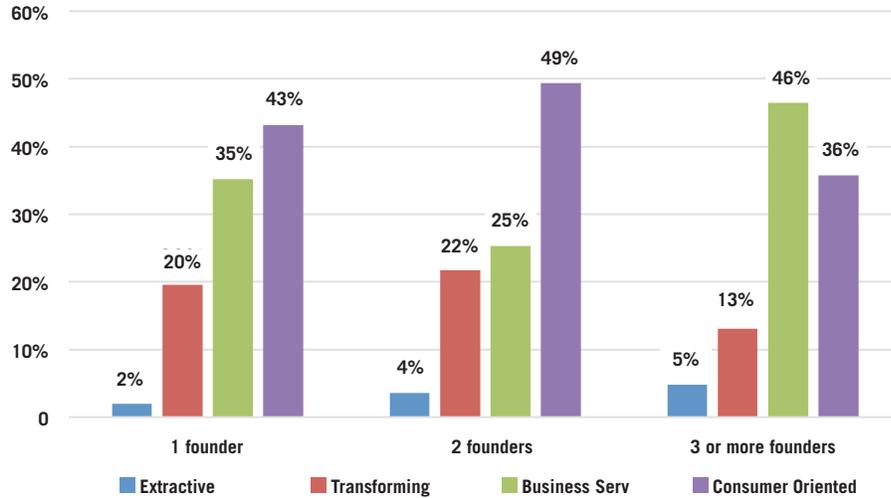
Source: Global
Entrepreneurship Monitor
2014 Adult Population
Survey (APS)

Analysis of founding teams across industry sectors reveals that almost half of ventures founded by three or more people are in the business service sector, as Figure 21 shows. This sector tends to be associated with higher development levels, and its knowledge and service orientation likely benefits from the breadth of human capital offered by a team.

¹² Forster, W.R. 2012. Partnerships and Performance: A Mixed-Methods, Longitudinal Study of Founding Partnerships' Effects on New Venture Performance. *Frontiers of Entrepreneurship Research*, 32(10).

FIGURE 21
Industry Breakdown
for Percentage of
TEA with 1, 2, and
3+ Founders, GEM
United States 2014

Source: Global
 Entrepreneurship
 Monitor 2014 Adult
 Population Survey
 (APS)



Data on growth orientation support prior research which suggests that having more than one founder links positively to revenue growth and profit. Among single-founder firms, 35% expect to have six or more employees in the next five years, whereas 76% of firms founded by three or more individuals anticipate this level of employment. These numbers show that team-based ventures have higher growth ambition and job-creation potential.

Interestingly, half of entrepreneurs who stated they were running internet-based businesses were single founders. This is likely due to the fact that single individuals can leverage this technology without the aid of other founding individuals.

With regard to gender, male entrepreneurs show 25% of ventures started by three or more founders compared to 19% for females. Given the higher potential for team-based entrepreneurship, this gender difference should be noted, particularly when there are gender differences in industry sector participation, growth ambitions and other indicators, as reviewed in the next chapter.

Chapter 3

Women Entrepreneurs

Women entrepreneurs are critical contributors to the U.S. economy. It is estimated that nearly 9.1 million U.S. businesses or 33% of the 28 million U.S. firms, are at least 51% owned by women. These businesses employ 7.9 million workers and generate over \$1.4 trillion in revenues¹³. Even though women make up nearly 47% of the labor force¹⁴, the start – up rates of women are consistently lower than that of men, which likely explains in part the lower proportion of women business owners in the U.S.

Figure 22 shows that, from 2005 to 2014, there is no single year where women report a higher TEA rate than men. Most of the years exhibit a 4-8 percentage point gap between the genders, with a narrowing to 1 percentage point in 2004 and in 2010: the latter representing the year with the lowest overall TEA rate recorded by GEM United States. This post-recession drop in overall TEA was therefore due to a decline in business starts by men, while women showed an increase during that year.

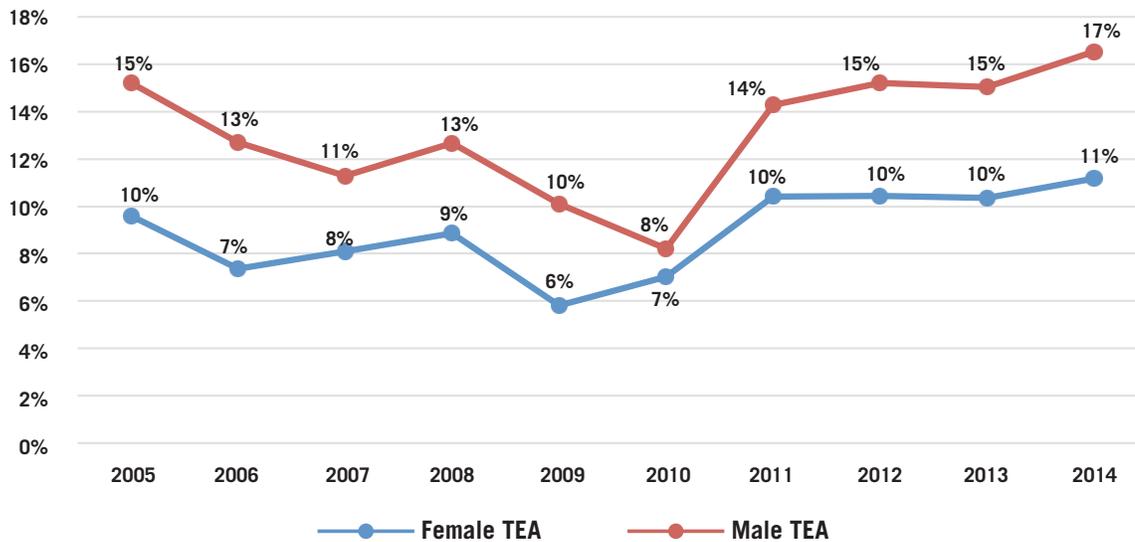


FIGURE 22
Longitudinal
Comparison of TEA
Rates for Women
and Men
2005-2014

Source: Global
Entrepreneurship Monitor
2014 Adult Population
Survey (APS)

The increase in entrepreneurship among women in 2014 occurred primarily in the youngest age group, where TEA jumped to 17% for those age 18-24. Older age groups saw smaller increases or declines. This narrowed the gender gap with males to three percentage points in the 18-24 age group, while the gap among those age 35-64 averaged seven percentage points. This suggests both increasing popularity of entrepreneurship and potential for gender equality in entrepreneurship between young women and young men.

13 *The 2014 State of Women-Owned Businesses Report*, commissioned by American Express, OPEN; A summary of Important Trends 1997-2014; Womenable.

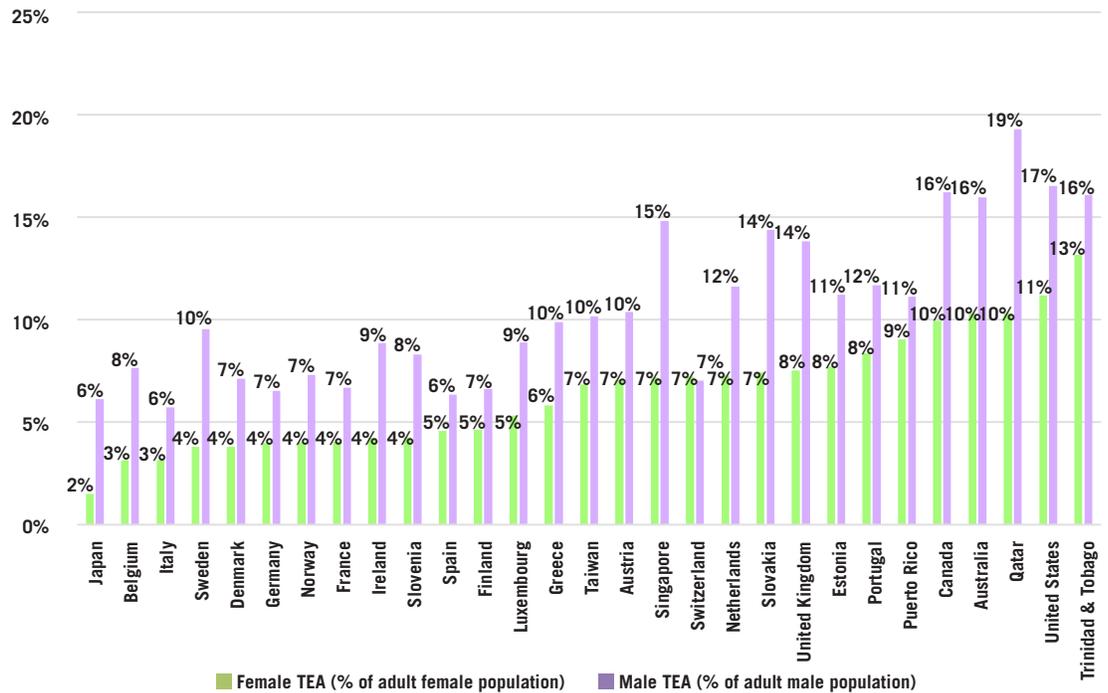
14 Labor Force Statistics from the Current Population Survey, <http://www.bls.gov/cps/cpsaat11.htm>.

CHAPTER 3

Compared to other developed economies, the United States shows a relatively high rate of female TEA, second only to Trinidad and Tobago. However, the six percentage point gender gap in TEA rates for 2014 is comparable to rate gaps in Canada, Australia, and some Western European countries (United Kingdom, Ireland, Sweden, Belgium). In contrast, Spain and Finland show rate gaps of only one or two percentage points, and Switzerland exhibits gender parity, as seen in Figure 23.

