GEM

GLOBAL ENTREPRENEURSHIP MONITOR

National Entrepreneurial Assessment for the United States of America

2010 United States Report

Abdul Ali • Candida Brush • Julio De Castro • Julian Lange • Thomas Lyons • Moriah Meyskens • Joseph Onochie
Ivory Phinisee • Edward Rogoff • Al Suhu • John Whitman

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Baruch COLLEGE The City University of New York
Zicklin School of Business
THE LAWRENCE N. FIELD CENTER FOR ENTREPRENEURSHIP

Global Entrepreneurship Monitor

2010 United States Report

Executive Report

Abdul Ali, Candida Brush, Julio De Castro, Julian Lange, Thomas Lyons, Moriah Meyskens, Joseph Onochie, Ivory Phinisee, Edward Rogoff, Al Suhu, John Whitman

Babson College, Babson Park, MA, United States
Baruch College, New York, NY, United States

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Team Members

Julio DeCastro
I. Elaine Allen
Abdul Ali
Candida Brush
William D. Bygrave
Marcia Cole
Lisa Di Carlo
Julian Lange
Moriah Meyskens
John Whitman
Edward Rogoff
Monica Dean
Thomas S. Lyons
Joseph Onochie
Ivory Phinisee
Al Suhu

BABSON

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Executive Summary

THE EFFECTS OF THE ECONOMIC CRISIS PERSIST AND AFFECT ENTREPRENEURIAL BEHAVIOR AND ATTITUDES

The current state of entrepreneurship in the United States is analyzed in this report utilizing Global Entrepreneurship Monitor (GEM) data characteristics of entrepreneurial behavior in 2010. Given the economic turmoil in the U.S. and the rest of the world from 2008 onwards, it is important to assess its effects on entrepreneurial activity and on entrepreneurial behavior and attitudes. The data on entrepreneurial activity in the U.S. in 2010 present a mixed picture. The total early stage entrepreneurial activity continued the marked decline described in last year's report and which has been consistent since 2005. The total early stage entrepreneurial prevalence rate showed a small decline from 8.0% in 2009 to 7.7% in 2010. On the other hand, the data for established businesses were more positive, increasing from 5.9% in 2009 to 7.7%. With respect to opportunity or necessity based entrepreneurial activity, the numbers give room for pause. The increased reporting of necessity based entrepreneurial activity continued, with 29% of entrepreneurs reporting that they started their business out of necessity (up from 25% in 2009). While these numbers are still high compared to the rest of the world, the continuous decline in these numbers is not encouraging, given the correlation between opportunity based entrepreneurship and the quality of the venture.

The examination of gender and entrepreneurial activity in 2010 yielded more positive results. The prevalence rate of women entrepreneurs for 2010 was 47% compared with a rate of 53% for males. This result confirms that the gap in prevalence rates between males and females has continued to narrow. The start-up activity numbers corroborate these results. Women showed a 5.6% rate of start-up activity (5.0% in 2009), while the rate for men was 6.7% (a big drop from 8.8% in 2009). Of the nascent businesses started by women, 53% focused on consumer services compared to only 37% of male start-ups. Additionally, while 37% of men launched ventures in the business services sector, 32% of women's start-ups fell into the same category. And finally, 9.4% of men versus 11.3% of women considered their businesses medium to high technology. Men and women entrepreneurs (including both start-up and established business entrepreneurs) were approximately the same age (45-54 years old), although we found that a slightly higher percentage of women between the ages of 35 and 44 engaged in entrepreneurship (20% of women versus 18% of men). Additionally, men and women entrepreneurs attained similar levels of education. With respect to age, the trends discussed in last year's report continued, showing a decrease in entrepreneurial activity in the 18-44 age group and an increase in activity in the 44 and over category. The numbers for those over 55 are also notable, with 7.9% of those involved in early stage entrepreneurial activities over the age of 65 and 18% over the age of 55. In regard to education, the data indicate that a higher percentage of those with post-secondary and graduate experience started ventures (55% of the sample of entrepreneurs). However, those with graduate status were less likely than those with a post-secondary or bachelor's degree to start a business. Moreover, the data indicate that those at the bottom of the education pole were less likely to start businesses. Finally, with respect to income, the highest percentages of start-ups in 2010 were launched by responders who earned between $50,000 and $75,000 annually. This is consistent with previous data.

Despite the economic crisis, overall, early stage entrepreneurs maintained an optimistic outlook on the economy. Early stage entrepreneurs believed their businesses to have high potential, with 23.3% expecting to create more than 10 jobs and to show over 50% growth over the next 5 years. However, amongst established business owners, only 2.3% believed the same. The data also show an optimistic outlook with respect to starting a business. Over 46% of early stage entrepreneurs and 64% of established business owners reported that starting a business in the U.S. in 2010 was harder than a year ago. Yet, these numbers are significantly lower than the 2009 numbers (54% of early stage and 77% of established businesses), thus revealing a somewhat less pessimistic view of the hardship of starting a business.

As is the practice with these reports, we also compared the entrepreneurial activity in the U.S. with that of the rest of the world, in particular, with those within its comparison group (innovation driven economies) and factor and efficiency driven economies. Among innovation-driven economies, the U.S. exhibited one of the highest prevalence rates for nascent entrepreneurial activity. In 2010, the U.S. total early-stage entrepreneurial activity rate was the fourth highest among innovation-driven economies, a result of its very high prevalence rates for nascent entrepreneurial activity. However, for the U.S., the improvement-driven opportunity rate in early-stage entrepreneurial activity was much lower than in the past and was slightly below the average within innovation-driven economies. Again, this is cause for pause, considering that the U.S. has traditionally been a global leader in this regard. The same is true for business discontinuations: the U.S. business discontinuation rate was second highest among innovation-driven countries and much higher than the group average. These rates highlight worrisome trends in the U.S.'s entrepreneurial activity.

In regard to innovation, the 2010 data comparing early stage entrepreneurs to established business owners indicate that early-stage entrepreneurs offered more new products than established business owners. Overall, an increasing number in both groups offered novel products in 2010 compared to the 2009 cohorts. Such increased numbers suggest that entrepreneurs found more opportunities to develop innovative products and that both groups were more optimistic about the economic climate in 2010 than in 2009. In terms of innovation, opportunity-based entrepreneurial activities were more often associated with new product-market combinations than those based on necessity. For example, in 2010, 31.9% of opportunity-driven entrepreneurs reported developing innovative products, as opposed to 23.3% of necessity-driven start-ups. Overall, an increased number of both necessity-driven and opportunity-based entrepreneurs undertook the development of innovative products in 2010 compared to 2009. Finally, over 10% of early-stage entrepreneurs were active in the technology sector in 2010 compared to only 1.7% in 2009. The corresponding percentages for established business manager-owners were 3.1% (2009) and 14.0% (2010). Thus, we see increased involvement in the technology sector in 2010.

With respect to social entrepreneurship, start-ups with purely social goals and a not-for-profit goal were fewer than ventures with purely economic or economic and social goals. In 2010, 40% of the 175 respondents indicated they were for profit, primarily achieving economic goals. However, the nearly 7% greater emphasis on both economic and social goals over purely economic goals suggests an effort to achieve social goals, while remaining underpinned by the realistic commitment to an economic model. Only 7.43% of respondents (n=13) identified as for profit start-ups primarily achieving social goals. With respect to age, among start-ups, 25-34 year olds and 65-99 year olds reported, within their respective age groups, concentrating on economic goals. Among 35-44 year olds there was much more interest in achieving both economic and social goals than any other goals. Finally, with respect to gender and race, white males were more likely to own both start-up and ongoing ventures with purely social or economic and social goals. Females nearly equaled males in owning start-ups with both economic and social goals.

The report examines trends by region to try to determine the effects of the crisis on entrepreneurial activity amongst different groups in the U.S. In 2010, the Midwest, which was the most affected region in 2009, experienced a significant rebound in entrepreneurial activity, as prevalence rates rose 13.0% to 15.2% overall. Early stage entrepreneurial activity in the Midwest increased slightly from 4.8% to 5.3%, and established businesses (older than 42 months) increased from 5.1% to 7.0%. With respect to race, Caucasians experienced relative stability, with the overall rate of entrepreneurial activity staying approximately the same at 16.7% in 2010 compared to 16.4% in 2009. But, consistent with the overall U.S. numbers, the rate of opportunity-driven entrepreneurship among Caucasians declined from 4.5% to 3.9%, while involvement with a business more than 42 months old increased from 6.4% to 7.9%. Non-Caucasians, on the other hand, saw an increase in overall activity (from 12.8% to 18.1%) with a similar (to Caucasians) drop in opportunity-driven entrepreneurship (5.9% to 5.1%), an increase in necessity-driven entrepreneurship (2.5% from 1.6%), and a large increase in involvement with older businesses (2.1% in 2009 to 5.4% in 2010).

Finally, in regard to public policy, the data reveal some trends of particular interest to policy makers. The decline in the availability of sufficient funding for entrepreneurs from key funding sources continued in 2010 and reached the lowest level for the five-year period (2006-2010). In 2010, while individual industry results were mixed, the overall growth rate turned slightly positive (0.6%). Moreover, in 2010 the GEM national experts' perceptions of good opportunities to create new firms declined below that of 2008 and the U.S. dynamism rate declined substantially.

Thus, overall, the picture of entrepreneurial activity in the U.S. painted by this report continues to exhibit elements of light and dark. While some improvements have occurred, the extent to which the economic downturn has affected entrepreneurial activity remains unclear. Many trends in entrepreneurial activity have persisted, particularly the rates of entrepreneurial behavior, opportunity and necessity entrepreneurship, and age and entrepreneurial activity. These trends merit further examination, as they are likely to affect the economic wealth of the country.

Introduction and Background
From the Global Entrepreneurship Monitor 2010 Global Report by Kelley et al.

ENTREPRENEURSHIP'S ROLE IN THE GLOBAL ECONOMY

Most policymakers and academics agree that entrepreneurship is critical to the development and well-being of society. Entrepreneurs create jobs. They drive and shape innovation, speeding up structural changes in the economy. By introducing new competition, they contribute indirectly to productivity. Entrepreneurship is thus a catalyst for economic growth and national competitiveness.

GEM focuses on three main objectives:

- To measure differences in entrepreneurial attitudes, activity and aspirations among economies.
- To uncover factors determining the nature and level of national entrepreneurial activity.
- To identify policy implications for enhancing entrepreneurship in an economy.

GEM is based on the following premises. First, an economy's prosperity is highly dependent on a dynamic entrepreneurship sector. This is true across all stages of development. Yet the nature of this activity can vary in character and impact. Necessity-driven entrepreneurship, particularly in less developed regions or those experiencing job losses, can help an economy benefit from self-employment initiatives when there are fewer work options available. More developed economies, on the other hand, can leverage their wealth and innovation capacity, yet they also offer more employment options to attract those that might otherwise become entrepreneurs. In order to maintain their entrepreneurial dynamism, they need to instill more opportunity-based motives.

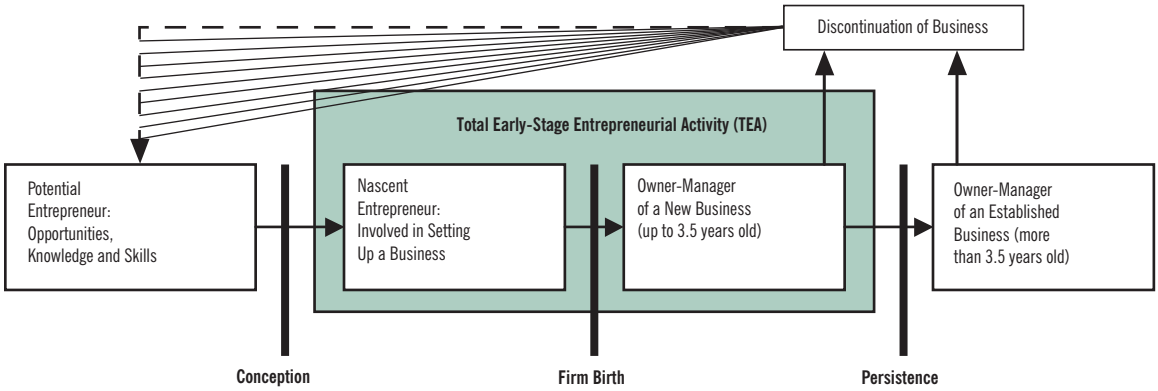
Second, an economy's entrepreneurial capacity requires individuals with the ability and motivation to start businesses, and positive societal perceptions about entrepreneurship. Entrepreneurship should include participation from all groups in society, including women, a range of age groups and education levels, and disadvantaged populations. Finally, high-growth entrepreneurship is a key contributor to new employment in an economy, and national competitiveness depends on innovative and cross-border entrepreneurial ventures.

GEM MEASURES

At the time of GEM's founding, traditional analyses of economic growth and competitiveness had, for the most part, neglected the role played by new and small firms in national economies, owing, in some measure, to the lack of good data on this sector. This information, when available, tended to be present in only those countries at the most advanced stages of economic development. Existing measures, such as self-employment rates, did not reflect the dynamic scope of entrepreneurship. And while most governments have long maintained records of formal business registrations, it wasn't until GEM emerged that an accurate picture could be drawn of the people, and how many of them started businesses in different corners of the world.

The main guiding purpose of GEM is to measure individual involvement in venture creation. This differentiates GEM from other data sets, most of which record firm-level data. A second aim of this research is to promote entrepreneurship as a process comprising different phases, from intending to start, to just starting, to running new or established enterprises and even discontinuing these. Figure 1 summarizes the entrepreneurship process and GEM's operational definitions. For more information on the history of GEM, see "Background on GEM" in Appendix 1. For more information on the GEM methodology, visit the website at www.gemconsortium.org. The most common operational variables and their definitions are outlined in Appendix 2.

Figure 1–The Entrepreneurship Process and GEM Operational Definitions



Through the wealth of measures GEM tracks, we can understand which types of people are (and are not) participating in entrepreneurship. We capture both those formally registering their businesses and those running informal ones. These unregistered businesses, in fact, can compose as much as 80% of economic activity in developing countries[i].

People launch businesses for a variety of reasons. They may be led into entrepreneurship out of necessity: the pursuit of self-employment when there are no better options for work. In contrast, their efforts may be powered by the desire to maintain or improve their income, or to increase their independence. GEM therefore assesses the motives of entrepreneurs.

GEM additionally measures aspirations. These aspirations may be evident in innovative products or services or the pursuit of customers beyond national borders. They may also include high-growth ambitions, thereby contributing more markedly to new employment in their economies.

Recognizing that entrepreneurs are driven not only by their own perceptions about starting a business but by the attitudes of those around them, GEM considers the attitudes representing the climate for entrepreneurship in a society. Entrepreneurs need to be willing to take risks and have positive beliefs about the availability of opportunities around them, their ability to start businesses, and the value of doing so. At the same time, they need customers who are willing to buy from them, vendors willing to supply them, and families and investors ready to support their efforts. Even positive societal perceptions about entrepreneurship may indirectly stimulate this activity.

ECONOMIC DEVELOPMENT LEVEL AND ENTREPRENEURSHIP

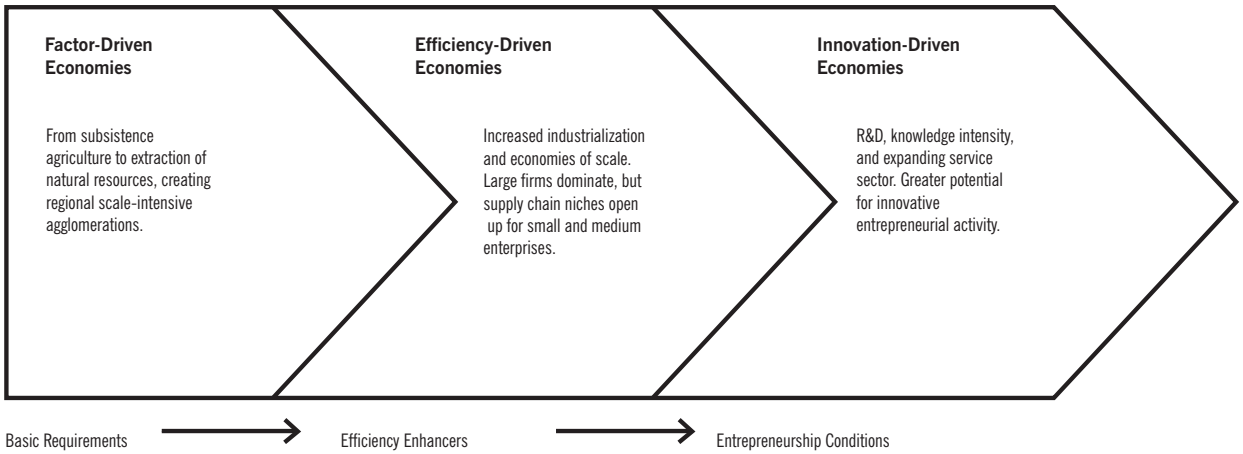
GEM's harmonized data set enables comparisons of entrepreneurship activity around the globe, and within and across geographic regions. This report additionally examines groups of economies at similar development levels. Following a typology used by the World Economic Forum, GEM classifies the 59 GEM participants as "factor-driven," "efficiency-driven" or "innovation-driven" economies[ii].

Figure 2 illustrates the characteristics of these economic groups and the key development focus at each level.

As an economy develops, productivity increases and, consequently, per capita income grows as well. This is often accompanied by the migration of labor across different economic sectors. For example, labor may move from agricultural and extractive sectors to manufacturing, and then eventually to services[iii]. In their early stages of development, economies typically have a higher proportion of necessity-driven activities. Here, the demand for jobs in high-productivity sectors outpaces supply. As a result, many people must create their own sources of income.

