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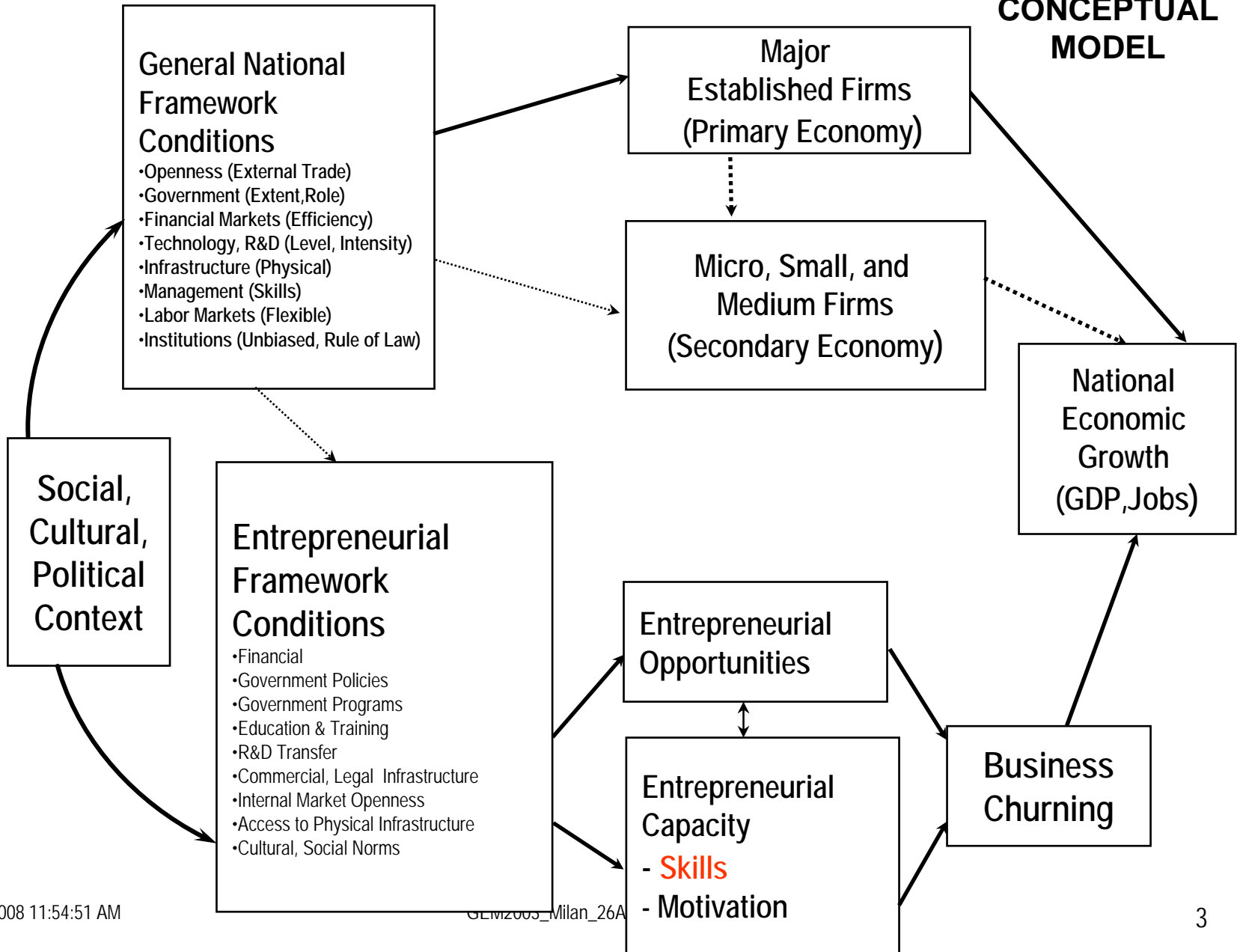
GLOBAL ENTREPRENEURSHIP MONITOR

A Research Consortium of National Teams

- Argentina
- Australia
- Belgium
- Brazil
- Canada
- Chile
- China
- Chinese Taipei
- Croatia
- Denmark
- Finland
- France
- Greece
- Germany
- Hong Kong
- Hungary
- Iceland
- India
- Ireland
- Italy
- Israel
- Japan
- Korea
- Mexico
- Netherlands
- New Zealand
- Norway
- Poland*
- Portugal
- Russia*
- Singapore
- Slovenia
- South Africa
- Spain
- Sweden
- Switzerland
- Thailand
- Uganda
- United Kingdom
- United States
- Venezuela

*No national teams as of 2003.