FIGURE 23
Comparison of TEA Rates for Women and Men among Developed Economies in 2014

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)

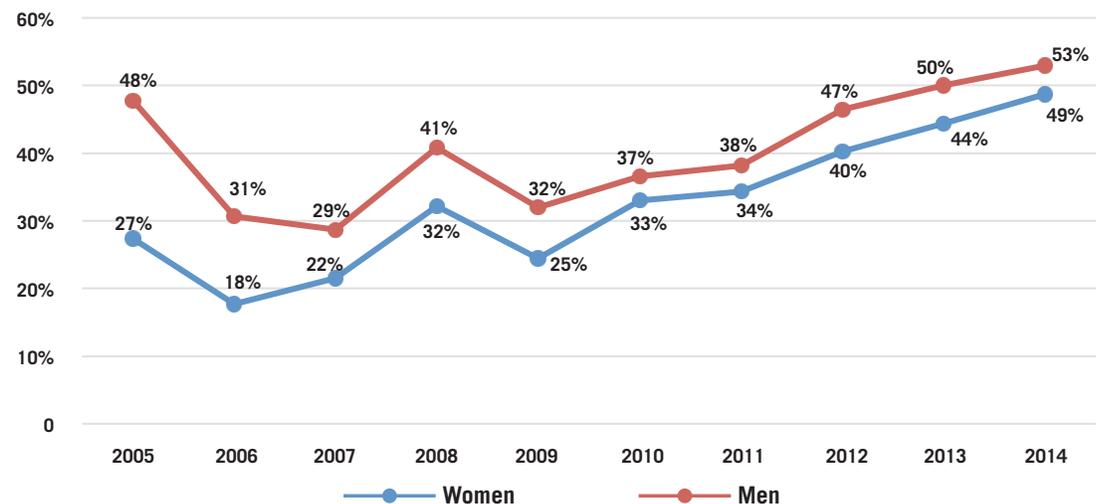


SOCIETAL ATTITUDES ABOUT ENTREPRENEURSHIP

Women increasingly see good opportunities for starting businesses in the United States. Nearly half of American women hold positive perceptions of opportunity. From 2009 to 2014 these perceptions steadily rose, increasing by more than 20 percentage points, as Figure 24 illustrates. Notably, the gender gap has narrowed over the past six years.

FIGURE 24
Opportunity Perceptions among Women and Men in the United States 2005-2014

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)



Opportunity perceptions may provide a foundation for new business starts. Another key contributor to starting a business is the extent to which people believe they have the capabilities required to do so. Over the 10-year period shown in Figure 25, the trend in perceived capabilities remained fairly stable, with slightly lower values in recent years. A decline in this attitude may reflect, for example, a more difficult environment for starting business, or perceptions based on more complex or challenging businesses. The gender gap in this indicator has averaged 17 percentage points over time, which may help explain the lower TEA rate among women. Research confirms that self-confidence relates directly to entrepreneurial career intentions, and that it plays a larger role for women than for men.¹⁵

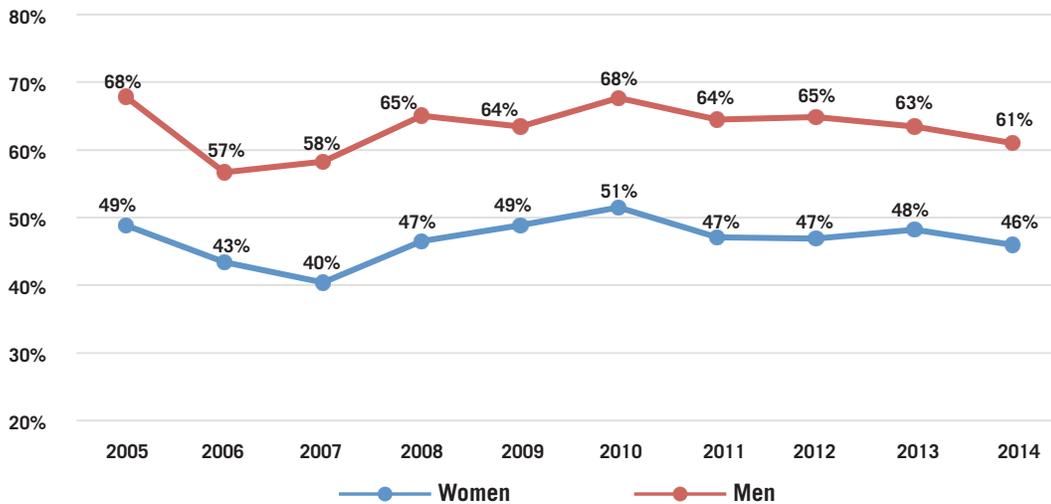


FIGURE 25
Perceived Capabilities among Women and Men 2005-2014

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)

Fear of failure for both women and men took an upward path after the recession, but has started to trend downward in recent years. As Figure 26 shows, this indicator dropped for men in 2014 but stayed relatively steady for women at nine percentage points higher than that of men. The gap between women and men has varied substantially over time; women show a higher fear of failure rate in all but one year, when the rate dipped slightly below that of men in 2007. Although fear of failure in the United States remains higher than in 2005, it is lower than for most developed countries.

Fear of failure can mean many things: fearing social consequences, economic loss, or personal or psychic loss. There is evidence that women start businesses with less money than men and have fewer economic resources to start. Hence, fear of economic failure may play a greater role for women than for men.¹⁶ On the other hand, there is evidence that the social consequences of failure might be different for women. Because there are fewer women entrepreneurs, the perception of entrepreneurs generally is “male;” and therefore the consequences may be socially more negative for women.¹⁷ Hence, women may perceive they have more to lose if they fail in their attempt to start a new venture.

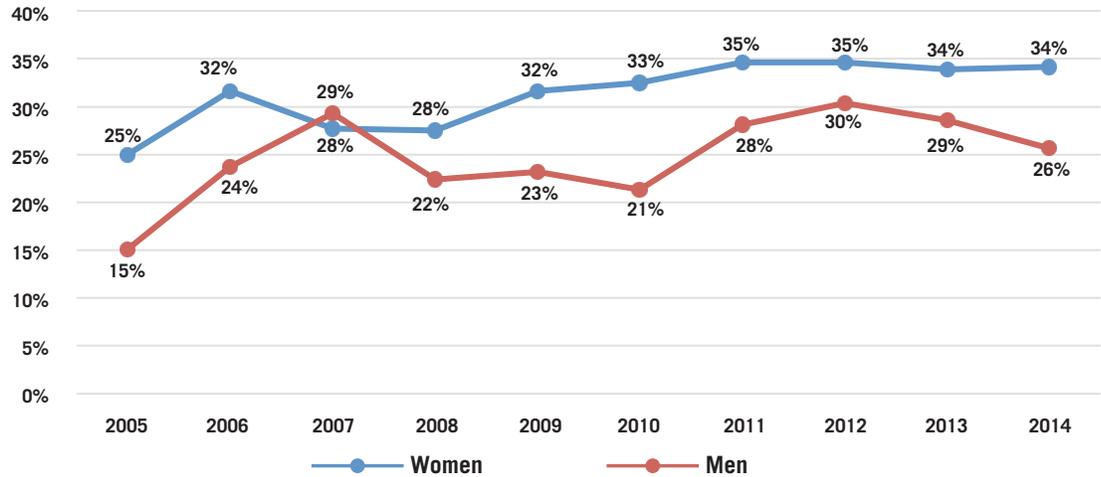
15 Kickul, J., Wilson, F., & Marlino, D. 2007. Gender, entrepreneurial self-efficacy and entrepreneurial career intentions: Implications for entrepreneurship education, *Entrepreneurship Theory & Practice*, 31:3, 387-406; Zhao, H.; Seibert, C.; & Hills, G.E. The mediating role of self-efficacy in the development of entrepreneurial intentions. *Journal of Applied Psychology*, 90:6, 1265-1272.

16 Robb, A. & Coleman, S. 2012. *A Rising Tide: Financing Strategies for Women-Owned Businesses*. Palo Alto, CA: Stanford Press.

17 Driga, O., Lafuente, E., Vaillant. 2009. *Sociologia Ruralis*. 49:1, 70-96; Fielden, S., Dawe, A. 2004. Entrepreneurship and social inclusion. *Women in Management Review*. 19:3, 139-142.

FIGURE 26
Fear of Failure
Among Women and
Men
2005-2014

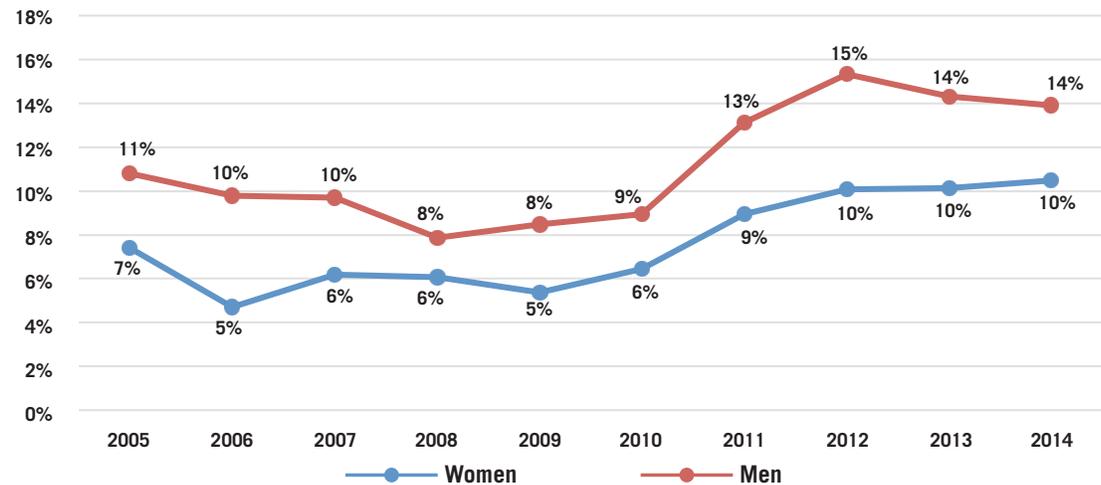
Source: Global
Entrepreneurship
Monitor 2014 Adult
Population Survey
(APS)



To the extent perceived opportunities, perceived capabilities and fear of failure indicate a willingness or readiness for entrepreneurship in a society, entrepreneurial intentions signal a next-level expectation to start a business. Intentions among women have followed an upward path in the past several years, as Figure 27 shows. For the most part, this is consistent with the increase in opportunity perceptions and TEA rates seen during this period. This may suggest that when people believe there are good opportunities, many have intentions to start businesses, and with intentions come actual starts.