With further development comes the growth of productive sectors. This increases employment capacity but leads to gradual declines in the level of necessity-driven entrepreneurship. At the same time, improvements in wealth and infrastructure stimulate opportunity-based businesses, shifting the nature of entrepreneurial activity. These ventures are more likely associated with greater aspirations for growth, innovation and internationalization. They rely, however, on the economic and financial institutions created during the developing phases. To the extent these institutions are able to accommodate and support opportunity-seeking entrepreneurial activity, innovative entrepreneurial firms may emerge as significant drivers of economic growth and wealth creation[iv].

Figure 2–Characteristics of Economic Groups and Key Development Focus



THE GEM MODEL

Figure 3 illustrates the GEM model, which shows, first, the relationship between the social, cultural and political context and three sets of framework conditions. These framework conditions are modeled as impacting the attitudes of a population toward entrepreneurship, and the activity and aspirations of entrepreneurs. In turn, entrepreneurial activity, as well as the growth of established firms in the primary economy, influence economic growth.

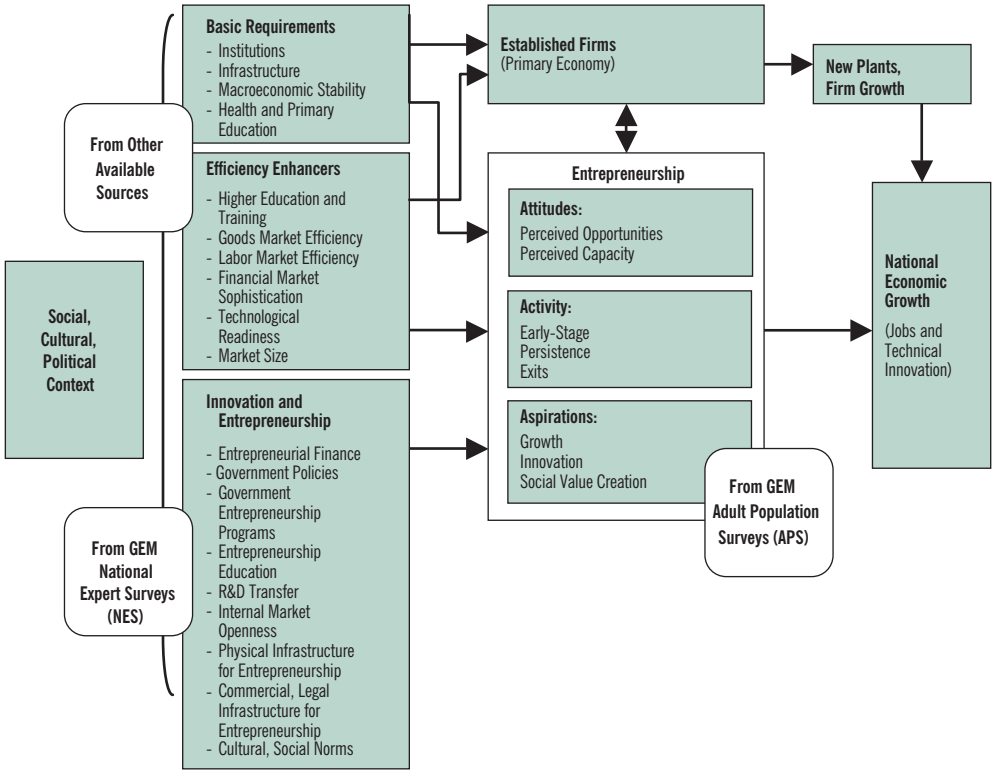
Figure 2 shows the key imperative in factor-driven economies lies in building basic requirements, among them primary education, healthcare and infrastructure. Later-stage factors, like entrepreneurial finance and government entrepreneurship programs, are unlikely to have substantial impact if, for instance, entrepreneurs don't have good roads to transport goods or a sufficiently educated labor force from which they can recruit employees. In other words, investments in entrepreneurship-specific framework conditions may be less effective in enabling business creation if they are made at the expense of basic requirements.

Entrepreneurs with high aspirations fare better in countries with a stable economic and political climate and well-developed institutions. This, in fact, may account for the activities of certain groups of immigrants to wealthier economies. At the same time, economic progress begets scale economies. Large firms are more efficient from a national perspective; and, for many individuals, they are a more attractive employment alternative to necessity-based entrepreneurship.

To replace the migration of necessity entrepreneurs toward employment in large companies, efficiency-driven economies must attract more opportunity-based entrepreneurship. The second set of framework conditions represents efficiency enhancers. These are directed toward ensuring that markets function properly. The nurturing of economies of scale can, in fact, be complemented by the emergence of growth- and technology-oriented entrepreneurs, expanding the scope of employment in a society.

Advanced economies have a relatively sophisticated foundation of basic requirements and efficiency enhancers. While these factors are essential in sustaining necessity-based entrepreneurship, they may be insufficient drivers of opportunity-based behavior. Here, knowledge is prevalent but labor is expensive. Entrepreneurship-specific framework conditions become the levers that drive dynamic, innovation-oriented behavior, while the foundation of basic requirements and efficiency enhancers needs to be maintained.

Figure 3–The GEM Model



1 Entrepreneurial Behavior in the U.S. in 2010: Has the Crisis Continued to Affect Entrepreneurial Behavior?

Julio De Castro

In this 2010 edition of the U.S. Global Entrepreneurship Monitor report, we continue our examination of entrepreneurial behavior in the U.S. and consider whether the effects of the economic crisis continue to be felt in terms of entrepreneurial activity. In this chapter, we examine and analyze a number of dimensions of entrepreneurship for 2010. These dimensions include total entrepreneurial activity (TEA); age; work status; gender; education; household income; and a number of attitudinal variables including motivation; perception of entrepreneurial skills; whether starting a business is a good career choice; whether starting a business leads to high status; and fear of failure as an entrepreneur. The results indicate that even though 2010 was a critical year in terms of entrepreneurial activity and behavior, there were some longer term trends (both positive and negative) occurring in U.S. entrepreneurial behavior. In our view, the effects of the crisis were indeed reflected in entrepreneurial behavior and attitudes. The following is a discussion of each of the areas.

ENTREPRENEURIAL ACTIVITY IN THE U.S. IN 2010

The evolution of entrepreneurial activity in the U.S. in 2010 provides a complex picture of the effects of the crisis on entrepreneurial activity. The total early-stage entrepreneurial activity continues the marked decline described in last year's report and which has been consistent since 2005. The total early-stage entrepreneurial prevalence rate shows a small decline from 8.0% in 2009 to 7.7% in 2010. On the other hand, the data for established businesses were more positive, increasing from 5.9% in 2009 to 7.7%. Thus, although fewer entrepreneurs reported being involved in early-stage business, the number of established businesses increased, indicating that businesses that do get started have a slightly higher chance of becoming established firms. These results also suggest that the economic climate may be allowing for the sustainability of businesses or perhaps that these businesses are better capitalized. More importantly, those results hold through the crisis, which is good news for the economy. Overall, the number of new and established businesses increased from 2009 to 2010. While 13.9% reported new and established businesses in 2009, that number increased to 15.3% in 2010. Almost one and a half percentage points higher, this increase can be attributed to the rising number of established firms.

With respect to opportunity- or necessity-based entrepreneurial activity, the numbers are more somber. The increased reporting of necessity-based entrepreneurial activity continues, with 29% of entrepreneurs reporting that they started their businesses out of necessity (up from 25% in 2009). Correspondingly, opportunity-based entrepreneurial activity decreased from 75% of respondents to 71%. Although the numbers still favor opportunity-based entrepreneurial activity, and the U.S. remains a global leader in this category, it is important to continue to track this trend to determine whether it is a permanent inclination or the result of the crisis. When the crisis abates, it will also be important to consider whether it has caused permanent changes in entrepreneurs' rationales for starting their firms. This will have a significant impact on the public policy that regulates entrepreneurial activity.

TOTAL ENTREPRENEURIAL ACTIVITY AND GENDER

Table 1 shows total entrepreneurial activity by gender for 2010. Results show a narrowing of the gap in the TEA of males and females for the period. The prevalence rate of women entrepreneurs for 2010 was 47%, compared with a rate of 53% for males. This evidence is consistent with the results presented last year, which show that over a five-year period, the gap in prevalence rates between males and females continues to narrow. The start-up activity numbers corroborate these results. Women showed a 5.6% rate of start-up activity (5.0% in 2009), while the rate for men was 6.7% (a big drop from 8.8% in 2009). Perhaps more interesting is that 72% of females indicated that they were motivated by opportunity, as opposed to 70% of males.

Both the narrowing of the gap between males and females and the increase in women's opportunity motivation reflects continuing trend, echoed in last year's examination of the 2005-2009 period. This trend suggests that the crisis has affected the entrepreneurial behavior of males and females in different ways. Now, we observe a convergence of the entrepreneurial rates for males and females in the U.S.–a much needed and desired occurrence that few would have predicted at the dawn of the GEM project.

Table 1–Gender and Total Early-Stage Entrepreneurial Activity

	GENDER		
	Male	Female	Total
% INVOLVED IN TOTAL EARLY-STAGE ENTREPRENEURIAL ACTIVITY	52.9%	47.1%	100%

TOTAL ENTREPRENEURIAL ACTIVITY AND AGE

In last year's report, we suggested that a shift in age and entrepreneurial behavior was underway. To recapitulate, whereas total entrepreneurial activity declined consistently over the period in the 18-24, 25-34 and 35-44 age groups, the same was not true for the 45-54, 55-64 and 65-and-over age groups. Moreover, when combined, (that is, when examining the 45 & over age group) total entrepreneurship activity increased over the 2005-2009 period, while it decreased for the 18-44 group. That pattern continued in 2010, with reductions in entrepreneurial activity in the 18-44 age group and increases in activity in the 45-and-over category. That does not mean, however, that entrepreneurial activity was higher in the latter group. More than 60% of those involved in total early-stage entrepreneurial activity were under 44; however, the percentage of those over 44 and involved in total early-stage entrepreneurship continued to grow. More interesting still are the numbers for the older part of the arch, with 7.9% of those involved in early-stage entrepreneurial activities over the age of 65 and 18% over the age of 55. Thus, the pattern of increase in entrepreneurial activity for those over 44 continued, along with a relative decline in total entrepreneurial activity of those under 44.

It is also interesting to consider the age of the entrepreneurs with the question of whether they believe they have the right skills, knowledge and experience to successfully start a business. More than 66% of those over 44 believed that they had the right knowledge, skills and experience, while only 33% of those under 44 expressed the same confidence. Even when examining the 35-44 age group alone, only 18.4% of the entrepreneurs believed they had the right skills and knowledge, compared with more than 20% of those in the 45-54 and the 65-and-over age groups. The same was true when the groups were asked whether they predicted good opportunities for business in the economic environment in the next six months. While 51.3% of the 65-and-over age group perceived good opportunities, only 48.7% of those in the 18-44 age group reported the same optimism. It is important to determine whether these attitudes affected entrepreneurial behavior. We believe that it is time to call for research that examines the characteristics of entrepreneurial activity at this higher age range–particularly the root causes of this shift (unfortunately, GEM data are limited in their ability to explore entrepreneurial rationale) and the social implications of these changing behaviors.

Table 2–Age and Total Early-Stage Entrepreneurial Activity

	AGE						
	18-24	25-34	35-44	45-54	55-64	65-99	Total
% INVOLVED IN TOTAL EARLY-STAGE ENTREPRENEURIAL ACTIVITY	10.2%	29.4%	22.4%	20.0%	11.1%	6.9%	100.0%

TOTAL ENTREPRENEURIAL ACTIVITY AND WORK STATUS

A similar trend to that of age occurred with the work status of entrepreneurs. Over the 2005-2009 period, we saw a marked decrease in entrepreneurs who work full time (from 14.7% to 8.5%). That trend continued in 2010, with 5.3% of entrepreneurs reporting that they were engaged in full-time work. Moreover, the percentage of entrepreneurs not working declined from 10.4% in 2009 to 6.0% in 2010. This trend, which started before the economic/financial crisis, shows a clear deceleration in 2010. Finally, two interesting numbers emerge from our analysis. First, 6.1% of entrepreneurs indicated that they were homemakers, which might have fueled the decrease in the gap between male and female entrepreneurs. Another number to pay attention to is the 28.4% of entrepreneurs who indicated that they were retired or disabled. This number is consistent with previous data that show an increase in entrepreneurial activities at higher ages.

Table 3–Total Entrepreneurial Activity and Employment Status

EMPLOYMENT STATUS	% INVOLVED IN TOTAL EARLY-STAGE ENTREPRENEURIAL ACTIVITY
Employed in Full-Time Work	5.3%
Employed in Part-Time Work	7.5%
Currently Self-Employed	8.6%
Currently Seeking Employment	6.0%
Retired or Disabled	28.4%
Student	4.9%
Full-Time Homemaker	6.1%

TOTAL ENTREPRENEURIAL ACTIVITY AND EDUCATIONAL STATUS: 2005-2009

The data on educational status and entrepreneurial activity reveal a number of interesting trends. First, the data indicate that a higher percentage of those with post-secondary and graduate experience started ventures (55% of the sample of entrepreneurs). However, the number of entrepreneurs returning to school seems to be diminishing. Those with graduate status were less likely to start a business than those with a post-secondary or bachelor's degree. It may be that the costs of starting a business were too high for this group. What is clear and consistent with historical trends is that those at the bottom of the education ladder are less likely to start businesses. These results should be taken into account at a time when voices are encouraging our youth to forgo their education in search of their entrepreneurial dreams. The evidence seems not to favor this approach. (http://www.thielfoundation.org)

Table 4–Total Entrepreneurship Activity and Educational Status

HIGHEST LEVEL OF EDUCATION COMPLETED	% INVOLVED IN TOTAL EARLY-STAGE ENTREPRENEURIAL ACTIVITY
None	1.7%
Some Secondary	5.4%
Secondary Degree	23.1%
Post-Secondary	24.8%
University Bachelor's Degree	30.2%
Graduate (Master's or PhD)	14.9%

In terms of nascent and baby businesses, the only critical difference to highlight is the divergence in rates between those entrepreneurs who obtained a secondary degree. While 27.3% of nascent entrepreneurs received a secondary education, only 15.7% of the baby businesses achieved the same education level. Whereas for higher levels of education, the results for baby business were higher, for lower levels, the results were lower. This may indicate that education plays a role in the ability of businesses to move from nascent to baby businesses.

Table 5–Total Entrepreneurial Activity and Educational Status: Early-Stage Businesses

HIGHEST LEVEL OF EDUCATION COMPLETE	STAGE OF ACTIVITY		TOTAL
	NASCENT ENTREPRENEUR	BABY BUSINESS OWNER	
None	2.6%	1.1%	2.1%
Some Secondary	3.9%	6.7%	4.9%
Secondary Degree	27.3%	15.7%	23.0%
Post-Secondary	23.4%	27.0%	24.7%
University Bachelor's Degree	29.2%	32.6%	30.5%
Graduate (Master's or Phd)	13.6%	16.9%	14.8%

TOTAL ENTREPRENEURIAL ACTIVITY AND INCOME

Tables 6 and 7 examine the relationship between total entrepreneurial activity, household income, and stage of activity (nascent vs. baby businesses) for 2010. The highest percentage of start-ups occurred among responders who earned between $50,000 and $75,000 annually. This is consistent with, and does not show a marked departure from, previous data. Similarly, the data show that at the highest and lowest levels of income, entrepreneurial rates decline. Venture creation was strongest at the middle of the distribution. The pattern becomes clearer when examining the rates for baby and nascent businesses. For example, the $75,000 level shows the highest rates in the distribution for baby businesses, and every group under $75,000 shows higher rates for nascent than for baby businesses. The contrary was true for households with incomes of $75,000 and over. This seems to indicate that income plays a role in the evolution of entrepreneurial ventures: Entrepreneurs with higher income levels are more likely to evolve from nascent to baby business owners.

Table 6–Total Entrepreneurial Activity and Income Status

TOTAL ANNUAL INCOME	TOTAL EARLY-STAGE ENTREPRENEURIAL ACTIVITY
Under $15,000	6.0%
$15,000 to Under $25,000	9.3%
$25,000 to Under $35,000	11.6%
$35,000 to Under $50,000	11.6%
$50,000 to Under $75,000	19.4%
$75,000 to Under $100,000	15.3%
$100,000 to Under $150,000	13.0%
$150,000 to Under $200,000	5.1%
Over $200,000	8.8%

Table 7–Total Entrepreneurial Activity, Income Status and Stage of Activity

INCOME LEVEL	STAGE OF ACTIVITY	
	NASCENT ENTREPRENEUR	BABY BUSINESS OWNER-MANAGER
Under $15,000	7.1%	3.9%
$15,000 to Under $25,000	10.7%	6.6%
$25,000 to Under $35,000	12.9%	9.2%
$35,000 to Under $50,000	12.9%	9.2%
$50,000 to under $75,000	21.4%	17.1%
$75,000 to under $100,000	12.1%	21.1%
$100,000 to under $150,000	13.6%	11.8%
$150,000 to under $200,000	4.3%	6.6%
Over $200,000	5.0%	14.5%

ENTREPRENEURS AND THEIR MOTIVATIONS

Given the changes we have described in terms of entrepreneurial activity for 2010, there were surprisingly few changes in terms of the motivations of entrepreneurs, and strong similarities were exhibited in each stage of activity. Despite the economic crisis, overall, early-stage entrepreneurs maintained an optimistic outlook on the economy. Early-stage entrepreneurs believed their businesses to have high potential, with 23.3% expecting to create more than 10 jobs and to show more than 50% growth over the next five years. These numbers are particularly interesting when compared with those of established business owners, only 2.3% of whom believed the same. Moreover, 24.3% of early-stage entrepreneurs reported that they knew an entrepreneur, a number that is consistent with the 2005-2009 trends. Furthermore, even though there

were no significant differences between 2009 and 2010 data on perceived entrepreneurial opportunities, as we discussed earlier, there were some interesting patterns with respect to age. A higher percentage of those in the older age groups than in younger age groups seemed to believe that there would be ample opportunity in the next six months. The same dynamic proved true when entrepreneurs were asked about their knowledge and skills. Thus, although the overall percentage did not change significantly from 2009 to 2010, older entrepreneurs reported significantly higher confidence in their entrepreneurial knowledge and skill sets.