GEM CONCEPTUAL MODEL



What is national entrepreneurship?

People Creating New Firms

- Start-up phase, before firm operational
- Young firm, up to 3.5 yrs old
- Some innovative and growth oriented, most are not

Entrepreneurship among existing firms

- Produce market innovation
- Focus on growth

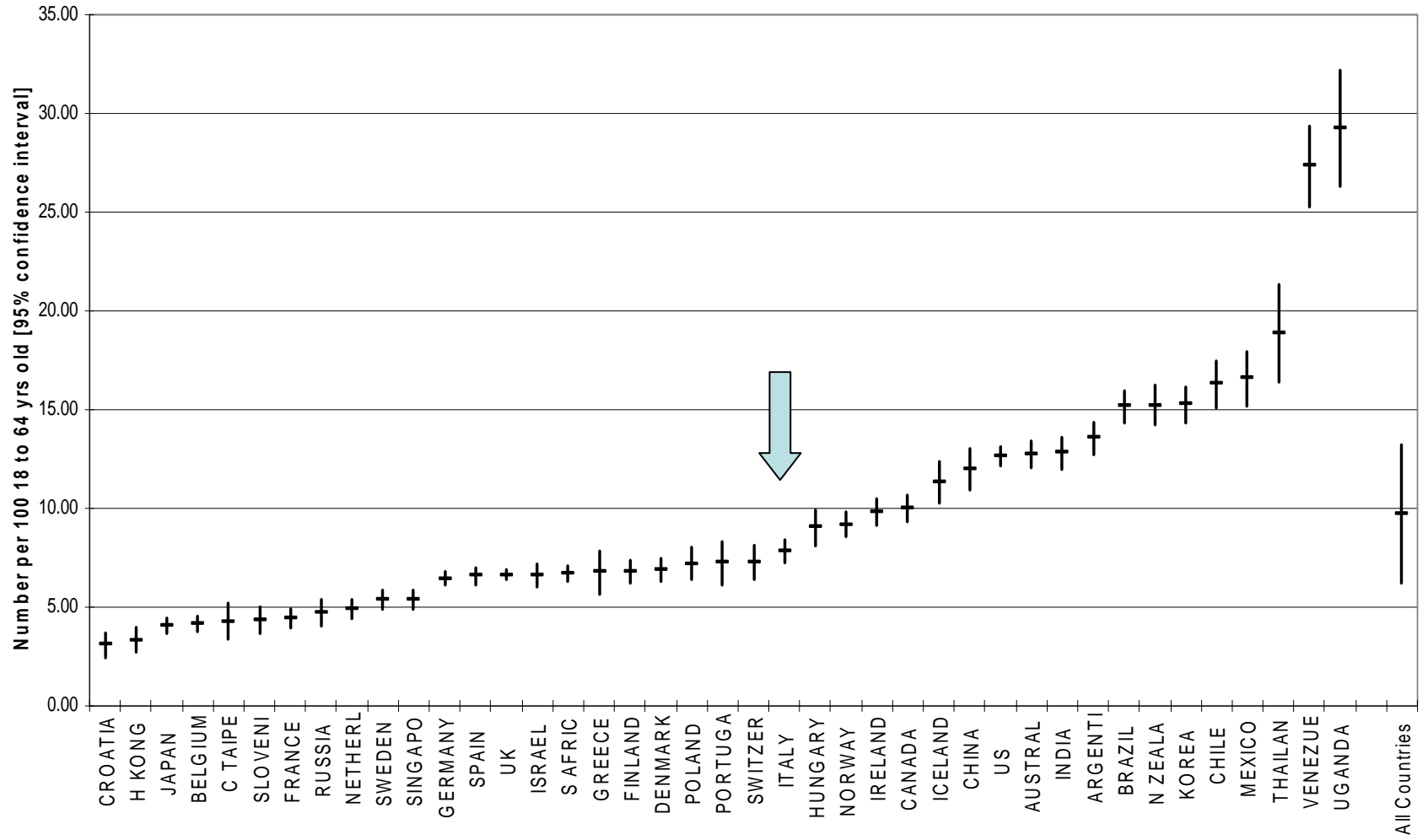
National Infrastructure focuses on adaptation