FIGURE 27
Intentions to Start
a Business among
Women and Men
2005-2014

Source: Global
Entrepreneurship
Monitor 2014 Adult
Population Survey
(APS)



While attitudes exert the strongest influences on whether people start businesses, personally knowing another entrepreneur can stimulate interest and motivation. It is notable that American women increasingly see opportunities for entrepreneurship; and more are starting, although fewer actually know an entrepreneur, as Figure 28 illustrates. At the same time, one-fourth of women in the United States personally know an entrepreneur, and over three-fourths see positive representations of entrepreneurs in the media. This suggests that many women know “about” entrepreneurs, but don’t personally know one.

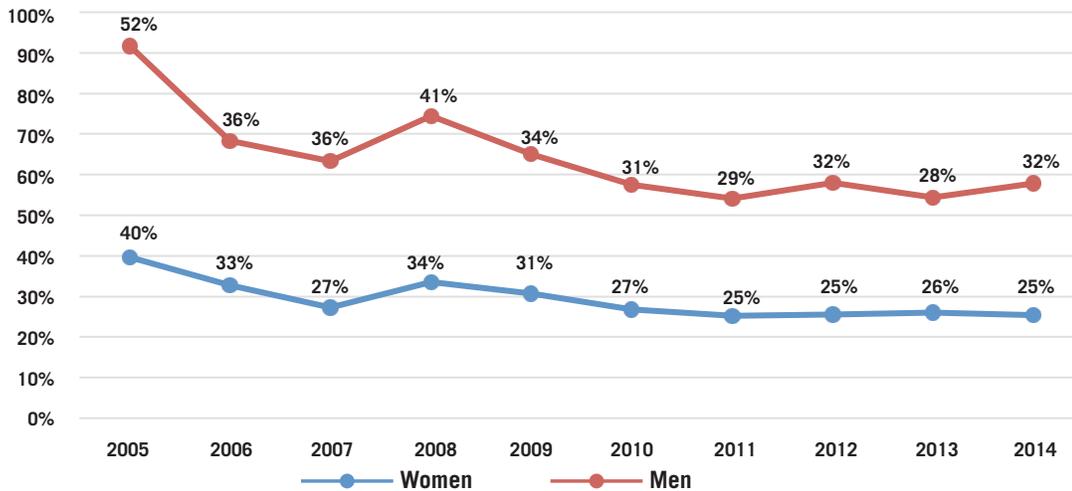


FIGURE 28
Percentage of U.S.
Women and Men
Who Personally
Know Entrepreneurs
2005-2014

Source: Global
 Entrepreneurship Monitor
 2014 Adult Population
 Survey (APS)

There is virtually no gender gap on: media representation (both women and men 76%), whether entrepreneurship represents a good career choice (both 65%), and whether entrepreneurs have high status in U.S. society (women 77%, men 78%). This suggests that women have opinions similar to those of men about entrepreneurship in general. However, a gap remains for indicators that connect women directly to this activity: seeing opportunities, believing they have capabilities, the extent fear of failure poses a barrier, and affiliations with entrepreneurs. This could suggest that women hold a favorable view of entrepreneurship but are less apt (than men) to see themselves as entrepreneurs.

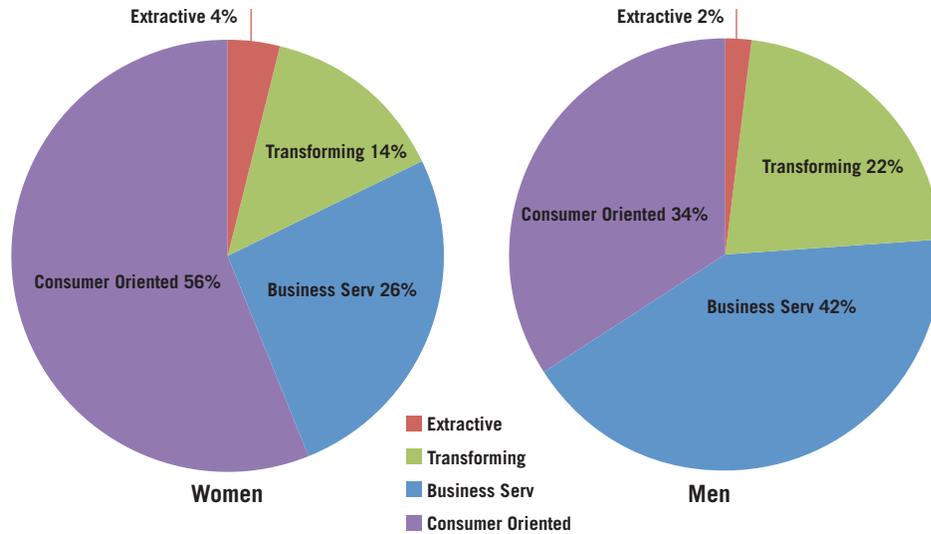
WOMEN ENTREPRENEURS AND THEIR BUSINESSES

Relative to industry sector participation, the vast majority of women entrepreneurs are clustered in consumer businesses, a trend that has remained almost the same since 2004. Men participate far less in this sector, instead competing more heavily in the transforming and business service sectors. Women have exhibited little change over time in these two sectors, while men have shown a gradual decrease in transforming businesses with a concurrent increase in business services. The results for men are consistent with industry trends over time as countries develop economically—the consumer sector declines, but transforming businesses increase and then are outpaced by business services.

The fact that industry composition for women is relatively stagnant should be noted—especially given that the consumer sector often comprises low barriers to entry and low profitability, whereas transforming businesses leverage capital investment and the business service sector emphasizes human capital and knowledge.

FIGURE 29
Industry Sector Participation for Women and Men 2014

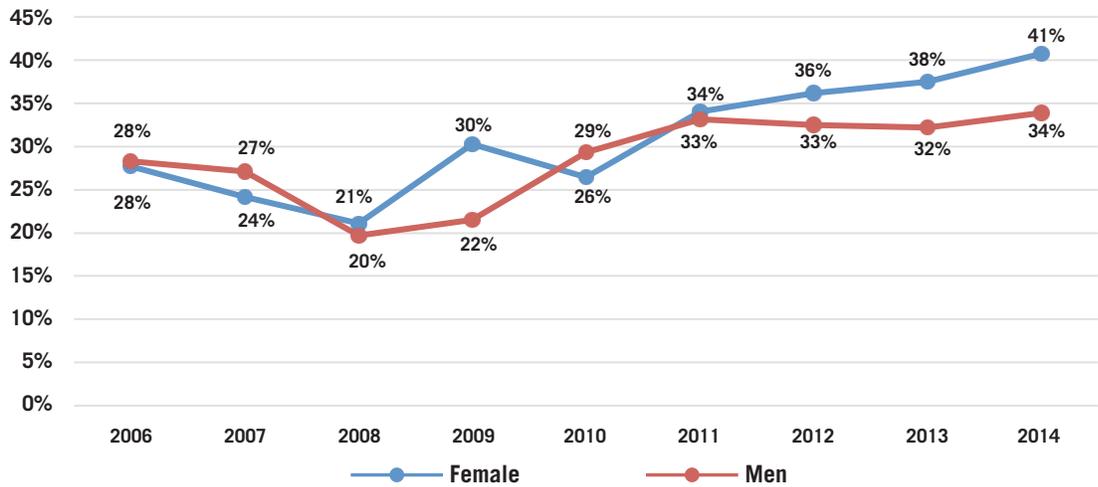
Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)



Women entrepreneurs create unique value for others, as well as revenue and profit potential for themselves and their stakeholders, when they introduce products and services that are new to customers and not offered by competitors. On this measure of innovation, patterns for women and men have fluctuated greatly over time, as Figure 30 illustrates. During the past four years, women entrepreneurs have outpaced men on this indicator.

FIGURE 30
New Product/Market Combinations Comparing Women and Men 2006-2014

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)



Because women are more likely than men to start businesses in consumer products and services, a highly crowded sector, they may need to continually innovate in order to sustain such businesses over the longer term.¹⁸ Male entrepreneurs participate more heavily in the business service and transforming sectors. Men may be less likely to state that they are innovative in their products and markets because these businesses may inherently require a higher base level of innovation, and they can compete through knowledge and capital investment.

18 Brush, C., Balachandra, L., Davis, A., & Greene, P. 2014. *Investing in the Power of Women: Progress Report on the Goldman Sachs 10,000 Women's Initiative*. Babson College: Wellesley, MA.

Although men have greater growth aspirations than women, the gap in this indicator is narrowing. The gap in expectations to grow to more than six jobs was 20 percentage points in 2005, but by 2013 the gap had narrowed to two percentage points, suggesting that women and men held nearly equal expectations for growing their businesses. However, the gap widened in 2014 with 50% of men expecting to grow their businesses to six employees, compared to only 38% of women.

Women are more likely than men to operate businesses from home (68% vs. 58%). Their start-up capital needs are one-third those of men (\$10,000 vs. \$30,000), and women entrepreneurs draw financing mainly from personal and family sources (61% of women vs. 48% of men). This fact suggests a potential explanation for the lower growth-orientation reported by women entrepreneurs compared to that of men. Entrepreneurs who start small may have less ambition for future growth.

Women's entrepreneurship continues to be an important component of the U.S. economy. This report shows gender gaps in perceived capabilities, fear of failure and perceived opportunities, which may explain differences in intentions to start businesses, as well as in start-up rates. Women and men hold equally positive perceptions about entrepreneurship; it may be the case that women have high regard for entrepreneurs but are less likely to see themselves in this role. A comparison of businesses started by women and men shows women more likely to innovate and more engaged in consumer products/services. Women lag men in growth expectations, although this gap has narrowed in recent years.