The 2010 data also reveal an optimistic outlook with respect to starting a business. More than 46% of early-stage entrepreneurs and 64% of established business owners reported that starting a business in the U.S. in 2010 was harder than a year ago. However, those numbers show a significant drop from the 2009 numbers (54% of early-stage and 77% of established businesses in 2009 reported that starting a business was harder than the year before). The same held true when entrepreneurs were asked how hard it was to grow a business. More than 29% of early stage entrepreneurs and 46% of established business owners reported that growing a business was harder in 2010 than a year ago. Those numbers compare favorably with the 40% of early-stage entrepreneurs and the 53% of established business owners who reported the same in 2009.

The numbers measuring fear of failure, on the other hand, show a different distribution when examined with respect to age. Those in the middle age range (24-34, 35-44 and 45-54) show higher numbers of fear of failure (17.1%, 21.5% and 19.2%, respectively) than younger (18-24, 11.8%) and older age groups (55-64, 13.9%; 65 and over, 16.5%). It appears that the fear-of-failure age distribution follows a different pattern and that (consistent with their beliefs about good opportunities and knowledge and skills) older entrepreneurs were less likely to fear failure.

Table 8–Entrepreneurs and Their Motivations

ENTREPRENEURIAL ATTITUDES		PERCENT
Knows an Entrepreneur	No	75.0
	Yes	24.3
Good Opportunities	No	55.2
	Yes	26.6
Knowledge and Skills	No	41.9
	Yes	55.5
Fear of Failure	No	71.1
	Yes	28.9
Starting a Business Is a Good Career Choice	No	33.6
	Yes	61.1
Starting a Business Has High Status	No	22.1
	Yes	72.3

FINAL COMMENTS

The picture that emerges from the examination of TEA, owner managers, nascent, and baby businesses for 2010 is a complex one. As in 2009, the data indicate that fewer businesses are being started. This is a troubling trend; but those businesses that do get started appear to be more sustainable.

Gender and age also play an important role, and while, traditionally, more males than females start businesses in the U.S., our results indicate that the gap continues to narrow. It is possible that in a few years the gap may be entirely erased. However, more data and research are needed to examine the quality of those start-ups. Are firms created by males and females of equal quality with respect to wealth creation? More significant is the shift in terms of age and new venture creation within the 18-44 age groups. The traditional view of the 45-and-older age group as the entrepreneurial motor of the U.S. continues. Moreover, this year we were able to detect some differences in attitudinal variables within the age groups. It seems that there were differences in the attitudes of younger and older entrepreneurs toward entrepreneurship. Our results regarding perspective of good opportunities, knowledge and skills, and fear of failure warrant specific examination of the role that age plays in the entrepreneurial process. It seems that, more and more, starting a business is no longer a young man's game.

2 U.S. Comparisons to International Countries

Al Suhu and Ivory Phinisee

PARTICIPATING COUNTRIES IN 2010

This year, 60 countries participated in the GEM project. For more appropriate comparisons, the countries are grouped in similar stages of economic development: factor-driven countries, efficiency-driven countries and innovation driven countries. These groupings are based on the World Economic Forum's 2010 Global Competitiveness Report (Porter and Schwab, 2010) and are as follows.

Factor-Driven Economies
Angola, Bolivia, Egypt, Ghana, Guatemala, Iran, Jamaica, Pakistan, Saudi Arabia, Uganda, Vanuatu, West Bank & Gaza Strip, Zambia

Efficiency-Driven Economies
Argentina, Bosnia and Herzegovina, Brazil, Chile, China, Colombia, Costa Rica, Croatia, Ecuador, Hungary, Latvia, Macedonia, Malaysia, Mexico, Montenegro, Peru, Romania, Russia, South Africa, Taiwan, Trinidad and Tobago, Tunisia, Turkey, Uruguay

Innovation-Driven Economies
Australia, Azores, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, Republic of Korea, Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States

In this section, the three dimensions of entrepreneurship (activity, attitudes and aspirations) are examined. Across the activity dimension, the U.S. ranked above the average within the innovation-driven economies, and in some categories, it ranked among the highest. For example, in terms of nascent entrepreneurial activity, the U.S. was ranked the second highest of the innovation-driven countries. Along the attitude dimensions, the U.S. ranked above all the averages of innovation-driven economies. For example, in perceptions of having the knowledge, skills and experience required to start a new business, the U.S. ranked highest within the innovation-driven countries. The U.S. also ranked fifth best among the innovation-driven countries in not allowing fear of failure to prevent the start of a business. Along the aspiration dimension, the U.S. had the fourth-highest rate in the high-growth category of 20 or more jobs expectation among the 17 innovation-driven countries and was above the average within innovation-driven countries.

ACTIVITY

Entrepreneurial Activity

Within the category of innovation-driven economies, the U.S. exhibited among the highest prevalence rates for nascent entrepreneurial activity. In 2010, as shown in Table 9 the U.S. total early-stage entrepreneurial activity rate was the fourth highest among innovation-driven economies. The total early-stage entrepreneurial activity rate is composed of the rates for both nascent entrepreneurial activity and new business owner-manager activity. Since the rate for new business owner-manager activity was only slightly above average, the main push for the U.S. was the very high prevalence rates for nascent entrepreneurial activity. The implication is that the recent recession of 2008-2009 has negatively affected new business owner-manager activity.

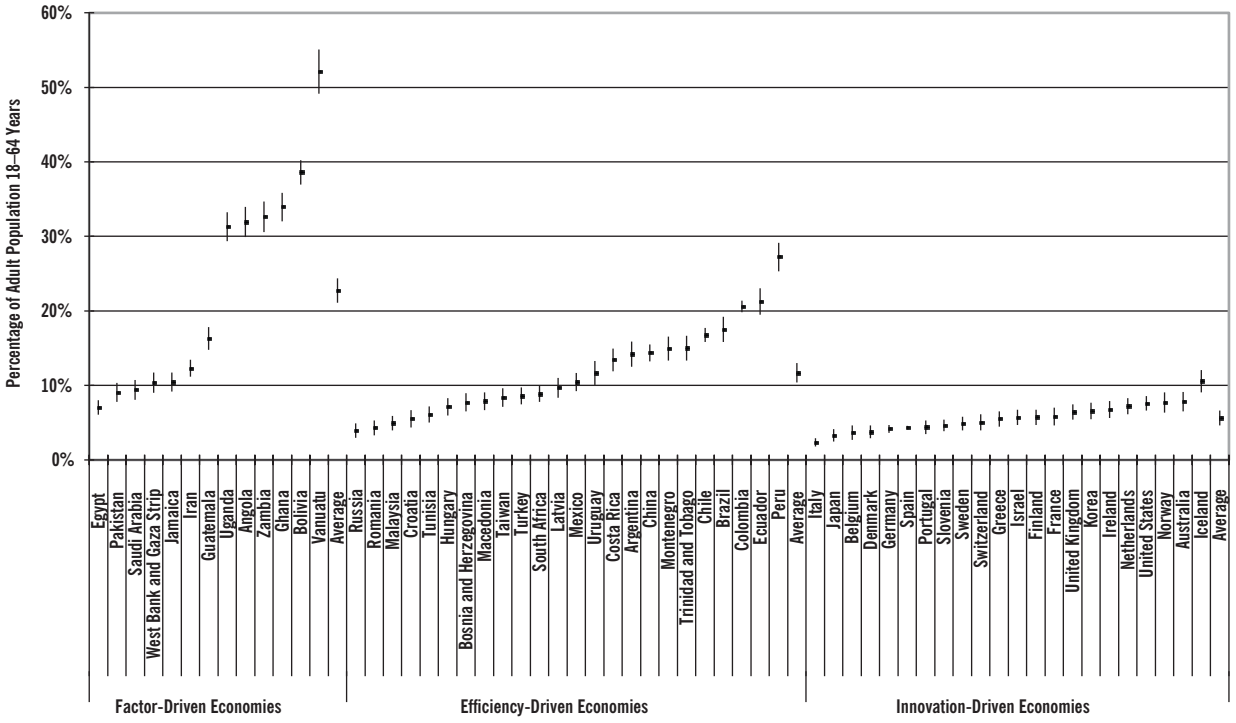
Compared with the averages for the factor-driven and efficiency-driven economies, the U.S. prevalence rate of 7.6% for early-stage entrepreneurial activity was lower. The U.S. established business prevalence rate of 7.7% was only slightly higher than average within the innovation-driven economies and also slightly higher than the average for efficiency-driven economies. However, this rate was much lower than the average for factor-driven countries.

Table 9–Prevalence Rates (in %) of Entrepreneurial Activity and Business Owner-Managers Across GEM Countries in 2010, for Those Aged 18-64, by Phase of Economic Development

	NASCENT BUSINESS	NEW BUSINESS	TOTAL EARLY-STAGE (TEA)	ESTABLISHED BUSINESS	DISCONTINUING BUSINESS	NECESSITY % TEA	TEA10IDO*
Factor-Driven Economies							
Angola	15.9	16.3	31.9	8.6	19.7	35.7	29.9
Bolivia	29.0	13.8	38.6	18.2	9.0	16.8	56.5
Egypt	2.1	4.9	7.0	4.5	3.8	53.0	25.2
Ghana	10.9	24.4	33.9	35.5	25.6	36.9	34.7
Guatemala	8.3	8.4	16.3	6.6	3.9	15.0	27.5
Iran	4.8	7.7	12.3	12.2	6.4	37.9	39.5
Jamaica	5.5	5.1	10.5	6.9	8.1	42.2	38.6
Pakistan	6.6	2.7	9.1	4.7	2.5	40.6	39.0
Saudi Arabia	6.3	3.2	9.4	3.9	3.8	10.0	74.6
Uganda	10.7	22.0	31.3	27.7	27.4	49.8	33.5
Vanuatu	32.3	27.1	52.1	23.2	22.0	37.5	23.6
West Bank & Gaza Strip	8.2	2.3	10.4	2.0	5.7	31.8	33.1
Zambia	17.3	17.0	32.6	9.6	23.4	32.2	41.2
Average	**12.2**	**11.9**	**22.7**	**12.6**	**12.4**	**33.8**	**38.2**
Efficiency-Driven Economies							
Argentina	7.2	7.3	14.2	12.4	3.8	36.3	43.3
Bosnia and Herzegovina	4.1	4.1	7.7	6.6	4.7	46.5	29.8
Brazil	5.9	11.7	17.5	15.3	5.3	31.1	45.9
Chile	11.4	5.7	16.8	6.0	5.6	29.4	52.4
China	4.9	9.7	14.4	13.8	5.6	41.8	34.2
Colombia	8.7	12.6	20.6	12.2	5.1	39.5	40.8
Costa Rica	10.6	3.3	13.4	4.8	2.0	31.8	37.8
Croatia	4.1	1.6	5.5	2.9	2.1	32.3	48.8
Ecuador	10.6	11.4	21.2	14.7	7.2	27.7	44.5
Hungary	4.9	2.3	7.1	5.4	2.9	19.6	42.9
Latvia	5.7	4.1	9.7	7.6	4.2	26.8	50.8
Macedonia	4.8	3.1	7.9	7.6	3.7	58.3	23.0
Malaysia	1.4	3.6	5.0	7.9	1.9	12.4	41.2
Mexico	9.2	1.4	10.4	0.4	5.8	19.0	41.6
Montenegro	12.0	3.1	14.9	7.8	7.2	37.1	38.2
Peru	22.3	5.8	27.2	7.2	9.1	21.3	47.5
Romania	3.3	1.1	4.3	2.1	2.5	29.7	47.2
Russia	2.2	1.7	3.9	2.8	0.8	32.0	30.3
South Africa	5.1	3.9	8.9	2.1	4.8	36.0	31.1
Taiwan	4.7	3.8	8.4	7.2	3.7	30.4	48.0
Trinidad and Tobago	8.9	6.3	15.0	8.5	2.9	14.3	47.1
Tunisia	1.7	4.4	6.1	9.0	4.1	23.7	48.0
Turkey	3.7	5.1	8.6	10.7	4.6	37.3	46.7
Uruguay	7.8	4.1	11.7	7.2	3.5	26.0	53.5
Average	**6.9**	**5.0**	**11.7**	**7.6**	**4.3**	**30.9**	**42.3**
Innovation-Driven Economies							
Australia	3.9	4.0	7.8	8.5	2.7	18.5	58.7
Azores	1.5	2.1	3.5	6.2	1.7	36.2	30.2
Belgium	2.6	1.2	3.7	2.7	2.0	9.9	51.8
Denmark	1.8	2.2	3.8	5.6	1.7	8.0	53.8
Finland	2.4	3.4	5.7	9.4	1.8	18.1	54.3
France	3.8	2.1	5.8	2.4	2.5	25.2	56.0
Germany	2.5	1.8	4.2	5.7	1.5	25.7	48.5
Greece	2.1	3.4	5.5	14.8	3.4	27.8	38.6
Iceland	7.4	3.2	10.6	7.4	3.4	6.9	68.6
Ireland	4.4	2.5	6.8	8.6	2.3	30.8	33.1
Israel	3.2	2.6	5.7	3.1	3.8	28.8	54.0
Italy	1.3	1.0	2.3	3.7	1.6	13.4	54.6
Japan	1.5	1.8	3.3	7.4	1.5	36.4	46.9
Korea	1.8	4.7	6.6	11.2	1.6	38.4	49.3
Netherlands	4.0	3.4	7.2	9.0	1.4	8.4	63.9
Norway	4.4	3.4	7.7	6.7	2.5	15.4	73.5
Portugal	1.9	2.6	4.4	5.4	2.6	22.5	51.9
Slovenia	2.2	2.4	4.7	4.9	1.6	16.2	53.8
Spain	2.2	2.1	4.3	7.7	1.9	25.4	42.0
Sweden	2.3	2.5	4.9	6.4	2.9	13.4	71.6
Switzerland	2.2	2.9	5.0	8.7	2.4	14.1	60.1
United Kingdom	3.2	3.3	6.4	6.4	1.8	10.6	43.1
United States	4.9	2.8	7.6	7.7	3.8	28.5	51.5
Average	**2.9**	**2.7**	**5.5**	**6.9**	**2.3**	**20.8**	**52.6**
GEM Average	**6.5**	**5.6**	**11.7**	**8.4**	**5.3**	**27.6**	**45.4**

*TEA Improvement Driven Opportunity Motivation: Percentage of those involved in early-stage entrepreneurial activity who (i) claim to be driven by opportunity as opposed to finding no other option for work; and (ii) who indicate the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income

Figure 4–Total Early-Stage Entrepreneurial Activity Rates by Economic Phase, 2008-2010



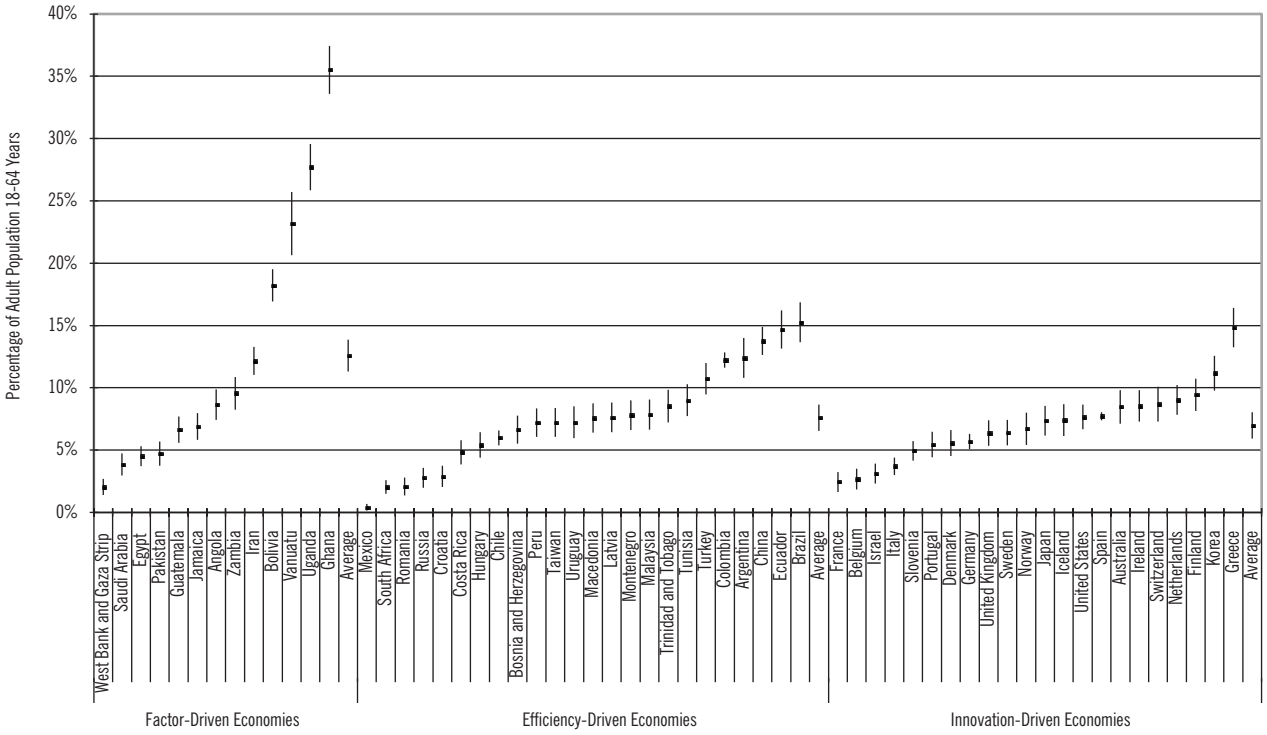
Entrepreneurial Motivations

For the U.S., the improvement-driven opportunity rate in early-stage entrepreneurial activity was much lower than in the past and was slightly below the average within the category, as shown in Table 9. The U.S. rate was higher than the averages for efficiency-driven economies and factor-driven countries. The necessity-driven early-stage entrepreneurial activity rate of 28.5% in the U.S. ranked among the highest for innovation-driven economies but was lower than the averages for both efficiency-driven and factor-driven economies.