- Coordinated, centralized effort
- Collaboration among major sectors
- Government, research, education, financial

Total Entrepreneurial Activity [TEA] Index

- Based on survey of adults in the population
- Locate those entrepreneurially active
- **Count those in start up process**
 - Active, will own, no salary/wage payments for over 3 months
- **Count those owning/managing a new firm**
 - Active, do own, salary/wage payments 3-42 months
- **Add them together for TEA index**
 - Count once if person doing both, as 6% are
- High correlations with other measures of activity
 - Men, women, high growth, high technology, etc.

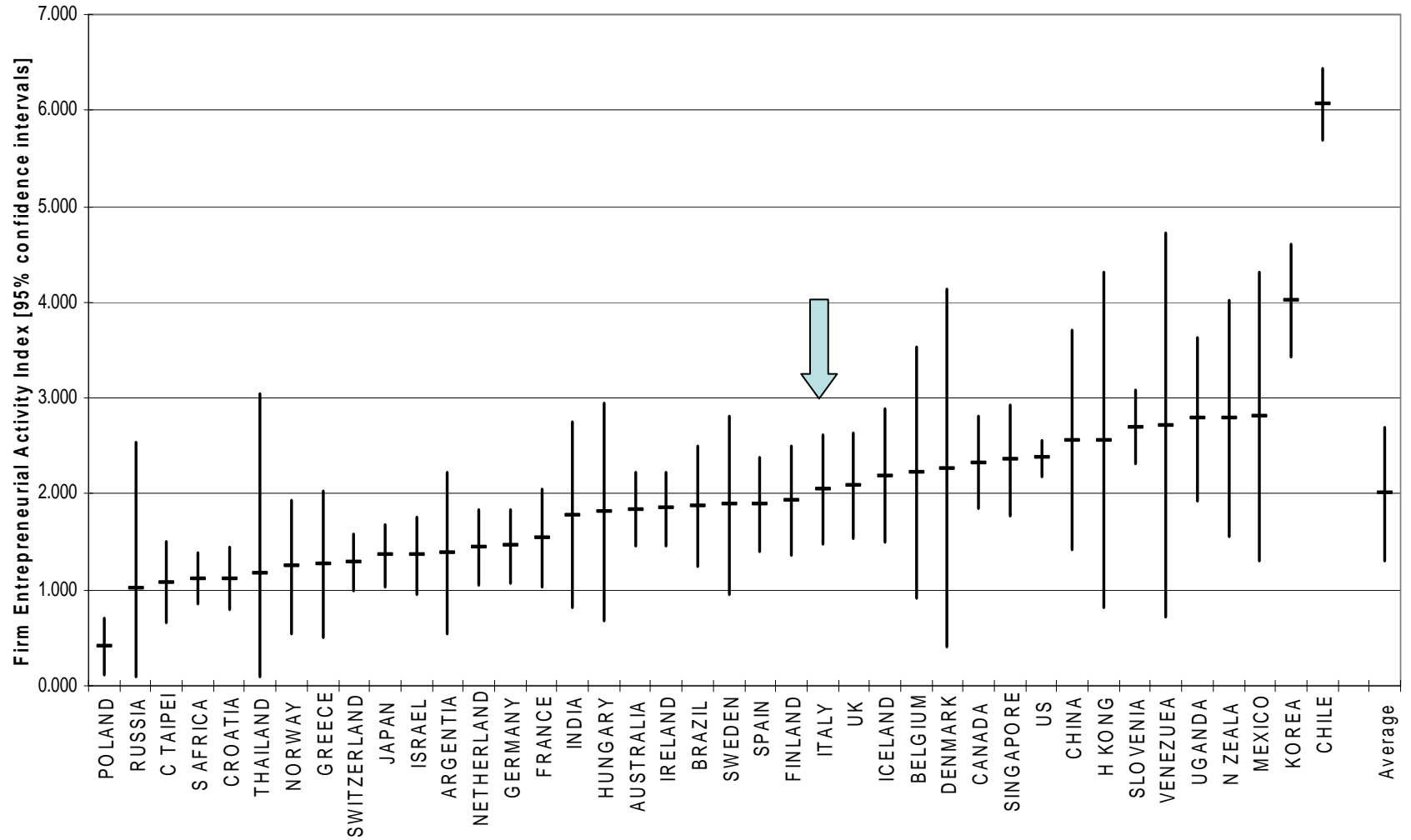
TEA Average [1-4 yrs:2000 to 2004]