Chapter 4

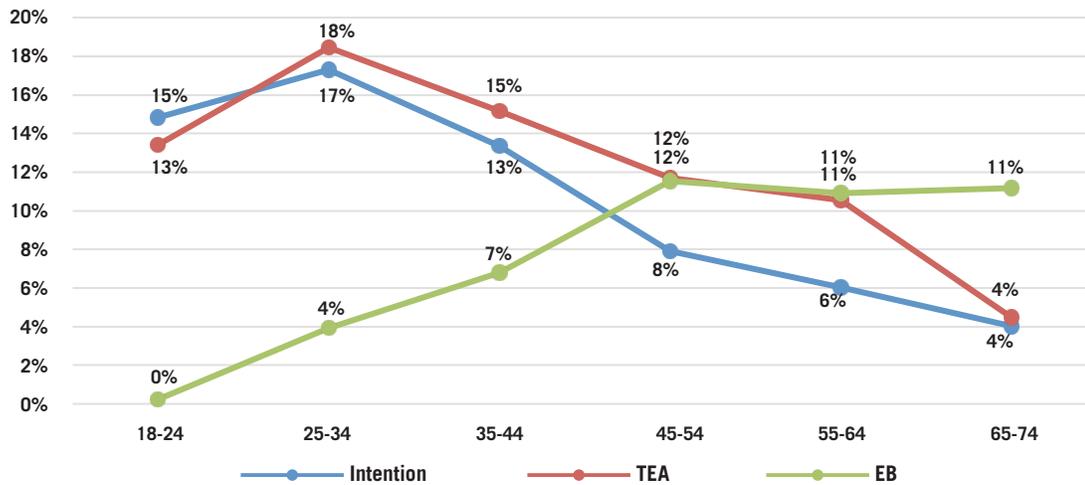
Older Entrepreneurs

ACTIVITY

Entrepreneurial activity increased among those age 55 to 64 in 2014, reaching nearly 11% of this population group, up from 8% in 2013. Those age 65 to 74 showed a slight decline to 4% in entrepreneurial activity. Moving through the process of business creation from intentions to starting a business to running an established business, Figure 31 shows established business ownership is highest among older groups—two to three times greater for those over age 55 than for those under age 34. On the other hand, younger groups have intentions to start a business at a rate of two to three times that of older groups. Although an 18-year-old may only have had the time and means to reach the intention stage and dream, older entrepreneurs have had time and resources to implement and sustain their dreams. Much start-up and business ownership activity takes place among the older population.

FIGURE 31
Entrepreneurial
Intentions, TEA,
and Established
Business Ownership
by Age Group 2014

Source: Global
Entrepreneurship
Monitor 2014 Adult
Population Survey
(APS)



GEM research has shown that entrepreneurs with several career options, who choose entrepreneurship because they see an attractive opportunity, differ from those without better career options who choose entrepreneurship by necessity. The United States shows a low proportion of necessity-motivated entrepreneurs, which is typical of a developed economy. Only 13% of U.S. entrepreneurs entered this activity out of necessity. Those age 55 to 64 average just above that, but only 6% of those age 65 to 74 report necessity-motivation. Although there are fewer entrepreneurs in the 65 to 74 group, most are present by choice. To the extent that older entrepreneurs perceive and pursue different opportunities than do their younger counterparts, they contribute to filling diverse needs, and they add to the range of offerings entrepreneurs produce in the United States.

ATTITUDES

Figure 32 shows societal attitudes on whether people believe there are many opportunities for starting a business and if so, whether fear of failure would prevent them from starting. Also shown are whether people perceive they possess the skills necessary to be an entrepreneur and whether they personally know an entrepreneur.

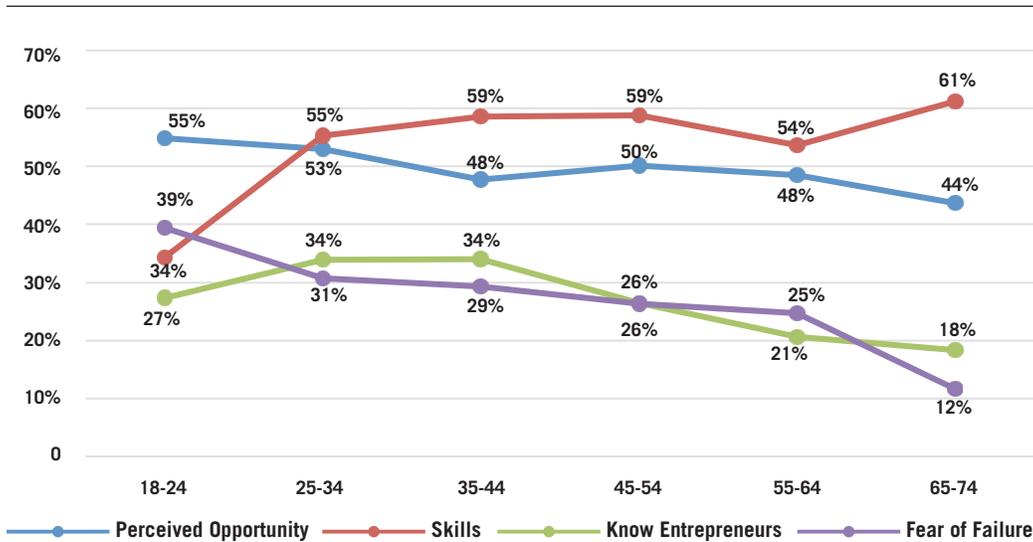


FIGURE 32
Opportunity Perceptions, Capability Perceptions, Fear of Failure and Knowing an Entrepreneur by Age Group 2014

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)

In 2014, nearly half of those age 55 to 64 in the United States reported seeing market opportunities for entrepreneurship; this measure places them on par with younger age groups. The oldest group age 65 to 74 was somewhat lower on this indicator. This may not be surprising, as the oldest group owns a greater number of established businesses, and they may be less likely to seek opportunities to start new businesses. Still, this measure is quite high for the oldest age group, indicating their positive assessment of the environment for entrepreneurship.

As one might expect, as people become older they build skills and gain confidence. Capabilities perceptions are much lower among those age 18 to 24 than among older groups. The increased role of technology in business, and the lower comfort level of older groups with using technology, may reduce confidence. However, the high level of capabilities perceptions, including among those age 65 to 74, may suggest that the older population is beginning to transition into the age of technology-enabled business, in some cases taking advantage of increased training opportunities for seniors and/or the growing sector of business-to-business providers of technology assistance.

Fear of failure is lowest among those over age 55. It seems that as people gain experience, their fear of failing declines. This may be due to the increased capability perceptions expressed by older groups, as well as a greater likelihood they have resources to fall back on. However, the business one has in mind may influence high capabilities perceptions and low fear of failure. The results for those age 55 and over show more consumer-oriented businesses, where one may perceive greater capabilities and less risk, and fewer knowledge-intensive service businesses.

People who know entrepreneurs may be inspired to become one themselves, and entrepreneurs benefit from having a strong business network that includes other entrepreneurs. When asked if they know an entrepreneur personally, older age groups show less likelihood. It is difficult to believe that those with long careers do not have broad, long-standing business networks. It may be that they are less likely to perceive their business contacts as “entrepreneurs.” The tendency for U.S. media to present a youthful image of entrepreneurs may contribute to these perceptions. At the same time, with a lower rate of entrepreneurship and greater likelihood older groups have left the workforce, they may have fewer opportunities to interact with entrepreneurs.

CHARACTERISTICS AND IMPACT OF ENTREPRENEURS AND THEIR BUSINESSES

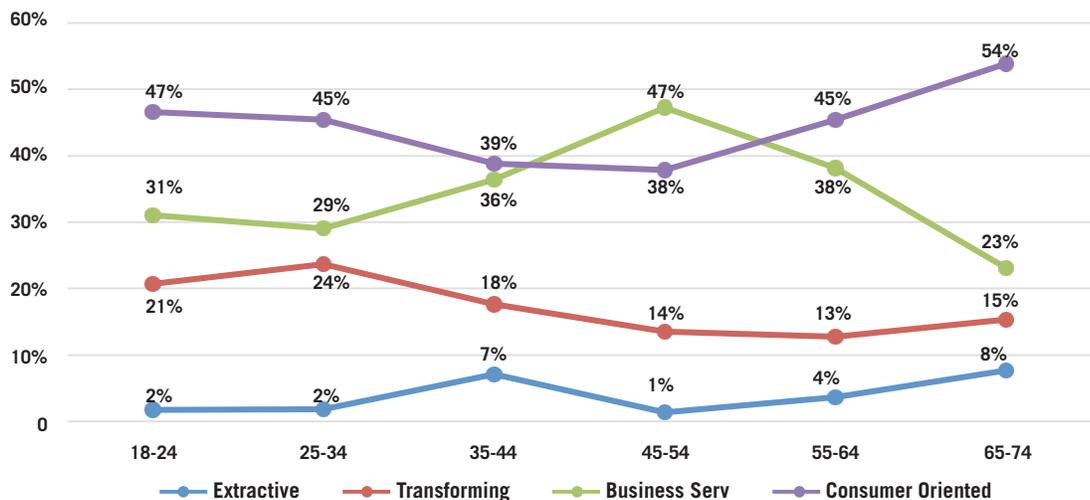
The United States is an ethnically diverse country. However, 59% of entrepreneurs are white, and the largest proportion of white entrepreneurs (73%) is among those over age 55. For these older groups of entrepreneurs, ethnic diversity comes mainly from African-Americans; among younger entrepreneur groups, diversity comes mainly from African-Americans and Latinos with a mix of other ethnicities.

Figure 33 shows industry sector participation of entrepreneurs by age group. A key finding of this analysis is that older entrepreneurs operate mainly in consumer-oriented industries. Moreover, participation has increased from 2013, countered by lower participation in business services. This indicates that older entrepreneurs are primarily starting businesses with low entry barriers and low profit, rather than knowledge-intensive services, particularly those age 65 to 74.