Established Business

Figure 5 shows that the U.S. established business rate was slightly above average among innovation-driven countries and roughly equal to the average for efficiency-driven countries. However, like other innovation-driven economies, the U.S. rate was much lower than the average for factor-driven economies. More importantly, the 2010 U.S. established business rate was higher than it was last year, indicating increased stability or sustainability of established businesses.

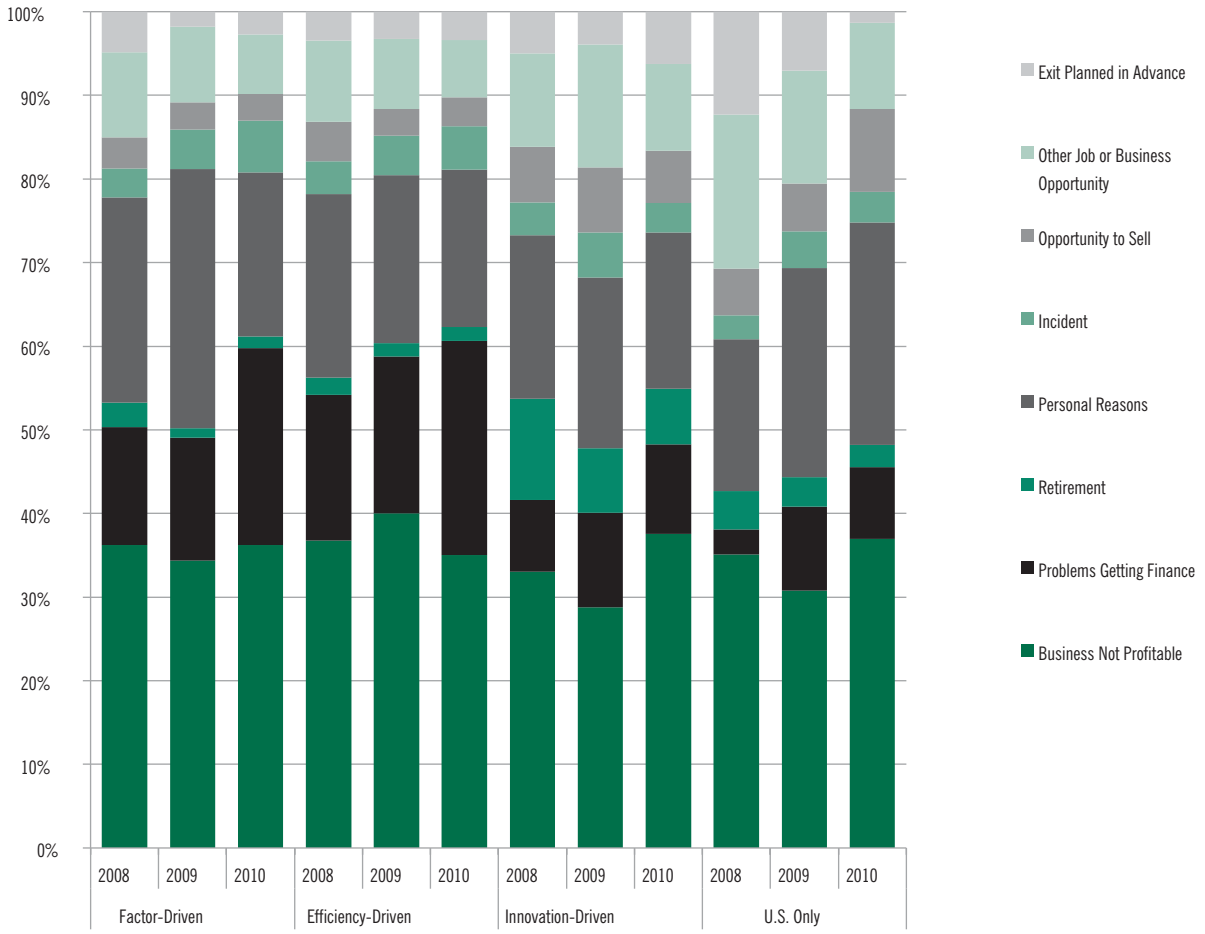
Figure 5–Established Business Activity Rates by Economic Phase, 2008-2010



Discontinuing Business

The U.S. business discontinuation rate was second highest among innovation-driven countries and much higher than the average, possibly indicating a propensity to terminate unviable business experiments. The U.S. rate, however, was much lower than the averages for both efficiency-driven and factor-driven economies. Figure 6 breaks down the reasons for business discontinuation within the three economy types. The U.S., along with the other innovation-driven countries, appears to have had fewer problems with business financing. The trend from 2008 to 2010, though, clearly shows that financing became increasingly difficult in the U.S. Another interesting observation is that the proportion of those who planned an exit in advance noticeably decreased over the last three years, whereas the average proportion remained relatively constant throughout each of the economic phases. This may be due to the U.S.'s worsened economic situation, which has compelled more business owners to remain involved in their businesses.

Figure 6–Reasons for Business Discontinuation by Economic Phase, 2008-2010



Sector Distributions

As shown in Figures 7 and 8 the distribution by industry sector of early-stage entrepreneurial activity followed an expected pattern across the three phases of economic development. Extraction businesses (farming, forestry, fishing, and mining) seemed to be more prevalent in factor-driven economies, while transforming businesses (manufacturing and construction) were more prevalent in efficiency-driven economies. Business services appeared to be more common in innovation-driven economies. Furthermore, the proportion of consumer-oriented businesses declined with each higher phase of economic development. Countries with poorly developed transportation and commercial infrastructure tended to have higher proportions of consumer-oriented businesses. In past years, the proportion of consumer-oriented businesses in the U.S. was noticeably smaller than the averages for each of the three phases of development for early-stage entrepreneurial activity. However, in 2010, the proportion of consumer-oriented businesses in the U.S. was slightly higher than the average for innovation-driven countries, indicating that the U.S. lagged behind its counterparts.

Figure 7–Sector Distribution Early-Stage Entrepreneurial Activity by Phase

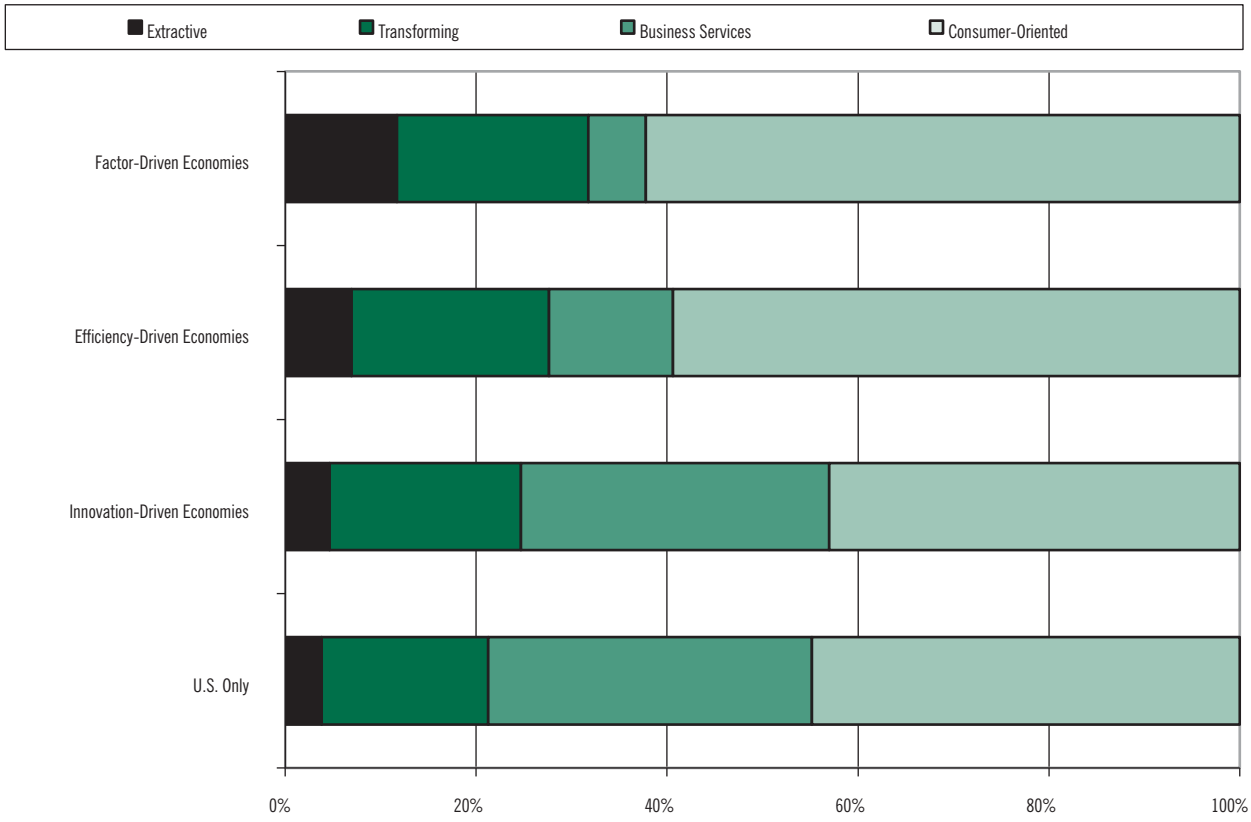
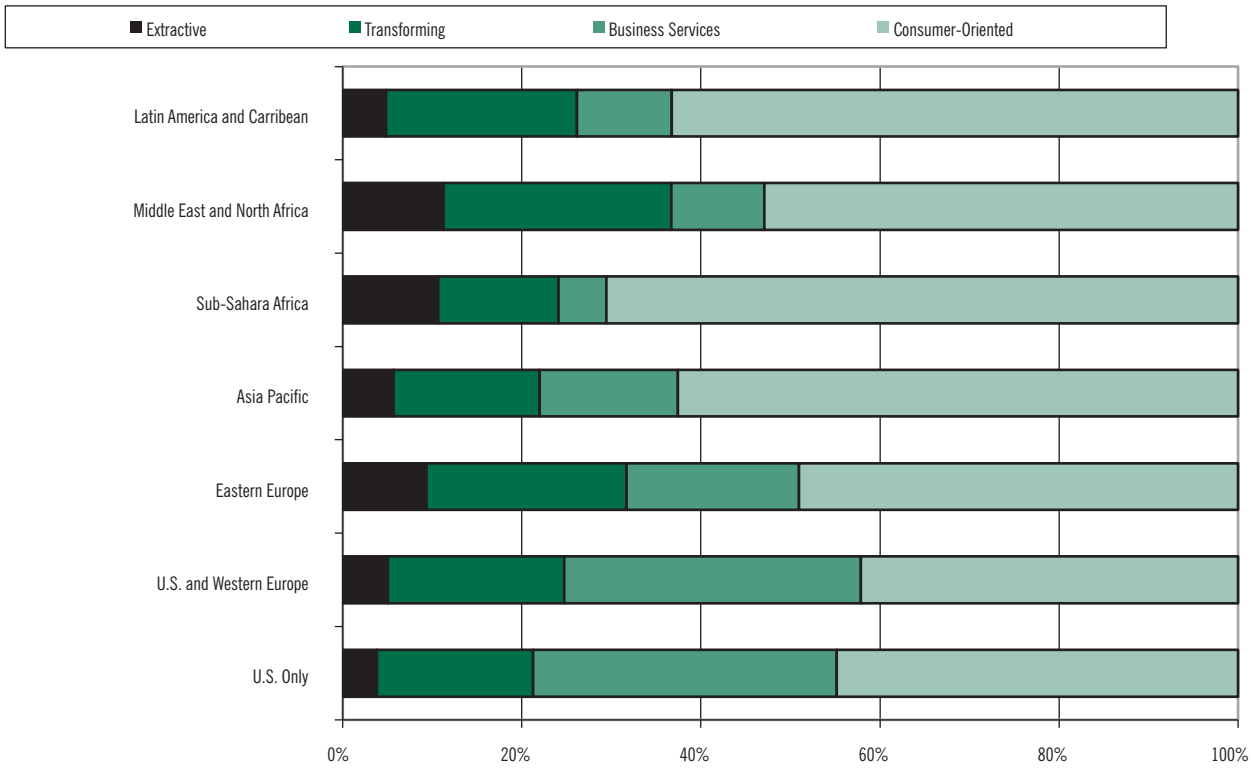


Figure 8–Sector Distribution Early-Stage Entrepreneurial Activity by Location



Age and Gender Structure

As shown in Figures 9 and 10, the shapes of the age distributions were right-skewed for the factor-driven and efficiency-driven economies, while the shape for the innovation-driven economies was more evenly distributed. Interestingly, the U.S. age distribution did not follow the shape of the average innovation-driven economy and was right-skewed like the other two economic phases. In both of these types of economies, as well as in the U.S., the prevalence rate of the 25-34 age groups was much higher. The higher propensity of this age group to engage in early entrepreneurial activity can be attributed to lower participation rates in the 18-24 age groups. In past years, the prevalence rates in the U.S. for the 18-24 range were higher.

Figure 9–Early-Stage Entrepreneurial Activity for Separate Age Groups by Phase, 2010

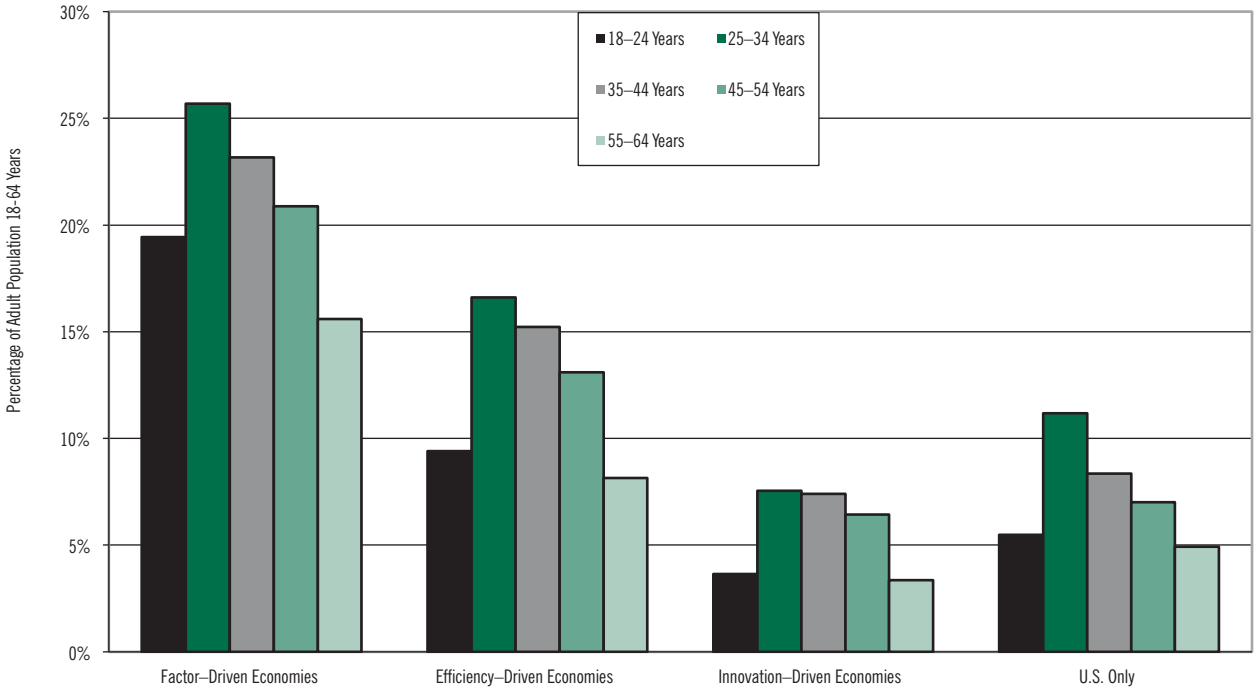


Figure 10–Early-Stage Entrepreneurial Activity for Separate Age Groups by Region, 2010