Firm Entrepreneurial Activity [FEA] Index

- Reflects data from firm owners identified in representative sample of all adults in the population
- Locate those owners and managers of existing firms
- Identify those that expect their firm to
 - Make an innovative change in the market
 - Add new jobs in the future
 - Consider these as “entrepreneurial firms”
- Compute as a percent of all existing firms in country
- Compute percent of business jobs in entrepreneurial firms
- Index reflects both aspects
- Base is all firms and business jobs in the country

Firm Entrepreneurial Activity Index: 2002-2003



Overall National Entrepreneurial Activity

Two Dimensional Classification

	Low TEA	Medium TEA	High TEA
Hi FEA	Hong Kong, Slovenia	China, Mexico	Chile, Korea (South), New Zealand, Uganda, Venezuela
Medium FEA	Belgium, Finland, <u>ITALY</u> , Sweden	Australia, Canada, Denmark, Iceland, Ireland, Hungary, Singapore, Spain, UK, US	Brazil, India
Low FEA	Chinese Taipei [Taiwan], Croatia, France, Japan, Netherlands, Poland, Russia	Germany, Greece, Israel, Norway, South Africa, Switzerland	Argentina, Thailand

National Entrepreneurship: Five Ordinal Groups

Highest	5	Chile, Korea (South), New Zealand, Uganda, Venezuela
Above Average	4	Brazil, China, India, Mexico
Average	14	Argentina, Australia, Canada, Denmark, Hong Kong, Hungary, Iceland, Ireland, Slovenia, Spain, Singapore, Thailand, UK, US
Below Average	10	Belgium, Finland, Germany, Greece, Israel, <u>ITALY</u> , Norway, South Africa, Sweden, Switzerland
Low	7	Chinese Taipei [Taiwan], Croatia, France, Netherlands, Japan, Poland, Russia

Country Groups and Projected Growth

Ordinal Group	Countries	Percent Growth GDP 2003-2004 [IMF Projections]
Highest	Chile, Korea (South), New Zealand, Uganda, Venezuela	5.2 %
Above Average	Brazil, China, India, Mexico	4.9 %
Average	Argentina, Australia, Canada, Denmark, Hong Kong, Hungary, Iceland, Ireland, Slovenia, Spain, Singapore, Thailand, UK, US	3.3 %
Below Average	Belgium, Finland, Germany, Greece, Israel, ITALY , Norway, South Africa, Sweden, Switzerland	2.2 %
Low	Chinese Taipei [Taiwan], Croatia, France, Netherlands, Japan, Poland, Russia	3.2 %

- Entrepreneurial Activity Related to subsequent national economic growth
 - Moderate, positive, statistically significant association
- TEA index- higher association than with FEM
- Necessity entrepreneurship TEA association higher than opportunity entrepreneurship TEA
 - Poor countries more necessity entrepreneurship
 - Poor countries grow faster than rich countries
- Entrepreneurship without growth is rare
- CAUSAL MECHANISM REMAINS OBSCURE

Developing Economies

- Weak infrastructure
 - Medium to high opportunity entrepreneurship
 - Medium to high necessity entrepreneurship
 - Massive waves of draftees
 - Less technically sophisticated entrepreneurship
- Helpful structural improvements
 - Expand education, general and entrepreneurial specific
 - Systematize recognition of property rights
 - Enhance access to institutional finance
 - Improve efficiency of government, reduce corruption
 - Provide special assistance for women
- May become strong global competitors