The two oldest groups (age 55 to 74) are somewhat less likely to operate in medium- or high-technology sectors (7% for older groups vs. 10% for all groups), or to use the latest technologies in their businesses (6% for older groups vs. 8% for all groups). However, in spite of the lower percentage, it is noteworthy that older entrepreneurs are starting businesses based on knowledge and technologies. It may be that older entrepreneurs prefer lifestyle businesses, perhaps in different arenas than where they have made their careers.

FIGURE 33
Industry Sector Participation of Entrepreneurs by Age Group 2014

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)



GEM measures of innovation assess whether entrepreneurs are introducing products and services that are new to customers and unique among competitors. Over the last two years, these findings by age group have varied widely. Older entrepreneurs are less innovative than younger entrepreneurs. Those age 55 to 64 are somewhat lower on this measure (29% vs. 36% on average for all groups), with a substantial drop to 6% for those age 65 to 74.

Job creation is one of the great economic benefits of entrepreneurial activity, and those age 55 to 64 express ambitions to employ others; 20% expect to employ more than five people in the next five years. Beyond age 64 however, few entrepreneurs aspire to create jobs at this level. Lower hiring expectations combined with a lower level of innovation support the assumption that many entrepreneurs age 65 and older are self-employed or running lifestyle businesses. Additionally, 77% of entrepreneurs age 65 to 74 state they will be profitable in the current year. The number for age 55 to 64 is closer to the overall average (66% vs. 62% on average). Particularly for the oldest age group, entrepreneurs may be choosing immediate profit over investment in larger future income.

In 2014, GEM added a question on whether the entrepreneur’s business was an “internet business.” Some may assume that the older an entrepreneur, the less likely he or she is to run an internet business. GEM data say otherwise. Those age 55 to 64 show a lower percentage for internet businesses (63% vs. an overall average of 70%). However, those age 65 to 74 report a higher rate (71%). While high rates for younger groups may reflect their interests and computer-savvy backgrounds, a high rate for older groups may imply home-based businesses that rely on the internet to connect to customers.

SENIOR ENTREPRENEURSHIP IN THE UNITED STATES: A COMPARATIVE PERSPECTIVE

A comparison of entrepreneurship among those age 55 to 64 with that of other economies around the world yields interesting observations. In 2014, the U.S. TEA rate for this age group was 11%. This is the highest rate for age 55 to 64 among developed economies, as shown in Figure 34. In many cases, lower rates reflect low overall entrepreneurship rates in an economy. Developed economies which exhibit senior TEA rates lower than average may be found to have socialist structures. It is likely that a stronger safety net provided by such governments makes it less necessary, and perhaps less desirable, for senior citizens to participate in entrepreneurship.

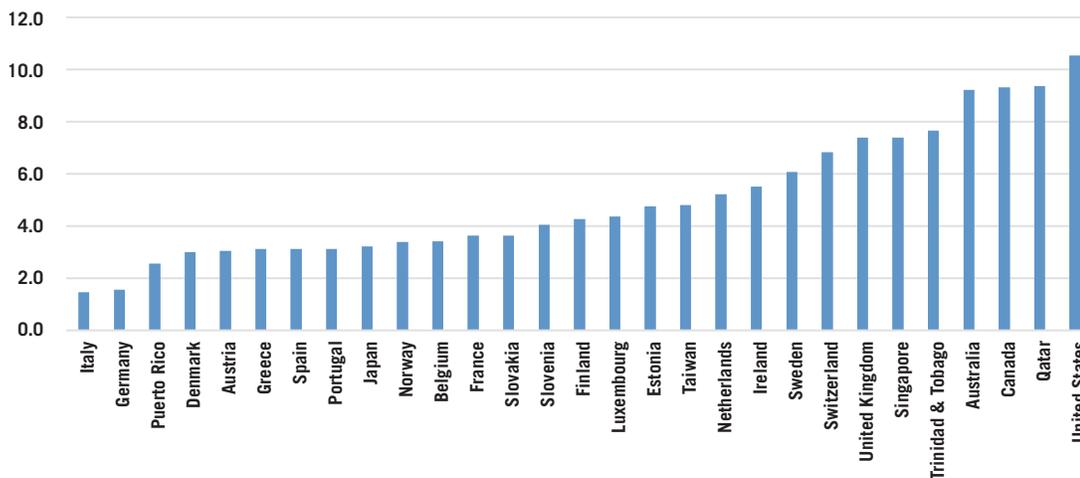


FIGURE 34
TEA Rates Among 55-64 year-olds in Developed Economies

Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)

Culture may be an explanatory variable for the relatively high level of entrepreneurship among those age 55 to 64 in the United States. America’s individualistic culture does not demand that seniors play a specific role in society. They may play a role they choose with few limitations. This contrasts with China, for example, where seniors are often expected to provide childcare to grandchildren. This provides one explanation for China’s lower TEA rate (5%) among those age 55 to 64.

Many developing economies show higher overall TEA rates among seniors than do developed economies. This may be explained by the fact that older people in developing economies have fewer options. Often there are no jobs or pensions available to them. Starting a business may be the only way to support oneself. An example

is the Philippines, which exhibits one of the highest TEA rates (25%) for this age group. The Philippines has a relatively high percentage of individuals 60 and older compared to other developing economies, and this percentage is growing rapidly. Nearly one-fifth of households are headed by persons 60 years of age or older.¹⁹ With poverty one of the country's main challenges (Sanchez, 2008), older people in the Philippines are likely entrepreneurs out of necessity.

An example of political influence on senior TEA rates appears in Eastern Europe. In many countries of the former Soviet Bloc, private ownership and small business activity were greatly restricted. As these countries transition to a capitalist economy, they struggle because entrepreneurship is an unfamiliar concept. It is no coincidence that two countries among the most successful in making this transition, Hungary and Poland, experienced less control of private business activity than their neighbors in the region.²⁰ These countries show TEA rates higher than in most of Eastern Europe, although lower than in the United States.

As people in the United States live longer healthier lives, it will be interesting to see how this impacts TEA rates among seniors. With increasing interest in mission-driven entrepreneurship, it may prove worthy of note to track senior participation in social entrepreneurship. In addition, it is possible that longer "retirement" periods may push some seniors to start businesses in order to remain active and engaged. Longer lives and shrinking pensions may force some over 55 into necessity-based entrepreneurship, much like seniors in developing economies.

In the United States, those age 55 to 64 show the highest rates for this age group among the developed economies GEM assessed in 2014, accentuating the high U.S. entrepreneurship rates in general. TEA rates for this age group are lower than for younger groups. Rates drop substantially for those age 65 to 74, despite this group's high opportunity and capability perceptions and low fear of failure.

Many business indicators such as industry participation, technology characteristics, and job creation ambitions, portray older entrepreneurs as self-employed or running lifestyle businesses, mainly those age 65 to 74. However, these indicators do not represent all older entrepreneurs. Many do create innovative, growth-oriented enterprises. That Americans can create their own employment adds value in itself. Entrepreneurship among those 55 and over highlights opportunities in the United States for people at or near retirement age, and it allows them to contribute to American society and its entrepreneurial image.

19 Sanchez, N.K. (2008). The Filipino senior citizen: At a glance. ISA RC 11, *Sociology of Aging*, 1-10. Accessed at www.academia.edu/3539922/THE_FILIPINO_SENIOR_CITIZEN_AT_A_GLANCE. Accessed on June 23, 2015.

20 Cieslik, J. & van Stel, A. (2014). Comparative analysis of recent trends in entrepreneurial activity in CEE Transition Economies. *Entrepreneurship Research Journal*, 4, 2: 205- 235.

Chapter 5

Youth and Early Career Entrepreneurship

The GEM Youth and Early Career segment of 2014, those aged between 18 and 34, are often called the Millennial Generation, born for the most part to parents in the Baby Boomer Generation and Generation X²¹ Globally, the Millennial Generation includes 1.93 billion people²² (28% of the total global population)²³ with 983.0 million men (51%) and 941.4 million women (49%). In the United States, the total Millennial population was 64.9 million, a little over one-fifth (21%) of the population with 49% men and 51% women. As Millennials come of age, they will have an increasingly large impact on the economy as they enter the workforce, earn, and exercise purchasing power.

ENTREPRENEURIAL ACTIVITY

Millennials are segmented into two groups, Youth and Early Career, to reflect their experience levels. Youth represent those 18 to 24 who are attending college or just entering the job market. Early Career are those 25 to 34 who are building career foundations. The United States, an innovation-driven economy, has a relatively high entrepreneurship rate for Youth and Early Career compared globally, as shown in Figure 35.

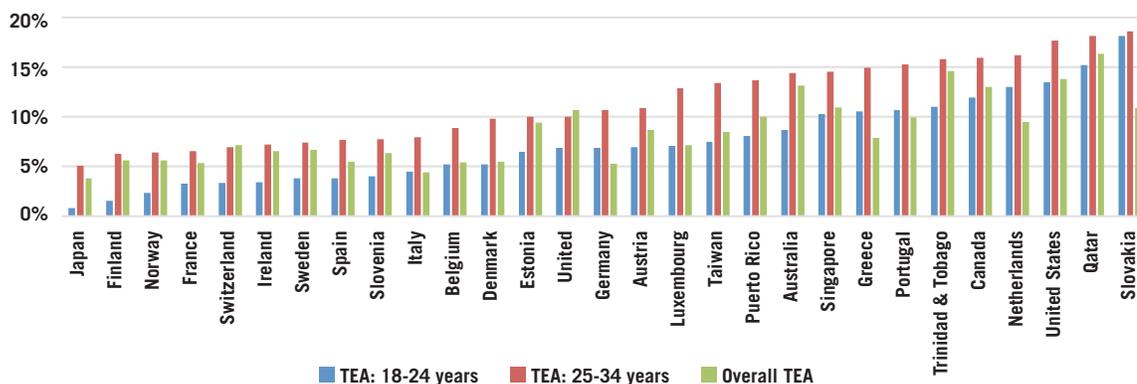


FIGURE 35
Early Stage TEA
for Youth (18-
24 years), Early
Career (25-34
years), and Overall
in 29 Innovation-
Driven Economies
in 2014

Source: Global
Entrepreneurship Monitor
2014 Adult Population
Survey (APS)

21 A common classification of generations and dates of birth includes The Baby Boomer Generation born within the timeframe of 1943 to the early 1960s; Generation X born from the early 1960s to the early 1980s, and the Millennials (also called Generation Y) born from the early 1980s to the early 2000s.