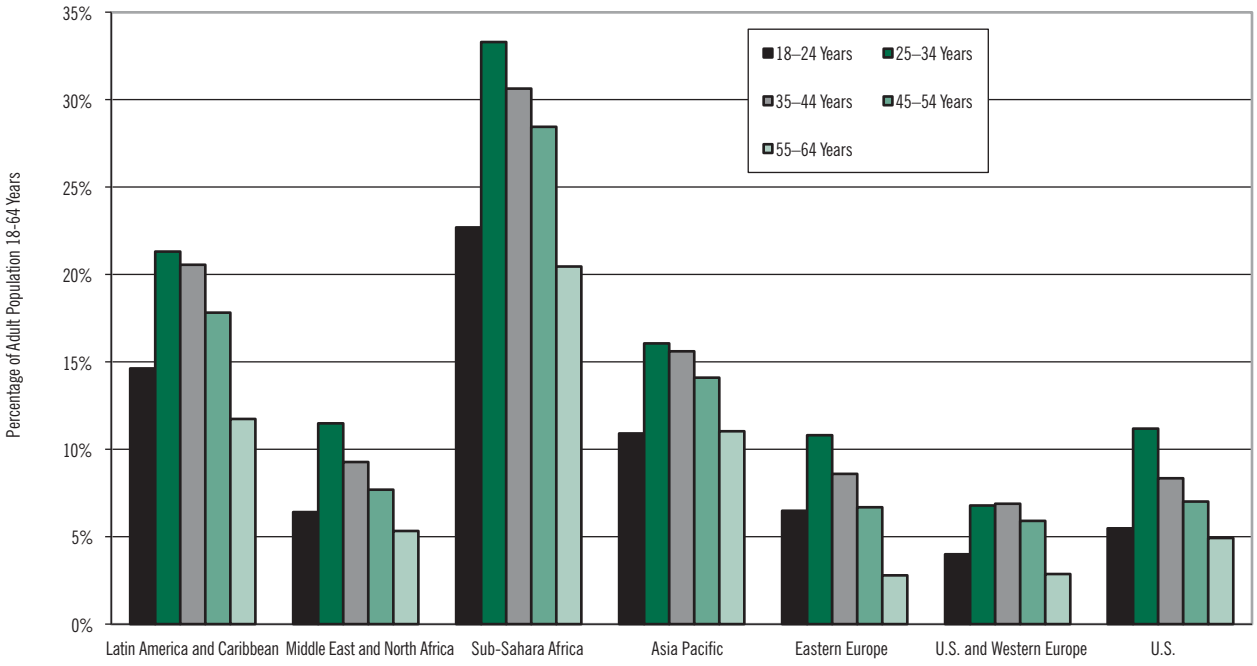
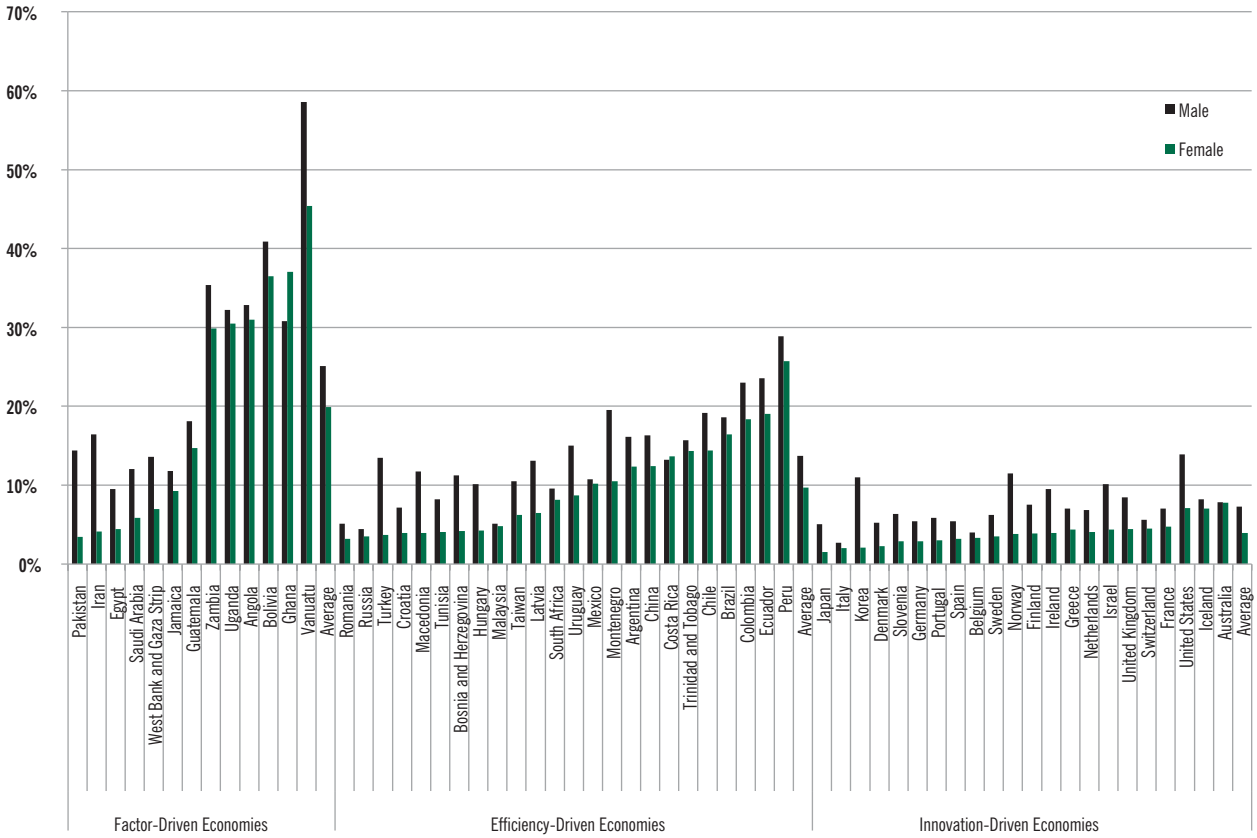


Figure 11 displays the differences in female and male participation for each country in each phase of economic development. The gap in the average ratio of male to female participation increases across the phases, with a low of 1.3 males to females in factor-driven economies. For efficiency-driven economies, the ratio was 1.4 males to females, and in innovation-driven countries, nearly twice as many men as women were involved in early-stage entrepreneurial activity. The gap was slightly higher in the U.S., with fewer women involved in early-stage entrepreneurial activity relative to the average rate in innovation-driven countries.

Figure 11–Early-Stage Entrepreneurial Activity Rates by Gender, 2010



ATTITUDES

Entrepreneurial Attitudes and Perceptions

The GEM 2010 Global Report summarizes the importance of attitudes in a society concerning entrepreneurship and entrepreneurs: "Entrepreneurial attitudes convey the general feelings of a population toward entrepreneurs and entrepreneurship. A society can benefit from people who are able to recognize valuable business opportunities, and who perceive they have the required skills to exploit them. Moreover, if the economy in general has positive attitudes toward entrepreneurship, this will generate cultural support, financial resources, networking benefits and various other forms of assistance to current and potential entrepreneurs.[v]"

Some of the main components that GEM measures to get an understanding of countries' attitudes and perceptions of entrepreneurship are contained in Table 10. These key GEM measures include the perceived short-term and long-term opportunities to start a new business; the labor force's confidence in its ability to start and run a business; the level of risk the population is willing to take in starting a business, or alternatively, the perceived risk of starting a business (measured by the fear of failure); the importance of societal perceptions of the value and status of entrepreneurs and entrepreneurship. The prevalence of these perceptions may have been influenced by the amount of media coverage, another GEM measurement, given to entrepreneurship by a country. This section analyzes these attitudes and perceptions about entrepreneurship in the U.S. and compares them with the 2010 GEM countries across three phases of economic development.

Opportunities and Intentions to Start a Business

GEM measured the perceived opportunities of individuals to start a business in their areas within the next six months. GEM also measured the survey population's intentions to start a business within the next three years. In Table 10 the first column shows the percentage of the countries' adult population, ages 18-64, that believed there would be good opportunities (in the next six months) for starting a business in their area. On average, in higher phases of economic development, there was a tendency to anticipate fewer opportunities for starting a business within the next six months.

While this may seem counterintuitive, it can be partly explained by the fact that individuals in different stages of economic development may have different kinds of businesses in mind[vi]. The U.S. exhibited a lower perception of good opportunities to start a business within the next six months than any of the countries with factor-driven economies and a lower perception than over two-thirds of efficiency-driven countries. However, the U.S. had a higher perception of good opportunities to start a business in the next six months than over 50% of the innovation-driven countries listed in Table 10

On average, the intentions to start a business within three years were significantly higher among the factor-driven economies than among the efficiency- and innovation-driven economies. In each phase of economic development, the perceived number of good opportunities to start a business exceeded the intentions to actually start a business (see Table 10). The difference between the ratios of perceived opportunities and intentions to start a business was greater in more developed economies than in factor-driven economies. Therefore, not all individuals with favorable perceptions of the existence of good opportunities had any real intentions of starting a business. It appears that there was also a correlation between entrepreneurial intentions and a country's level of entrepreneurial activity (see Table 9) the higher the level of entrepreneurial activity, the greater the intentions to start a business. U.S. intentions to start a business were slightly higher than the average for the innovation-driven economies.

Entrepreneurial Skills

In answer to the question of having the knowledge, skills and experience required to start a new business, factor-driven countries responded more positively than countries in more advanced stages of economic development. Again, this seems counterintuitive until we consider that the survey captured a variety of businesses in different countries and phases of economic development. Therefore, the crafts, skills and knowledge required to successfully start and run a business were probably different for each country and phase of economic development. Figures 7 and 8 show the distribution of data for each industry, phase of economic development, and geographic location. According to the data, the U.S. demonstrated the highest level of perceived confidence in entrepreneurial skills among the innovation-driven economies.

Fear of Failure

Although factor-driven economies expressed the highest level of confidence in their skill set, they also exhibited the highest degree of fear of starting a business. One explanation for this may be that factor-driven economies had the highest entrepreneurial necessity rate, as well as the highest discontinuation rate in all three phases of economic development. The U.S. had the fifth-lowest fear of failure rate among the innovation-driven economies. It is likely that the recent recession significantly affected the fear of failure in the U.S.

Perceptions about Entrepreneurship

A country's entrepreneurial activity may be influenced by certain perceptions that a society has concerning entrepreneurship. Positive perceptions of entrepreneurship as a desirable career choice and a way to achieve social status and respect may have a lasting impact on entrepreneurial activity in a society. These perceptions can also be influenced by the amount of media coverage focused on entrepreneurship.

Table 10 illustrates that entrepreneurship in 2010 was a desirable career choice for more than 70% of the respondents in the factor-driven and efficiency-driven countries and approximately 60% of the respondents in the innovation-driven countries. Perceptions regarding the status of an entrepreneur were highest in the factor-driven countries and roughly the same for efficiency- and innovation-driven economies. However, the media attention given to entrepreneurs was also highest in factor-driven economies and efficiency-driven countries. It was lowest in the innovation-driven countries.

The U.S. exceeded the average of the innovation-driven economies in all categories involving attitudes and perceptions of entrepreneurship. Moreover, the U.S. had the highest level of media attention to entrepreneurship in all three phases of economic development.

Table 10–2010 Entrepreneurial Attitudes and Perceptions in the 60 GEM Countries by Phase of Economic Development

	PERCEIVED OPPORTUNITIES	PERCEIVED SKILLS & ABILITIES	FEAR OF FAILURE	ENTREPRENEURSHIP AS A GOOD CAREER CHOICE	HIGH STATUS TO SUCCESSFUL ENTREPRENEURS	MEDIA ATTENTION FOR ENTREPRENEURSHIP	INTENTIONS TO START A BUSINESS IN THREE YEARS
Factor-Driven Economies							
Angola	67.3	73.1	70.1	70.1	83.3	74.7	60.5
Bolivia	53.2	75.8	62.9	62.9	66.6	51.1	58.3
Egypt	38.8	63.4	77.7	77.7	89.5	70.5	24.9
Ghana	75.7	74.6	91.1	91.1	90.7	78.6	63.1
Guatemala	62.9	71.0	73.8	73.8	59.7	44.1	29.9
Iran	41.6	65.7	63.6	63.6	84.6	62.3	32.7
Jamaica	56.1	80.2	85.1	85.1	84.8	77.4	38.1
Pakistan	51.9	56.2	76.3	76.3	80.7	61.0	32.4
Saudi Arabia	75.8	69.3	86.8	86.8	92.3	78.0	6.0
Uganda	80.5	86.7	81.1	81.1	87.3	81.9	76.9
Vanuatu	73.6	79.6	55.6	55.6	77.6	34.3	60.9
West Bank & Gaza Strip	44.0	57.0	85.3	85.3	83.5	62.5	31.1
Zambia	81.4	77.5	69.9	69.9	71.8	72.5	70.0
Average	**61.8**	**71.5**	**75.3**	**75.3**	**80.9**	**65.3**	**45.0**
Efficiency-Driven Economies							
Argentina	50.3	63.5	25.0	74.3	67.1	61.7	27.9
Bosnia and Herzegovina	38.3	62.5	32.7	76.0	63.0	47.6	18.6
Brazil	48.1	57.9	37.7	78.0	79.0	81.1	26.6
Chile	65.0	65.6	26.7	87.4	71.2	45.7	43.6
China	36.2	42.3	32.7	70.0	76.9	77.0	30.1
Colombia	68.2	65.1	31.5	88.6	75.9	66.7	46.2
Costa Rica	46.4	68.8	33.8	64.3	63.4	60.8	20.2
Croatia	23.3	53.2	39.2	67.1	49.9	41.8	9.8
Ecuador	50.3	76.6	34.7	83.1	74.0	62.6	48.7
Hungary	33.3	43.4	49.0	55.0	73.7	47.4	14.9
Latvia	29.1	50.7	40.4	58.8	64.8	57.2	24.5
Macedonia	34.3	59.7	36.2	71.3	66.2	56.0	28.8
Malaysia	40.1	24.3	48.5	55.7	68.6	88.0	7.1
Mexico	55.6	64.6	35.7	69.4	62.8	54.0	28.6
Montenegro	36.1	70.9	41.1	81.0	68.4	69.5	40.9
Peru	71.4	76.5	33.0	82.0	76.8	81.2	38.7
Romania	17.5	38.2	46.0	66.5	65.5	46.9	10.7
Russia	21.7	22.7	37.5	65.4	63.7	46.6	4.3
South Africa	40.9	44.3	25.4	77.5	77.6	78.6	19.6
Taiwan	29.6	26.4	41.6	68.4	57.5	78.2	27.8
Trinidad and Tobago	69.1	82.8	13.1	83.2	77.6	67.2	32.2
Tunisia	37.6	53.1	25.1	89.1	92.7	78.4	24.2
Turkey	36.1	54.2	32.5	71.2	76.4	61.7	21.9
Uruguay	52.1	73.3	31.0	64.8	61.8	43.3	34.6
Average	**42.9**	**55.9**	**34.6**	**72.8**	**69.8**	**62.5**	**26.3**
Innovation-Driven Economies							
Australia	45.7	53.2	36.3	57.0	68.4	70.5	10.8
Azores	19.2	45.2	41.5	66.5	75.2	53.1	7.8
Belgium	39.6	44.9	34.6	60.0	51.2	45.7	8.9
Denmark	46.4	40.7	35.2	—	—	—	7.5
Finland	51.1	39.5	32.1	46.1	86.5	71.4	7.3
France	33.9	37.3	43.0	65.2	67.9	44.7	16.0
Germany	28.5	41.6	44.4	53.1	77.1	49.0	7.8
Greece	15.9	52.2	60.1	65.6	70.2	34.5	13.9
Iceland	48.7	49.0	35.1	51.2	60.9	66.6	19.1
Ireland	22.5	49.2	38.7	51.8	81.5	61.1	8.4
Israel	35.2	41.6	43.3	61.3	73.0	56.3	16.1
Italy	24.7	42.4	44.5	69.1	69.3	37.7	4.7
Japan	5.9	13.7	35.1	28.4	52.0	58.5	4.9
Korea	13.0	29.0	34.3	67.6	71.3	61.4	11.8
Netherlands	44.8	45.5	25.6	85.4	68.6	60.9	7.1
Norway	49.8	40.4	29.9	57.8	70.7	67.2	10.6
Portugal	20.3	52.1	39.3	67.5	70.5	52.6	10.4
Slovenia	26.8	56.3	32.5	53.2	73.7	56.2	9.8
Spain	18.8	50.2	44.8	65.4	62.5	40.7	6.7
Sweden	66.1	42.4	35.0	56.9	71.6	60.8	10.4
Switzerland	33.3	43.9	30.7	64.9	76.4	50.6	7.8
United Kingdom	29.2	51.8	38.9	51.0	76.7	52.2	6.9
United States	34.8	59.5	32.2	65.4	75.9	67.8	10.4
Average	**32.8**	**44.4**	**37.7**	**59.6**	**70.5**	**55.4**	**9.8**
GEM Average	**43.1**	**54.9**	**34.9**	**68.4**	**72.5**	**60.5**	**24.0**

Trends in Entrepreneurial Attitudes – 2008-2010

Figures in this section display the trends in attitudes toward entrepreneurship in the U.S. and compare them with the averages of a subset of efficiency-driven and innovation-driven countries over a period of time (2008 to 2010). The purpose of this analysis was to assess the recession's (and the subsequent economic recovery's) impact on entrepreneurial attitudes and perceptions in the U. S. and other GEM countries that participated in the 2008-2010 surveys.

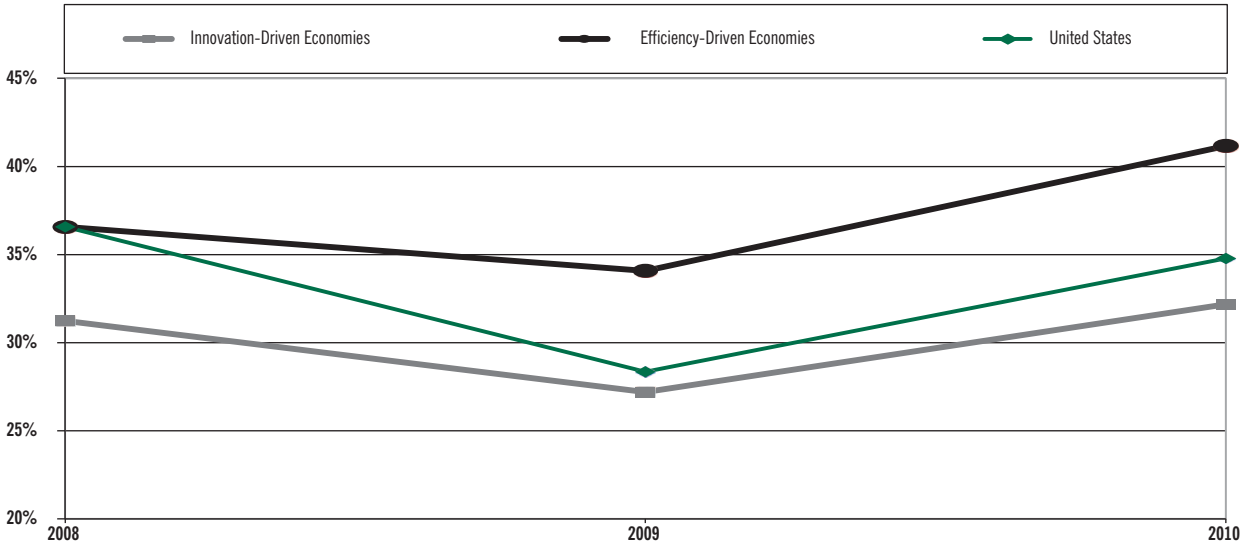
Looking at the percentage of the surveyed populations that perceived good opportunities for starting a business in the next six months in their areas, the average for the efficiency-driven economies was higher than the U.S.'s and higher than the average for innovation-driven economies for all three years (Figure 12). This is predictable since the average of the efficiency-driven economies had the highest early-stage entrepreneurial prevalence rates. The recession may be responsible for the widespread negative progression of the averages in 2009. However, the end of the recession in June 2009 and the start of the economic recovery had a positive impact on the perception of the climate for starting a new business in the economies represented in Figure 12.