22 Millennials (also called Generation Y), born from the early 1980s to the early 2000s.

23 <http://www.census.gov/cgi-bin/broker> International Data Base (IDB) U.S. Census Bureau numbers for 2012, the last full census.

Millennials in the United States have grown up during a time of innovation, industry disruption, and transformation. Companies such as Google (1998), Facebook (2004), and Twitter (2006), founded within Millennials' lifetimes, are icons of popular culture exhibiting youth, enthusiasm, and the power to change how we think, work, and play. Technology has permeated Millennials' childhood experiences. Gamification has been introduced through expansion of the video game industry, and STEM (Science, Technology, Engineering, and Math) has become a priority in educational systems.

Millennials are increasingly urban, internet-savvy and technologically literate, putting to use the growing "internet of things."²⁴ They are in the habit of learning about new technological tools, experimenting with their use, and incorporating these tools into their daily lives. Millennials are the most fluent generation in social media; and they confer, collaborate, and communicate with peers on a constant basis. Empowering the individual is a cultural norm. This group is used to seeing rapid technological changes, and the myth (or reality) of starting ventures in garages is deeply ingrained in the Millennial psyche. Perhaps because of the increase in communication technology, media coverage, and attention to social concerns, Millennials are aware of economic inequalities, and they value social innovation.²⁵

As close as Youth and Early Career are in age, and as much as they share, there are significant differences between the two groups due to factors that take shape and events that occur at different impressionable ages. Events influence and shape perspectives that, in turn, influence and shape values, choices, and actions. Generations tend to have similar social experiences.²⁶

At the two ends of the age spectrum of Youth and Early Career, three signature events of the new Millennium illustrate this point. A person who turned 18 in 2014 was five years old when September 11, 2001 occurred—a harbinger of a new kind of threat to the world. Youth were eight years old when Facebook launched, heralding a new age of social media and mobile communication that opened virtual connections with friends and others around the world. They were 11 years old when the recession began in 2007 and 13 when it ended in 2009.²⁷ The after-effects of the recession would be felt for years as Youth entered their teens with the economy still recovering in 2014. These three events, just to name a few, have made indelible impressions on Youth of the Millennial generation. Their tendency is to be optimistically cautious, aware of global influences on the United States, and in constant mobile communication wherever they are.

In contrast, at the other end of the Millennial Generation is the older group of Early Career, 34-year-olds, who experienced September 11 at age 21 when they were in college and/or entering the workforce. The world they were getting ready to enter looked for a moment as though it were falling apart. They watched closely as their elders built processes to deal with previously unimaginable threats. They were 24 when Facebook launched; and since it focused on social dexterity, they were one of the first groups to embrace it as a means for communication. In many ways, this group helped develop early directions for social media platforms and mobile communication, setting habits and patterns by their usage as early adopters. At the beginning of their careers, age 27, the recession struck, lasting until they turned 29. Recessionary forces taught them to manage resources, take action carefully, and curb spending.

24 "Global Risks 2014," Ninth Edition, Insight Report, World Economic Forum, page 38.

25 Ethnicity: In the 2014 GEM USA report, 50% of the Youth identified their ethnicity as follows: 50% respondents classified themselves as White Caucasian, 19% Hispanic American, 14% African American, 5% Asian American, and 2% American Indian. Of the 44% of Early Career respondents who identified their ethnicity, 44% were White Caucasian, 30% Black American, 12% Hispanic, 3% Asian American, and 1% North American Indian.

26 Mannheim, K (1952). *Essays on the Sociology of Knowledge*. London: RKP.

27 <http://www.nber.org/cycles.html>

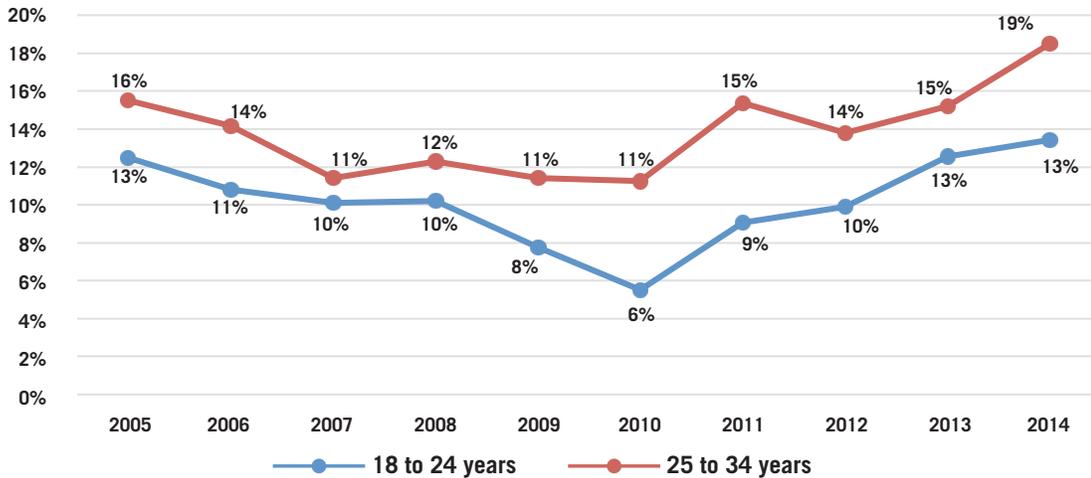


FIGURE 36
Longitudinal
Analysis of Early
Stage TEA for Youth
(18-24 years) and
Early Career (25-34
years) 2005-2014

Source: Global
 Entrepreneurship Monitor
 2014 Adult Population
 Survey (APS)

In 2014, 15% of those 18 to 24 intended to start a business in the next three years, while 17% of those 25 to 34 expressed these intentions. The number of actual starts confirmed this implied optimism. Early-stage TEA for Youth reached the highest level for this age group since 2005, as Figure 36 reveals. Early Career moved substantially upward in 2014, matching a high point achieved in 2005.

The longitudinal pattern in Figure 36 displays a downward trend among Early Career before the recession, with a leveling off in TEA as other age groups, including Youth, saw substantial drops. The pre-recession drop in TEA among the Early Career group was likely due to the shakeout that occurred in the internet space, where competition and practical realities of many business models led to fewer opportunities. In addition, as the internet began to mature, early adopters of new technologies had less unique advantage.

Few Youth and Early Career entrepreneurs were operating established businesses, that is, businesses over three and a half years old. This status may improve as they move farther away from recessionary times. Youth, however, may be too young to have had the time required to develop mature businesses. Young people creating new businesses are experimenting more at this age, perhaps starting businesses that they can't yet sustain due to undeveloped capabilities or far-reaching objectives. As these two groups age, they may bring learning, experience, and resources with them to increase their chances for success. A small percentage of Youth (3%) discontinued businesses, and results among Early Career (5%) on this indicator are on par with older age groups.

Millennials are increasingly well-educated. In the United States as of October 2014, 68.4% (approximately two million) of those who graduated from high school (approximately 2.9 million) were attending colleges and universities.²⁸ Many colleges, universities, and municipalities have increased the number of courses, accelerators, incubators, and incentives dedicated to starting businesses. Job growth, widely believed to come from entrepreneurial activities, received increasing attention; and infrastructure was being built to support this activity.

President Obama sent a message during his 2014 State of the Union Address, declaring entrepreneurship key to the strength of the U.S. economy. "We know that the nation that goes all-in on innovation today will own the global economy tomorrow. This is an edge America cannot surrender." U.S. Secretary of Commerce Penny Pritzker supported this assertion noting, "Our job is simply to help create the conditions that foster America's entrepreneurial spirit."²⁹ The Department of Commerce Office of Innovation and Entrepreneurship, operating less than five years,³⁰ has contributed to building an entrepreneurial ecosystem accessible to Youth and Early Career.

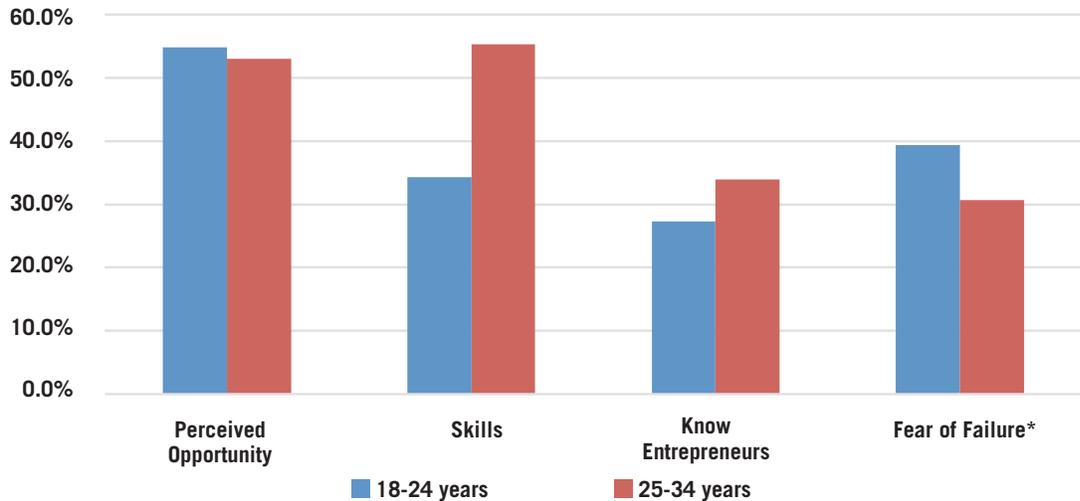
28 <http://www.bls.gov/news.release/hsgec.nr0.htm>

29 <http://www.eda.gov/oie/>

30 <http://2010-2014.commerce.gov/news/press-releases/2009/09/24/commerce-secretary-locke-announces-new-commerce-initiatives-foster-in>

FIGURE 37
Societal Attitudes
of Youth and Early
Career in the United
States 2014

*For those seeing opportunity
 Source: Global Entrepreneurship Monitor 2014 Adult Population Survey (APS)



As shown in Figure 37, a high level of opportunity perceptions in both Youth and Early Career indicates that entrepreneurial optimism is on the rise. However, Youth are less confident that they have the skills and experience required to start a business compared to other age groups. This perhaps indicates that they recognize the need to develop business skills before starting a business, and that confidence and capabilities increase with age.