As shown in Figure 13 the trend for fear of failure preventing the start-up of new businesses in the U.S. closely mirrored that of innovation-driven economies in 2009 and 2010. However, the U.S.'s attitude was approximately 5 percentage points lower than the average for innovation-driven economies in the past two years. This reveals a gap between the average U.S. entrepreneur and the averages of the innovation-driven and efficiency-driven economies in regard to fear of failure. The efficiency-driven economies have shown a downward trend since 2008 in fear of failure. When examining the strength of the entrepreneurial ethos in the U.S., scholars have stressed the notion that less concern for failure would be likely to drive entrepreneurial activity in the U.S.

Figure 14 shows the trends for the surveyed populations' confidence in possessing sufficient knowledge and skills to start a business. The average of innovation-driven economies increased in 2010. The averages for the U.S. and the efficiency-driven economies have been showing an upward trend since 2008. These trends indicate that the recession had little to no impact on any of the economies represented in Figure 14. These results also indicate that the U.S. population remained quite confident in its entrepreneurial knowledge and skill set in the face of the recession.

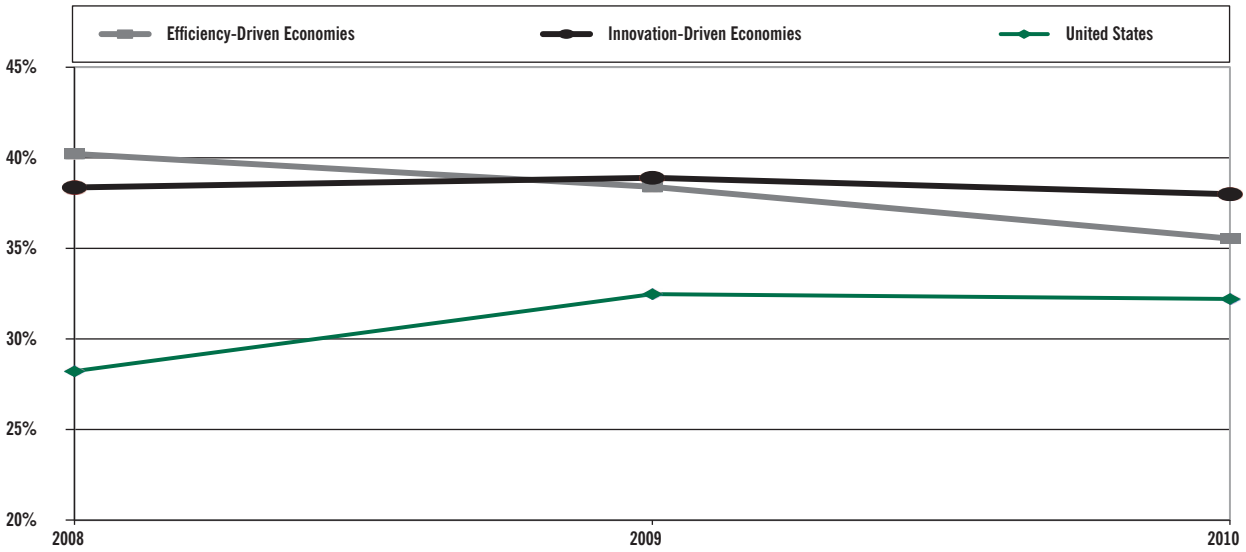
According to Figure 15 the expectation to start a business within three years was around 10% for innovation-driven countries. The average for efficiency-driven countries showed an upward trend in 2010. The average sentiment for starting a new business within the next three years in the U.S. and in the innovation-driven economies declined from 2008 to 2010, although in comparison with 2009 data, the decline in 2010 was slight. This decline in the expectation to start a business within three years may reflect a deep-seated concern in the U.S. with the conditions surrounding new venture creation. Venture capital did increase in 2010, but the GEM survey was done at the end of the second quarter of 2010. Therefore, the full impact of increased venture capital may not have been captured for 2010. It is important to track and analyze this key GEM variable in the future.

Figure 12–Perceived Opportunities for Starting a Business, 2008-2010



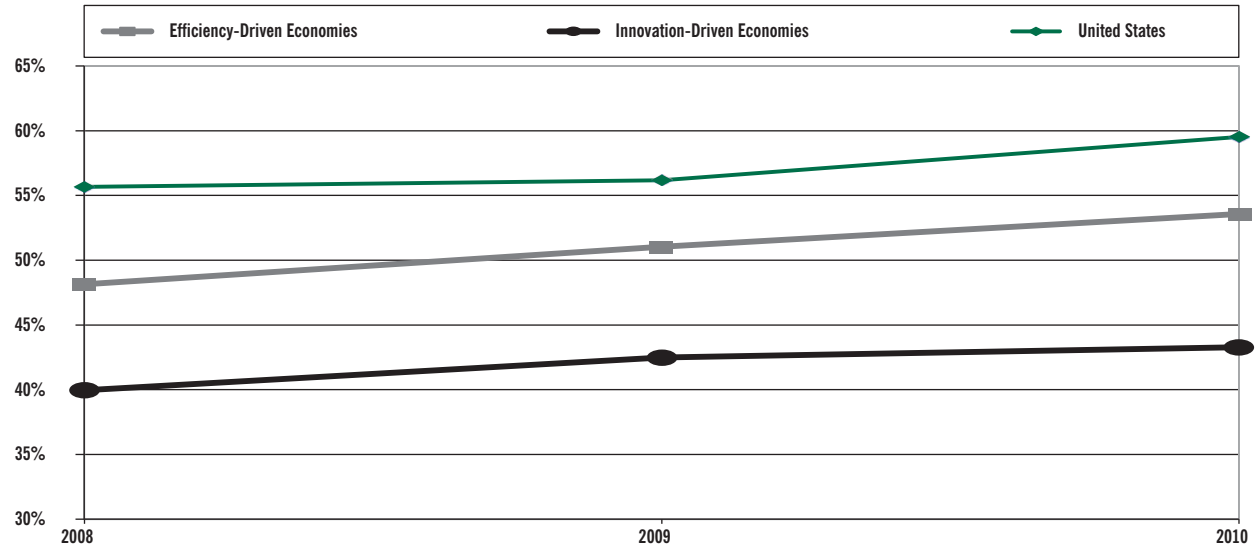
Source: GEM Global 2010 Adult Population Survey (APS)
For international comparisons, sample based on 18-64 Age Groups

Figure 13–Fear of Failure Would Prevent Starting a Business, 2008-2010



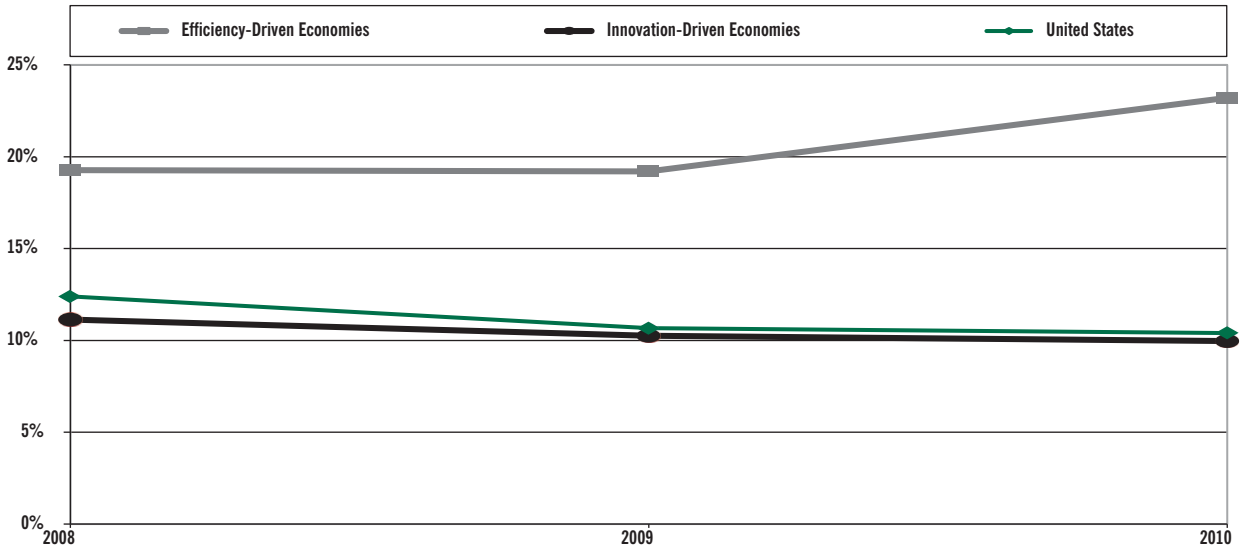
Source: GEM Global 2008 - 2010 Adult Population Surveys (APS)
For international comparisons, sample based on 18-64 Age Groups

Figure 14–Perceived Skills and Knowledge to Start a New Business, 2008-2010



Source: GEM Global 2009 - 2010 Adult Population Survey (APS)
For international comparisons, sample based on 18-64 Age Groups

Figure 15–Intentions to Start a New Business in the Next Three Years, 2008-2010

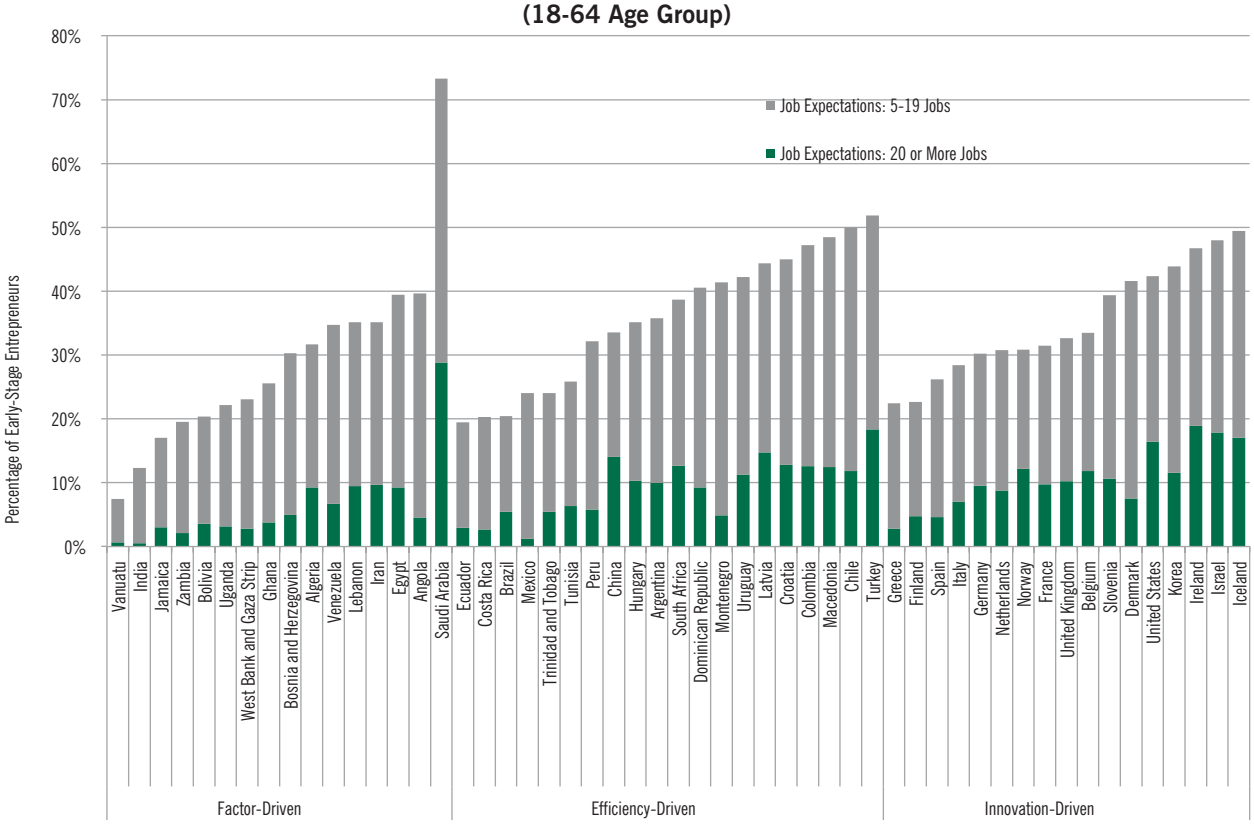


Source: GEM Global 2008-2010 Adult Population Survey (APS)
For international comparisons, sample based on 18-64 Age Group.

ASPIRATIONS

One of the measures GEM used to assess entrepreneurial aspirations is job creation. As stated in the GEM 2008 Global Executive Report, high-growth entrepreneurs, also known as "gazelles," receive a great deal of attention from policymakers because their firms contribute a disproportionate share of all new jobs created by new firms[vii, viii]. GEM defines high-growth entrepreneurs as those who expect to have 20 or more employees (other than the owners) within the next five years. Figure 16 shows the projected rate of both high-growth and medium-growth expectations for early-stage entrepreneurship in GEM countries for which a sufficient sample size was available, grouped by level of economic development. In the high-growth category of 20 or more job expectations, the U.S. had the fourth-highest rate of all 17 innovation-driven countries and came in above the average in the innovation-driven grouping. Compared with efficiency-driven and factor-driven countries, the U.S. rate exceeded the average.

Figure 16–Job Growth Expectations for Early-Stage Entrepreneurial Activity, 2008-2010 (18-64 Age Group)



Source: GEM Global 2010 Adult Population Survey (APS) reprinted from the GEM 2010 Global Report

CONCLUSION

The U.S. ranked above the average of innovation-driven economies across the activity dimension; and in some categories, it ranked among the highest. As the economic recovery took place in the U.S. and other countries, there were improvements in the attitudes and perceptions of entrepreneurship among these populations. Still, the fear of failure in starting a business has not improved in the U.S. or in the average innovation-driven economy in 2010. However, the efficiency-driven economies showed a decline in fear of failure from 2008 to 2010. Finally, the economic recovery is lessening the impact of the recession, as the perception in the U.S. that it was more difficult to start a business in 2010 seems to have diminished in comparison with the previous year.

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3 Does Innovation Drive Entrepreneurship and Job Creation?

Abdul Ali

Innovation has been associated with corporate renewal and new venture creation. Entrepreneurs start and grow their businesses by developing new processes, products or services, which, in turn, create jobs and help to develop economies. In light of the economic downturn prevailing in many parts of the world, policymakers and business executives are now paying greater attention to the link between innovation and entrepreneurship, as well as their impact on job creation. In order to cope with one of the worst financial crises since the Great Depression, the U.S., an innovation-driven economy, must understand and support the innovative activity of its entrepreneurs. The GEM 2010 survey for the U.S. asked questions regarding the innovativeness of products and services, the involvement of entrepreneurs in the technology sector, the international orientation of innovators, and the intended impact of these factors on job creation. The survey's findings are reported below.

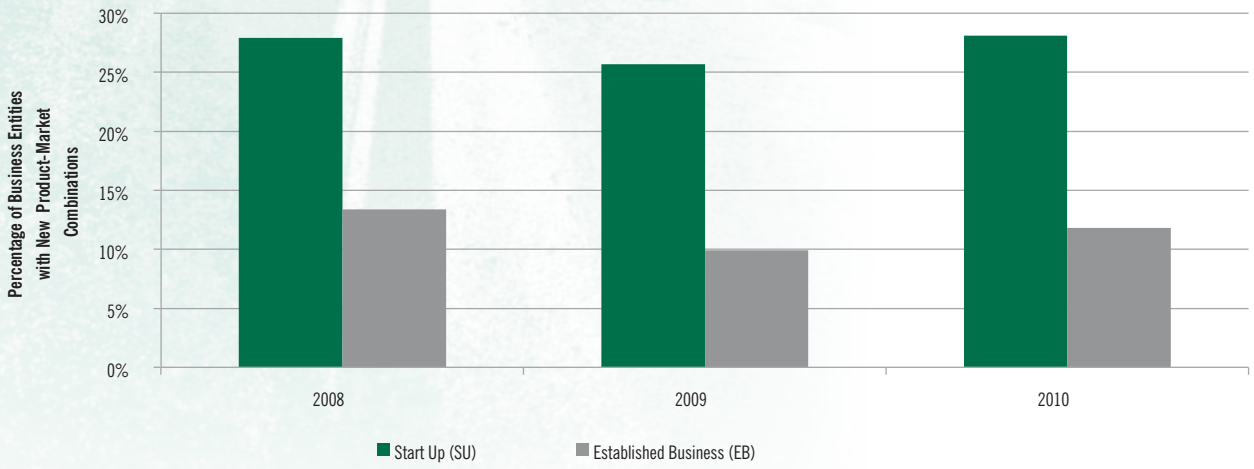
INNOVATIVENESS: CUSTOMER AND MARKET NOVELTY

As the GEM Global 2010 Executive Report notes, GEM used two different ways to assess innovation in entrepreneurial businesses. One is product oriented, while the other measures business originality. For the first, a product or service developed by an entrepreneur was considered to be "innovative" if the target customers found the product or service unfamiliar or novel relative to their current experiences (product novelty). The second measured the innovativeness of an entrepreneurial business based on its degree of competitiveness, that is, whether the owner-manager indicated that a few or no other businesses offer similar products or services (market newness). These two measures were combined into a single measure of "new product-market combinations." Figure 17 compares the last three years' data on the relative prevalence of early-stage entrepreneurs and established business owner-managers offering novel product-market combinations. Clearly, entrepreneurs have maintained their leads over the last three years in offering more new products than established business owners. Overall, an increasing number in both groups offered novel products in 2010 compared with the 2009 cohorts. Such increased numbers suggest that entrepreneurs found more opportunities to develop innovative products and that both groups were more optimistic about the economic climate in 2010 than in 2009. The motivation of entrepreneurs and the impact of the economic downturn are discussed next.