Among Millennials, one-third or fewer know someone who has started a business, which suggests an opportunity for mentoring and role models. Interestingly, fear of failure increased among Youth and decreased among Early Career, indicating that as entrepreneurial skills are built, older Millennials are more confident at managing risks. This is also reflected in the jump in TEA for Early Career.

These results indicate high interest in and awareness of entrepreneurship among Youth. Societal influences include entrepreneurship curriculum and co-curricular courses at universities and in secondary education. Popular culture has influenced attitudes with television shows that emphasize entrepreneurship, such as Shark Tank, which features an entrepreneurial pitch platform and a panel of investors. In many ways, entrepreneurship is this generation’s language.

BUSINESS CHARACTERISTICS AMONG YOUTH AND EARLY CAREER ENTREPRENEURS IN THE UNITED STATES

Youth and Early Career entrepreneurs participate minimally in extractive industries compared to other age groups. However, as Figure 38 illustrates, a surprisingly high level of young entrepreneurs participated in transforming industries in 2014, up from 2013. Business service starts among both young age groups declined in 2014 from 37% in both for 2013. This may indicate that many Youth and Early Career entrepreneurs are applying new technologies and processes to manufacturing, but are less willing to compete in knowledge-intensive services. Not surprisingly, consumer-oriented businesses remained high for Youth and Early Career.

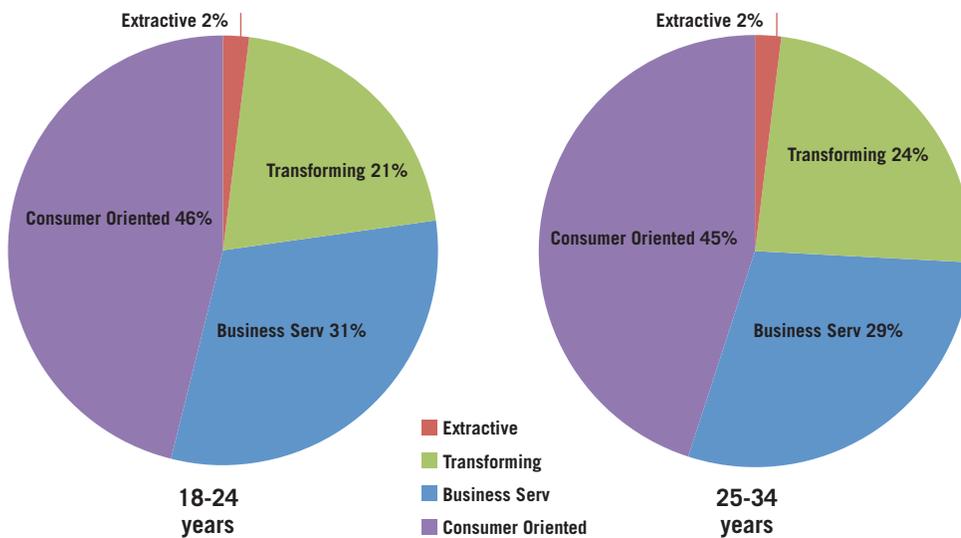


FIGURE 38
Industry Segments
among Youth
and Early Career
Entrepreneurs 2014

Source: Global
Entrepreneurship Monitor
2014 Adult Population
Survey (APS)

Millennial entrepreneurs are creating new jobs, and they exhibit potential for further job creation. In 2014, one out of five Youth and Early Career entrepreneurs employed six or more people. Youth are highly optimistic—58% expect to employ six or more people, more than any other age group. Among Early Career, also highly optimistic, 46% expect to employ six or more. Expectations to employ others are based on perceptions and ambitions, for example: whether an entrepreneur tries to grow a business, whether an opportunity has high growth potential, or whether the environment will facilitate or support growth. Young people may be more optimistic about the potential of their businesses, while older entrepreneurs may have more experience or a more practical (in some cases overly cautious) outlook leading to lower expectations.

Regarding internationalization, 14% of Millennial ventures have 25% or more international customers. This is similar to the average for all age groups. Older entrepreneurs venture into international markets based on their experience, credibility and contacts. It is impressive that, despite generally having less experience, young entrepreneurs are also doing so. It could indicate globally focused youth and ventures that have a global footprint. Still, the lower level of export compared to other economies may reveal a need for supporting export-oriented ventures through such aspects as education and policy.

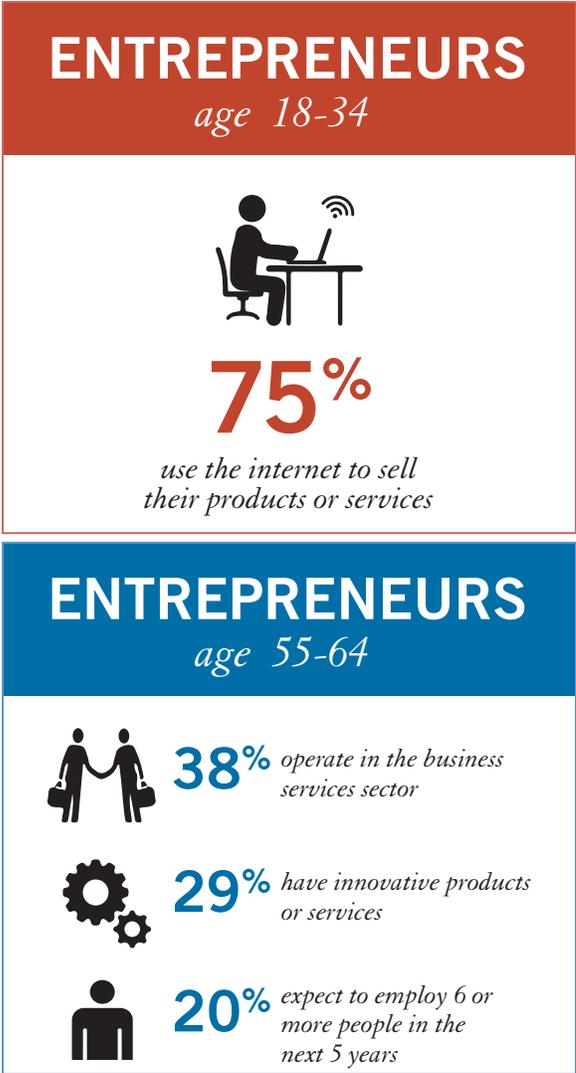
Just over half of Youth entrepreneurs expected to generate a profit in 2014, down slightly from 2013. Nearly 70% of Early Career entrepreneurs stated they would be profitable in 2014, up from 54% in 2013. This indicates a steady growth in profitability in Early Career ventures. At the same time, higher-potential ventures often require investments that pay off over a longer term; and to the extent they introduce innovative concepts, the market may take time to ramp up. Lack of early profitability may mean an investment is needed to assure future potential.

Youth and Early Career both report that 75% of their businesses use the internet to sell products or services. This figure indicates the value of the internet more than for any other age group in reducing the difficulty and cost of starting a business, particularly for young people who typically have fewer resources, track records and connections. The internet is an example of an enabling technology, creating opportunities for new concepts and business models.

CHAPTER 5

Overall, Youth and Early Career entrepreneurial activity is increasing with an attitude of cautious optimism as the American economy strengthens. Millennials recognize that knowledge, experience and tolerance of failure are helpful in starting a business. Support for entrepreneurial ecosystems, provided by local, state, and federal governments and also by educational institutions, can help Millennials develop necessary skills and positive attitudes. Learning how to find and communicate with funding resources is key for Youth and Early Career entrepreneurs. Education about export opportunities and processes, as well as support, are needed to grow business ventures that can compete outside the United States. Youth and Early Career are creating jobs, and they look forward to a strengthening economic climate to foster creativity and productivity.

Graphic by Janco Damas



Conclusions and Implications

ENTREPRENEURIAL DYNAMISM

Entrepreneurship rates in the United States have continued on a stable path of high numbers for the fourth year, after recovering in 2011 in the post-recession period. Established business activity continues to be slightly down from a peak in 2012. This likely reflects a delayed effect of the drop in TEA rates in 2009 and 2010. This indicator should begin to rise as the comparatively large numbers of entrepreneurs in recent years become mature business owners.

High intentions and nascent activity suggest that Americans are currently active in entrepreneurship and intend to be active in the future. Many people are getting started relative to those intending to start. Although GEM is a cross-sectional study and as such does not track specific individuals over time, examining the relationship between levels of activity at different stages could indicate whether there is participation throughout the entrepreneurship process. In many other economies, there are fewer people in the nascent phase than with intentions. This may suggest barriers to getting started. Fewer people in the nascent phase does not appear to be a problem in the United States. However, it is important to examine the relationship between one stage of the process and the next, in order to identify whether there is sufficient activity at an earlier stage to feed the later, and whether people have been able to make the transition from one stage to another.

An interesting relationship between phases can be seen in the rate of discontinuance relative to nascent activity. The United States shows a high level of discontinuance compared to averages in the 28 other developed economies participating in the 2014 survey. However, the United States shows a much higher level of nascent activity. It is important to understand that a higher level of discontinuance may result from a higher start-up rate (perhaps generated by greater optimism), and this may be positive because it reveals that people are willing to try. While some fail, others succeed and make positive contributions to their economies. This phenomenon demonstrates the value of examining entrepreneurship across phases, and the importance of having participation at all stages of this activity.