INNOVATIVENESS: NECESSITY VS. OPPORTUNITY

Generally, entrepreneurs start their businesses either out of necessity to support themselves financially or to improve their lives by exploiting opportunities. The GEM survey examined both forms of motivation. Given the higher degree of risk and the expensive nature of technological innovation, it is somewhat expected that entrepreneurs who can

Figure 17–Percentage of Business Entities with New Product-Market Combinations



Source: GEM U.S. 2008, 2009 and 2010 Adult Population Survey (APS)

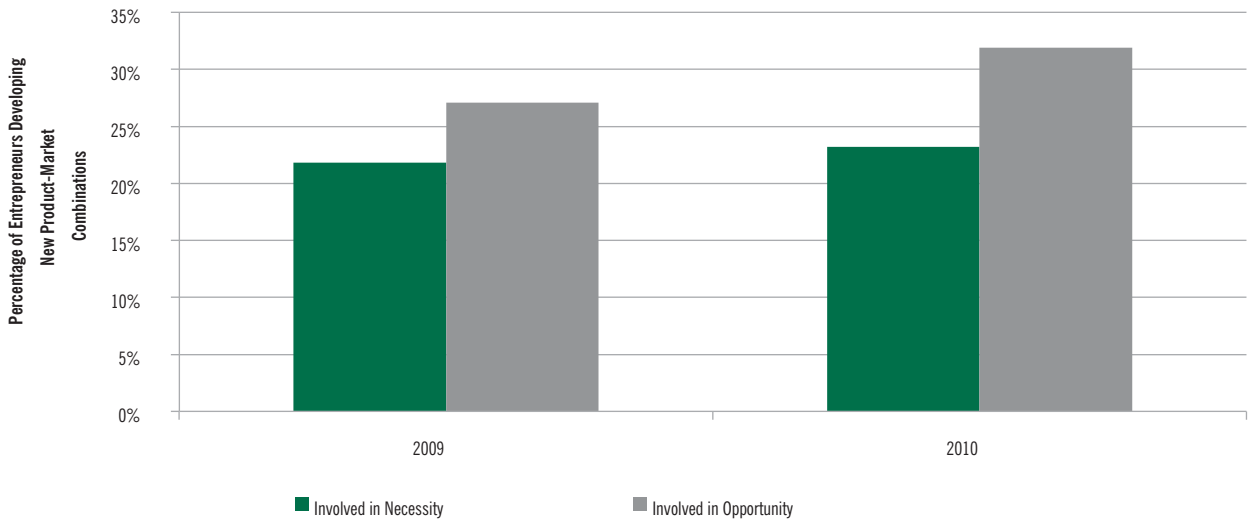
afford to wait for suitable opportunities will launch more innovative products, whereas those who are forced into entrepreneurship out of necessity will not undertake such risky projects. Figure 18 confirms this hypothesis. Opportunity-based entrepreneurial activities were more often associated with new product-market combinations than those based on necessity. For example, in 2010, 31.9% of opportunity-driven entrepreneurs reported developing innovative products, as opposed to 23.3% of necessity-driven start-ups. Overall, an increased number of both necessity-driven and opportunity-based entrepreneurs undertook the development of innovative products in 2010 compared with 2009. Again, this may be explained by the improving economic outlook of 2010 discussed below.

IMPACT OF ECONOMIC OUTLOOK ON INNOVATION IN 2010

The GEM 2010 survey, like the one conducted in the previous year, asked specific questions regarding the impact of the recent global recessions on entrepreneurship. Figure 19 displays entrepreneurs' and established business owners' perceptions of the economic climate for starting and growing businesses. While a significant number of entrepreneurs and established business owners expressed a pessimistic outlook on the economic climate, overall, their concerns seem to have dissipated somewhat since 2009. For example, 54.5% of entrepreneurs found it more difficult to start a business in 2009, whereas only 47.4% of entrepreneurs thought so in 2010. The numbers for established business owners were similar–75.6% and 64.3%, respectively. It is also clear that in 2010 both types of business entities were more positive about growing a business than about starting one. Only 29.2% of entrepreneurs had lower expectations for growth, whereas 47.4% of the same group felt it would be more difficult to start a business. For established business owners, the rates were 44.5% and 64.3%, respectively. These numbers also suggest that early-stage entrepreneurs were relatively less concerned about the economic outlook when compared with established business owners. This, however, is not true for those entrepreneurs who developed new product-market combinations (see Figure 19B).

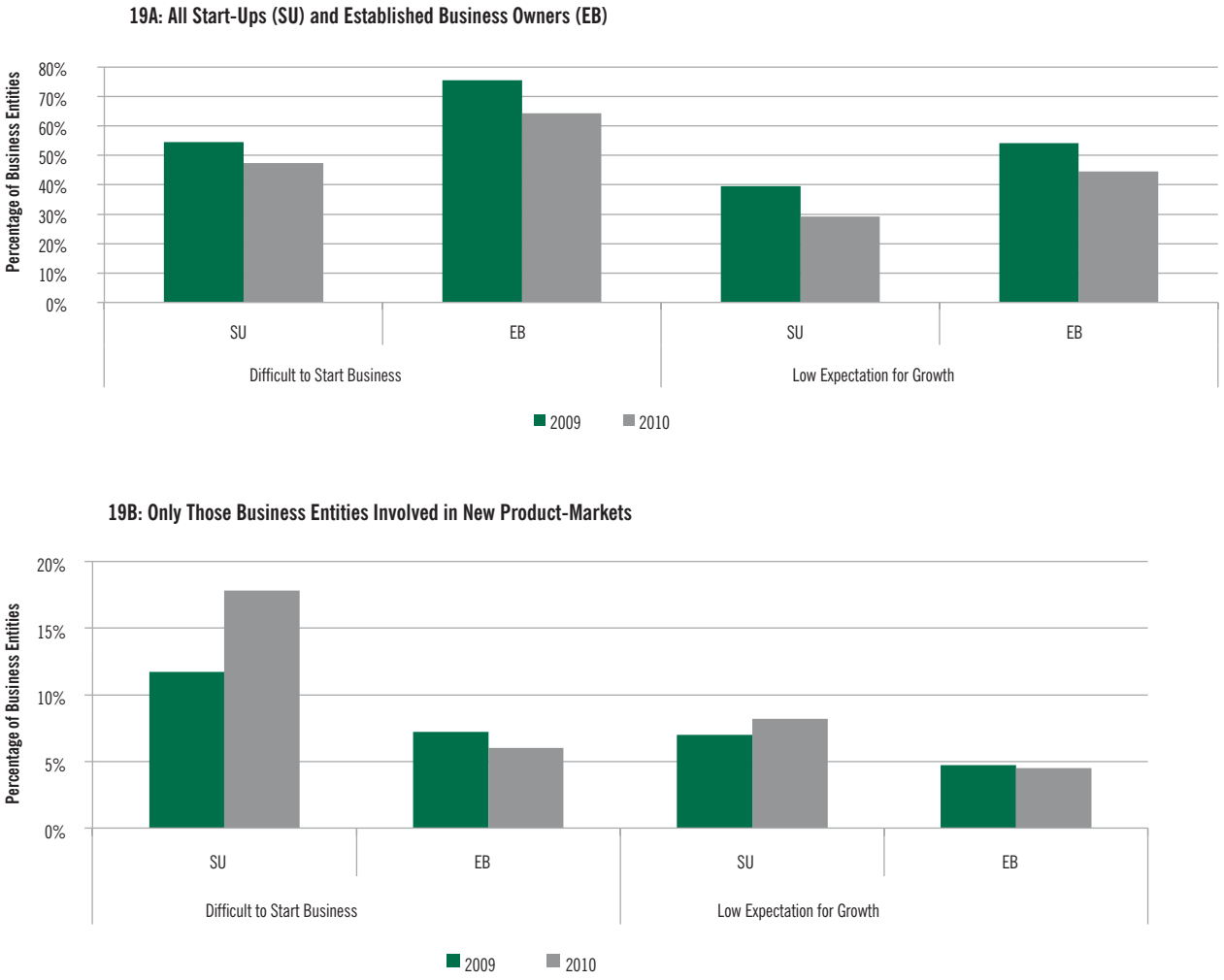
Figure 19B clearly shows that entrepreneurs who developed innovative products were more concerned about economic conditions than established business owners with similar product development strategies were. For example, 17.8% of entrepreneurs with new product-market combinations felt it would be more difficult to start a business in 2010, whereas only 6.0% of established business owners who developed innovative products thought the same. What is more worrisome is that, for those entrepreneurs involved in new product developments, concern for the economic climate seems to have intensified since 2009. This is probably because new-to-the-world products are inherently expensive, risky to develop, and do not easily gain acceptance in the marketplace. It seems that early-stage entrepreneurs with limited resources deemed the current economic climate unfavorable to launching highly innovative products.

Figure 18–Necessity- or Opportunity-Based Entrepreneurial Activity and Innovativeness



Source: GEM U.S. 2009 and 2010 Adult Population Survey (APS)

Figure 19–Impact of Business Entities' Perceptions of Economic Outlook on Innovation in 2009 and 2010

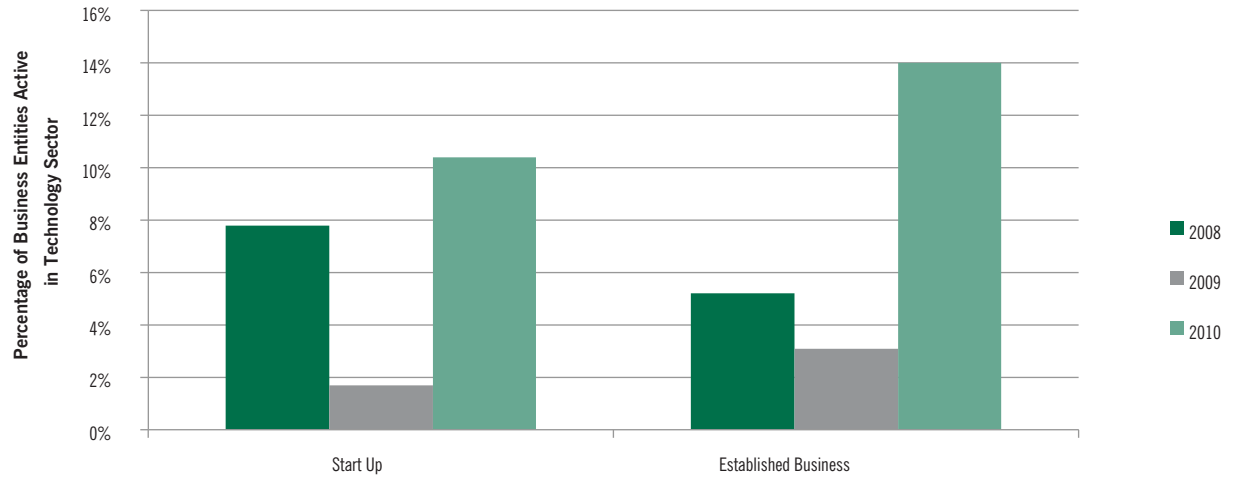


Source: GEM U.S. 2009 and 2010 Adult Population Survey (APS)

ACTIVITY IN TECHNOLOGY SECTOR

Given that the technology sector is one of the most dynamic in the market economy and has a record of developing innovative products at an accelerated pace, it makes sense that both entrepreneurs and established business owners who aspire to develop innovative products will become involved in the technology sector. This sector is also particularly important to the U.S. and its innovation-driven economy. Figure 20 presents the findings from our survey. Just over 10% of early-stage entrepreneurs were active in the technology sector in 2010 compared with only 1.7% in 2009. The corresponding percentages for established business manager-owners were 3.1% (2009) and 14.0% (2010). Clearly, both groups show increased involvement in the technology sector. This is perhaps a result of an improved economic outlook. Entrepreneurs, however, were involved in the technology sector to a lesser degree than established business owners. This is probably because they are more vulnerable to risk and unable to afford the capital necessary to launch technological innovations. In contrast, starting an Internet business seems to have been perceived as a less expensive and lower-risk proposition for entrepreneurs. In 2010, 17.4% of early-stage entrepreneurs (compared with only 4.5% of established business owners) reported starting out as an Internet business. Continued innovation of the Internet (e.g., Web 2.0) seems to have created new opportunities for early-stage entrepreneurs to start businesses outside of the risky technology sector.

Figure 20–Percentage of Business Entities Active in Medium- or High-Technology Sector

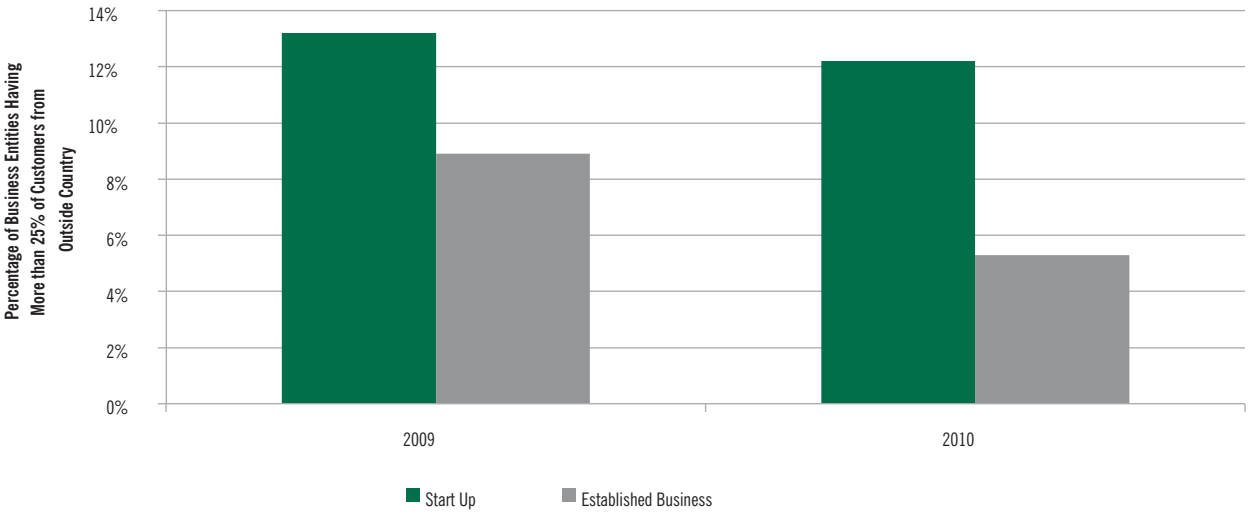


Source: GEM U.S. 2008, 2009 and 2010 Adult Population Survey (APS)

INNOVATIVENESS AND INTERNATIONAL ORIENTATION

Due to increased global competition from emerging markets and the U.S.'s relatively open economy and adverse trade balance, it is imperative that U.S. companies exhibit a high level of international orientation. The GEM measure of international orientation is based on the extent to which companies sell to customers outside their economies. Figure 21 shows the percentage of business entities which reported that more than 25% of their customers were from outside their economies. It is clear that while a smaller percentage of both groups sold outside their economies in 2009 and 2010, entrepreneurs were, in general, more internationally oriented than established business owners. For example, 12.2% of entrepreneurs stated that more than 25% of their customers were from outside their economies in 2010. The corresponding number for established business owners was only 5.3% in the same year. Overall, however, international participations for both groups have declined since 2009. A similar trend was observed in those involved in developing innovative products (the numbers cannot be reported because of the small sample size).

Figure 21–Percentage of Business Entities with International Orientation



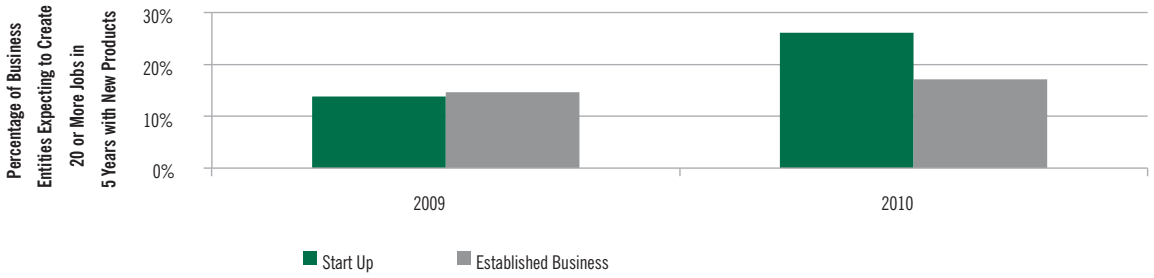
Source: GEM U.S. 2009 and 2010 Adult Population Survey (APS)

INNOVATIVENESS: GROWTH EXPECTATION AND JOB CREATION

Because of the prevailing high unemployment rate during the last two years in the U.S. and the expectation for entrepreneurs to create jobs through innovations, it is interesting to consider the growth expectations of entrepreneurs in terms of job creation. The GEM survey asked respondents how many additional personnel they expected to hire within five years' time. While 14.3% of early-stage entrepreneurs in 2010 expected to create 20 or more jobs in five years, a significantly larger percentage (26.1%) of those entrepreneurs developing new products planned to do the same within the next five years. The same pattern can be seen among established business owners (8.2% and 17.1%, respectively). It seems that businesses developing highly innovative products expected to create more jobs.