Entrepreneurship can exist in established organizations as well as in start-ups, and the United States has no trade-off effect as do some other innovation-driven economies. Rates for both TEA and employee entrepreneurship activity (EEA) are high in the United States, suggesting that entrepreneurs can operate in either or both environments. Federal and state governments support start-ups, but employee entrepreneurship activity also creates value. While conditions in companies pertaining to culture, structure, and leadership influence entrepreneurial activity, entrepreneurship inside organizations may also benefit from external factors such as the availability of human and other resources, supply and distribution networks, university and government R&D, and macroeconomic conditions. Research could assess how conditions in the environment influence employee entrepreneurship activity, and whether these externalities move individuals to start in-company rather than independently.

HIGH IMPACT

The United States exhibits a high level of participation in business services compared to other innovation-driven economies. A longitudinal view suggests U.S. entrepreneurship has reached a ceiling of activity in consumer products and services. Likewise, knowledge-intensive focus is replacing capital-intensity as business services have begun to replace the declining transforming sector. Few people launched technology businesses in 2009 and 2010, as the recession led to a drop in entrepreneurship and a higher proportion of necessity motives. As entrepreneurship rebounded in 2011, particularly opportunity-motivated entrepreneurship, there was a return to the technology sector that continued through 2014.

CONCLUSIONS AND IMPLICATIONS

The United States exhibits a high level of growth-oriented entrepreneurs compared to other developed economies. In 2014, expectations for job creation increased considerably and are now at their highest level since GEM began. This shows the job creation potential of entrepreneurship and that entrepreneurs have ambition and opportunities for growth. Innovation levels are high, yet internationalization levels remain comparatively low. This reveals an opportunity to help entrepreneurs adapt their ambitions and innovations for other national contexts. Support for exporting in the services and knowledge-intensive sectors, as well as training and advising for entrepreneurs, are examples of how ecosystems may help entrepreneurs sustain businesses and compete globally.

POSITIVE VIEWS

The GEM measures of attitude show a generally positive perception in American society about entrepreneurship. The results highlight cultural norms that manifest high regard for this activity and a willingness to engage with entrepreneurs, for example by providing financing, becoming customers, working with them, and so forth. The rise in opportunity perceptions, and the downward trend in fear of failure, confirm a positive environment for entrepreneurship, even more so when compared to immediate post-recession years.

Positive attitudes indicate a society's entrepreneurial potential through general views of entrepreneurship and self-perceptions about engaging in this activity. Although there is high visibility for entrepreneurship in the United States, few Americans know an entrepreneur. This suggests an opportunity to foster personal relationships among entrepreneurs and those starting or aspiring to be one. Networking activities may also encourage team-based efforts, which this report has shown to be associated with the business service sector and job creation.

INNOVATIVE WOMEN

Women in the United States are seeing more opportunities for starting businesses, and women are as likely as men to see positive media representations of entrepreneurs, to believe entrepreneurship offers high status and a good career. Yet a persistent gender gap remains with lower capabilities perceptions and higher fear of failure for women. Fewer women than men personally know an entrepreneur. This suggests the need for initiatives that build women's self-image as entrepreneurs, as well as their personal connections.

Notably, the United States shows a high rate of female TEA compared to rates in other developed economies. An increase in TEA rates among females age 18 to 34 narrowed the gender gap for this age group, suggesting a rise in interest in entrepreneurship among young women. This could signal a benefit from efforts to target this group.

Women entrepreneurs predominantly start consumer-oriented businesses. Men have shown a gradual decrease in transforming businesses with a concurrent increase in business services while women's participation across industry sectors has remained relatively stagnant over time. The consumer sector often comprises low barriers to entry and low profitability. In contrast, transforming businesses leverage capital investment, and the business service sector emphasizes human capital and knowledge.

Two other indicators differentiate women: Women are less likely than men to grow their businesses; but for the past four years, they have outpaced men on innovation. This shows the value of investing in female entrepreneurs; further benefit might come from promoting diversity in industry participation and conditions that foster business growth.

AMBITIOUS OLDER ENTREPRENEURS

The United States shows the highest rate of entrepreneurship among those age 55 to 64 in the 29 developed economies surveyed by GEM in 2014. Entrepreneurship rates start to decline at age 55, but established business ownership remains high through age 74. A focus on entrepreneurship for the older population might therefore address specific needs of the mature business owner.

Among entrepreneurs age 55 and above, innovation rates, as well as participation in the business service sector and job creation, start to decline, but not substantially until age 65 to 74. This may suggest that older entrepreneurs are mostly self-employed or running lifestyle businesses. Few in this age group express necessity motivations, a fact which implies their activity is primarily by choice and which highlights their initiative. Finally, the high potential of those age 55 to 64 should be noted.

YOUTHFUL ENERGY

Youth are slightly less confident than other age groups about whether they possess the skills and experience required to start a business. Only one-third of Millennials know someone who has started a business. This points to the value of mentoring and role models for this age group, and allowing young people to learn about and experiment with entrepreneurship.

Three-fourths of Youth and Early Career entrepreneurs, more than any other age group, report using the internet to sell products or services. Young people are leveraging technology know-how for entrepreneurship. The internet can reduce the difficulty and cost of starting a business for this age group which typically has fewer resources and connections. Young entrepreneurs show high current employment levels and future growth expectations. This suggests an opportunity to combine youthful ambition and internet-savvy with support and training for running sustainable businesses, perhaps partnering young entrepreneurs with others who have experience, networks and access to resources.

GEM highlights the multiple dimensions of entrepreneurship, the phases of the process, the profiles of entrepreneurs and the businesses they start, and the attitudes and ambitions that characterize and impact societies. This report details the complexity of understanding and promoting entrepreneurship. Increased knowledge and a growing body of reliable data will aid efforts to assess and enhance the entrepreneurial dynamism in the United States.

The Global Entrepreneurship Monitor (GEM)

Since 1999, the Global Entrepreneurship Monitor has conducted annual adult population surveys (APS) in economies around the world. In 2014, more than 206,000 individuals were surveyed across 73 economies, including 3,273 in the United States. National teams in each participating economy administer the surveys with central oversight by 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 precept that, despite growing recognition of the importance of entrepreneurship to economic development, there was little understanding about the individuals who start businesses around the world. GEM surveys address individuals who run both formal and informal businesses, sidestepping problems with studies focused on firm registrations. GEM tracks entrepreneurship through a range of stages and assesses societal attitudes about this activity. In addition, GEM research examines characteristics of entrepreneurs, such as their profiles, motivations, and impact on society.

Drawing on 16 years of data collection, GEM can track longitudinal changes in the rate and nature of entrepreneurship in many economies. Through GEM's harmonization processes, comparisons can be made among participating economies. GEM provides a comprehensive look at entrepreneurship around the world and over time, with valuable insights for academics, policy-makers, educators, and practitioners.



GEM MEASURES

GEM's entrepreneurship indicators are illustrated in Figure 39. These include societal attitudes about entrepreneurship, participation in multiple phases of the entrepreneurship process, and profile and impact indicators. Contained within this figure is a key measure of GEM: early-stage TEA, which comprises nascent entrepreneurs in the process of starting a business as well as new business owners.

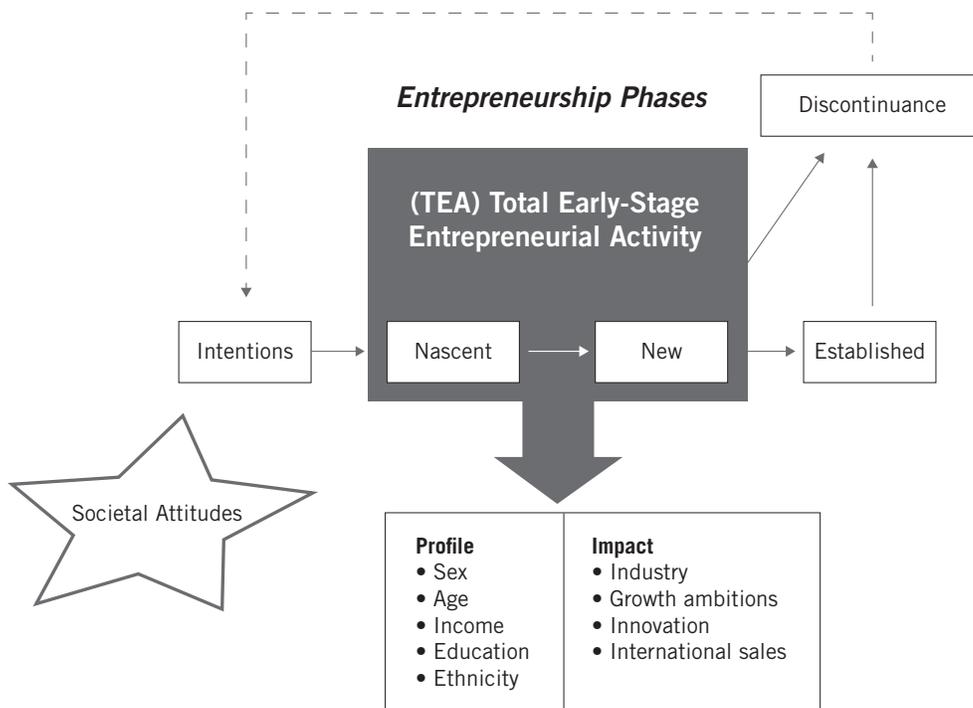


FIGURE 39
The GEM Model of
Entrepreneurship
Attitudes, Phases
and Profile

Sponsors



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 M.B.A. 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 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, the Lawrence N. Field Center for Entrepreneurship is 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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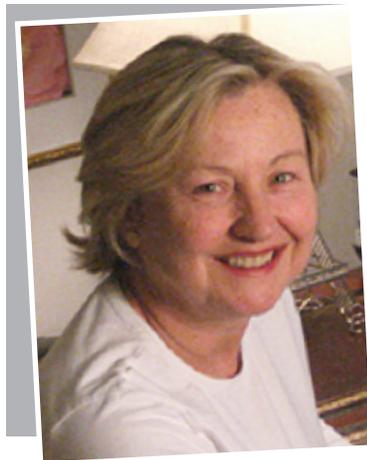
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