Figure 22 displays the growth expectations of entrepreneurs and established business owners who were involved in developing innovative products. Twenty-six percent of early-stage entrepreneurs involved in developing innovative products expected to create 20 or more jobs in 2010, whereas only 17.1% of established business owners with new product-market combinations expected to do the same. Moreover, the optimism of both groups in terms of job creation has increased from the previous year. This increase was particularly significant for entrepreneurs. Such increased optimism suggests that the development of innovative products results in entrepreneurs' increased confidence in the potential of their business ventures.

Figure 22–Job Growth Expectations for Business Entities Involved in New Product-Markets



Source: GEM U.S. 2009 and 2010 Adult Population Survey (APS)

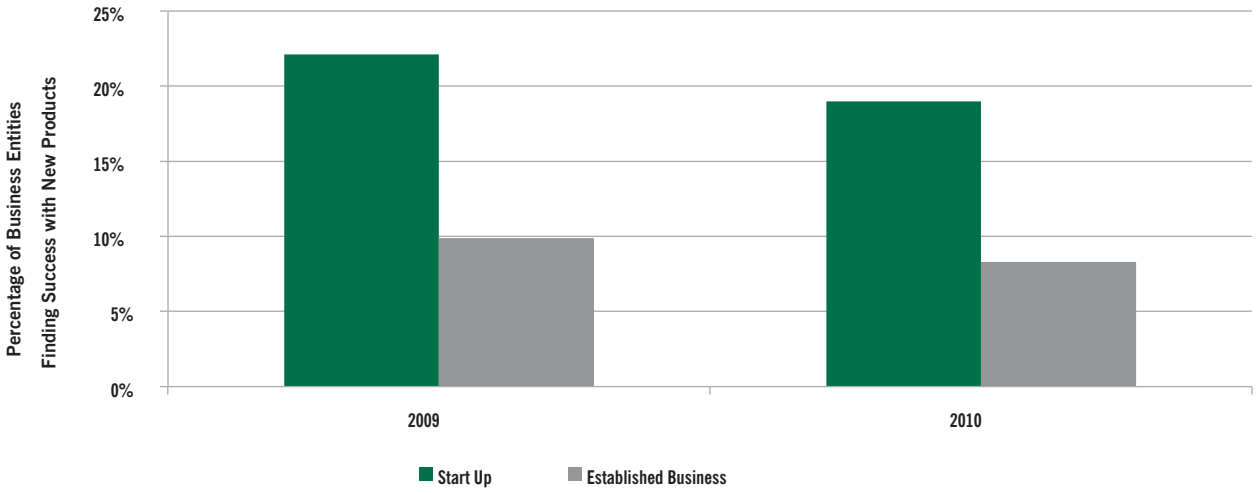
FINDING BUSINESS SUCCESS

In order to determine whether new product development activities were successful in 2010, the GEM survey for the U.S. specifically asked business entities if they would define their business as a "success."

In general, both business entities were less confident in deeming their business a success in 2010 than they were in 2009. While 58.6% of entrepreneurs described their businesses as successful in 2010, 69.2% viewed their businesses as successes in 2009. The numbers for established business owners were similar to those for the entrepreneurs–84.6% (2010) and 91.4% (2009). These numbers suggest that early-stage entrepreneurs were less willing than established business owners to define their businesses as successful (58.6% for entrepreneurs vs. 84.6% for established business owners). This, however, is not true for those entrepreneurs who developed new product-market combinations (see Figure 23).

Figure 23 displays the percentages of entrepreneurs and established business owners who were engaged in innovative product developments and who defined their business as a success. While 19.0% of entrepreneurs who developed new products deemed their business a success in 2010, a significantly lower number (8.3%) of established business owners developing new products had the same response. It seems that entrepreneurs who developed new products were more confident in their businesses than those who did not develop innovative products. The hesitance of established business owners may be attributed to their concern about cannibalizing existing products (which is not an issue for an entrepreneur starting a business). Alternatively, the metrics for success may be defined differently by established business owners.

Figure 23–Business Success for Entities Involved in New Product-Markets



Source: GEM U.S. 2009 and 2010 Adult Population Survey (APS)

In summary, the GEM 2010 data suggest that early-stage entrepreneurs reported less involvement in the technology sector when compared with established business owners. On the other hand, a larger number of early-stage entrepreneurs were committed to developing more innovative products, starting an Internet business, and serving an international customer base. Finally, those who developed new products tended to feel more optimistic about creating 20 or more jobs in five years and confident in reporting their business a success.

4 The Social Dimension of Entrepreneurship

John Whitman

The 2009 GEM Adult Population Survey included a special question specifically intended to identify those entrepreneurs who could be classified as social entrepreneurs without asking respondents to explicitly self-identify as such. This question was:

Are you, alone or with others, currently trying to start or currently owning and managing any kind of activity, organization or initiative that has a particularly social, environmental or community objective? This might include providing services or training to socially deprived or disabled persons, using profits for socially oriented purposes, organizing self-help groups for community action, etc.

Despite the very broad scope of the question, only 7% (n = 330) of 4,920 respondents answered affirmatively. It would have been interesting to compare responses in 2010; however, the question was not repeated in the 2010 APS survey. We may nevertheless continue to measure the relative importance of social (and environmental) value vs. economic value among entrepreneurs by examining responses to a different set of questions, and thus report findings that may interest those concerned with social entrepreneurship.

Before turning to these questions, it is important to take stock of the very recent interest in social entrepreneurship as a focus of the GEM study itself (introduced as a special section of the GEM 2009 APS). This novelty has in turn created at least two unanticipated limitations in data analysis, revealed in hindsight. These limitations should be understood in order to place the following analysis in proper perspective. The first limitation concerns the absence of 2009 data on ventures that were funded solely by the founder (although ventures with more than one investor are documented). The second limitation applies to uncertainty that APS data were adequately captured on nonprofit organizations in which no individual (or other private entity) can own assets. These limitations will be addressed in the analyses below.

Comparison of Business Goals

The first question intended to measure the social dimension of entrepreneurial ventures asked respondents to indicate the goals of their business:

Which of the following best describes the goals of your business?

For profit – primarily achieving economic goals

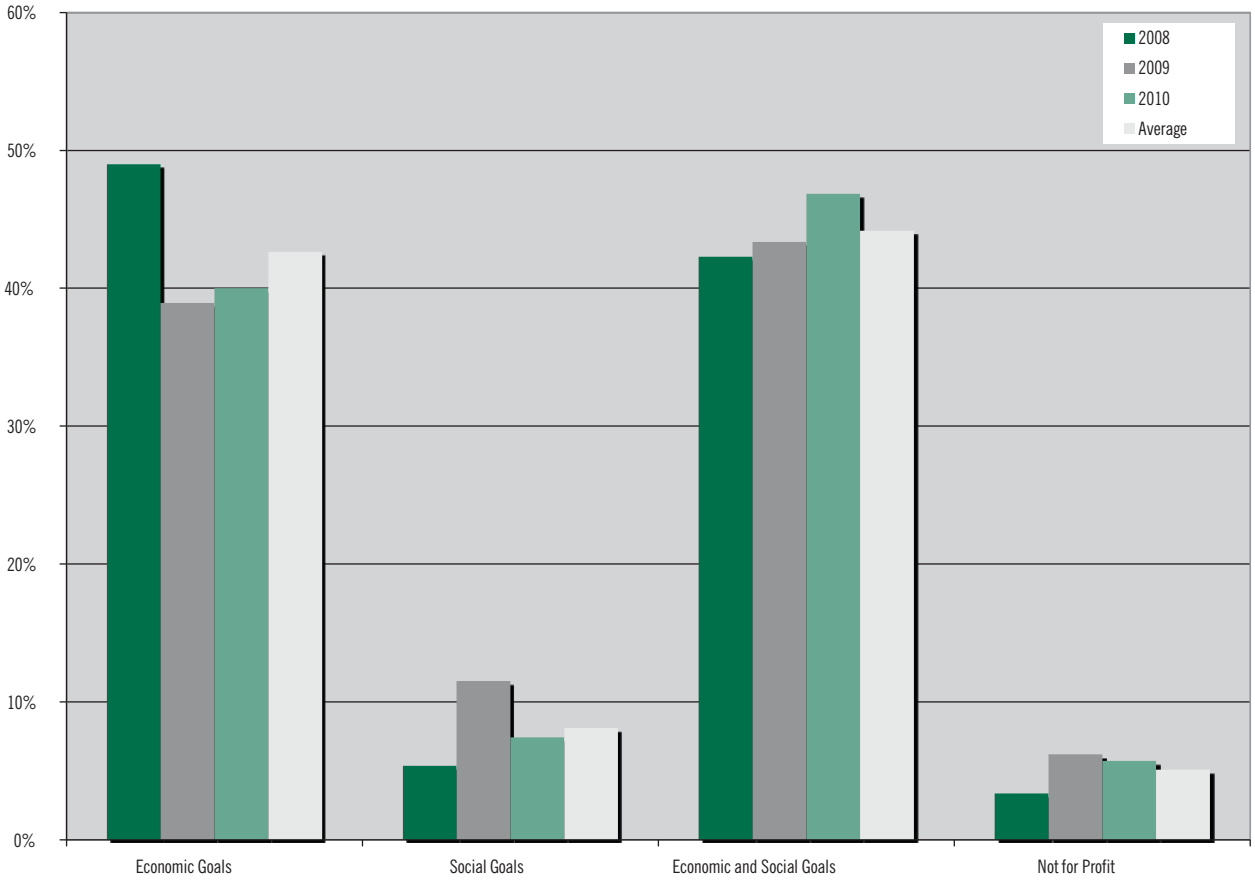
For profit – primarily achieving social goals

For profit – equally emphasizing social and economic goals

Not for profit – serving a social mission

In reference to the first limitation noted above, this question was skipped in the 2008 and 2009 APS surveys by entrepreneurs who self-funded their ventures without outside participation. This means that only entrepreneurs who engaged others in funding their ventures responded to this question. In the 2010 survey, all entrepreneurs, regardless of their sources of funding, answered the question. Thus, the comparison below must be understood in light of these differences.

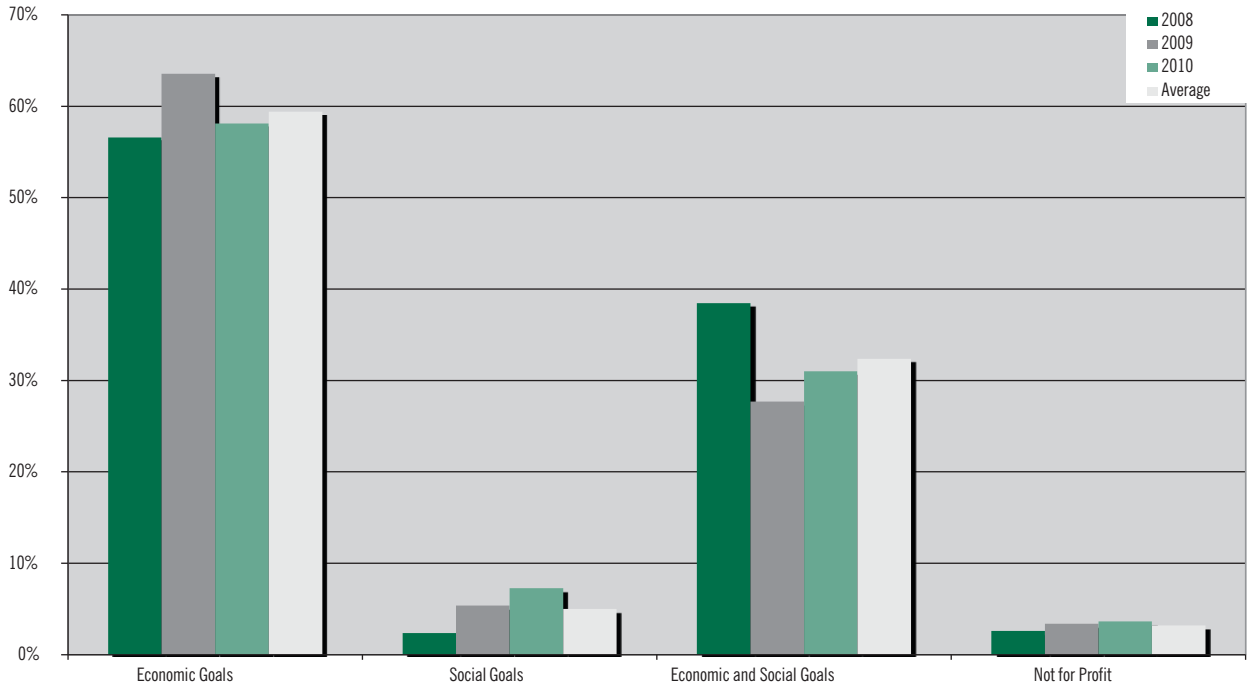
Figure 24–Start-Ups: Entrepreneurship Goals Among Start-Ups



In general, we see that start-ups with purely social goals and a not-for-profit goal were dwarfed by ventures with purely economic goals or economic and social goals. In 2010, 40% of the 175 respondents indicated they were for profit, primarily achieving economic goals. However, the nearly 7% greater emphasis on both economic and social goals over purely economic goals suggests an effort to achieve social goals while remaining underpinned by the realistic commitment to an economic model. Only 7.43% of respondents (n = 13) identified as for-profit start-ups primarily achieving social goals.

In reference to the second limitation noted above, the 5.71% (n = 10) of start-ups indicating a not-for-profit goal serving a social mission is questionable because, strictly speaking, nonprofit organizations (prohibited from private ownership of assets) should have skipped this question according to the questionnaire logic. Specifically, a prior question asked: "Will you personally own all, part, or none of this business?" The correct response for nonprofits would have been "None," and they would not have advanced to the relevant question about business goals. This limitation also applies to ongoing ventures, treated next.

Figure 25–Ongoing Ventures: Entrepreneurship Goals Among Owner-Managers



Just over twice the number of start-ups reported to be managing ongoing ventures (n = 358). Among these, 31% (n = 111) in 2010 indicated a for-profit purpose equally emphasizing social and economic goals. As a percentage, this was well below their start-up counterparts, suggesting that a balance of social and economic goals has proven difficult during a period of significant economic recession, as compared with ventures with solely economic goals. This may support the proposition that sustaining social goals in times of economic downturn is challenging and may result in compromising social goals in order to ensure economic survival. Nevertheless, for-profit firms that primarily achieve social goals appeared to hold their own at 7.26% (n = 26) compared with 7.43% (n = 13) among start-ups. Still, the average of all ongoing for-profit firms with a social purpose (5%) fell well below that of start-up for-profits with a social purpose (8%).

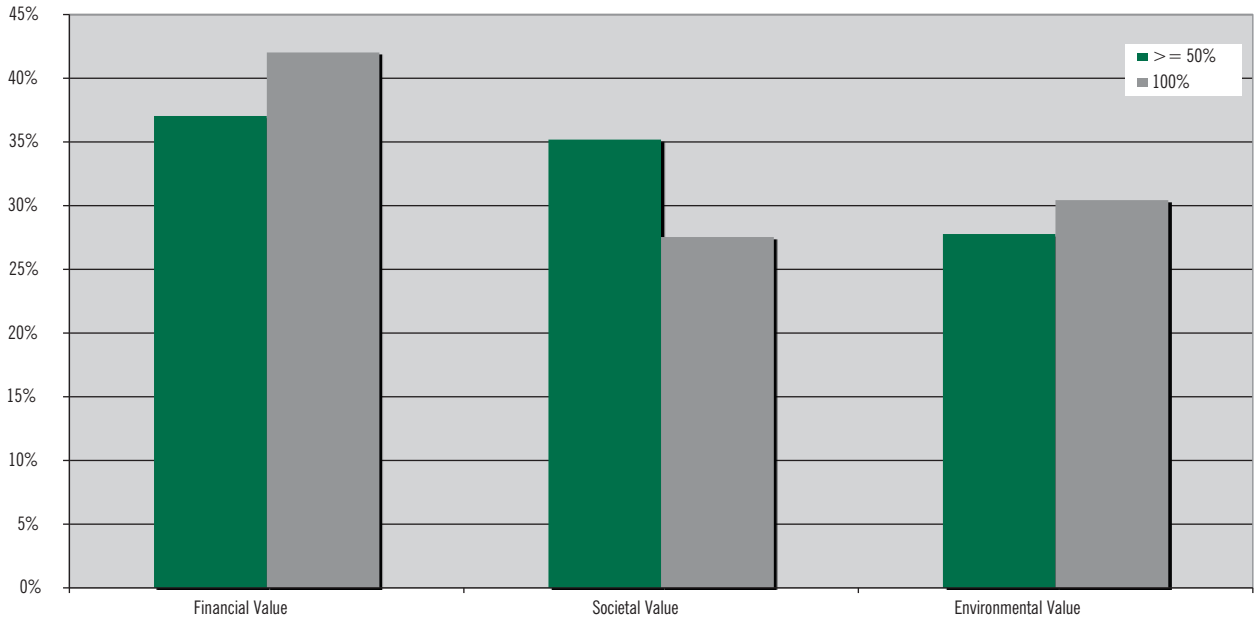
Comparison of Values

The second question relevant to social entrepreneurship asked respondents to score the relative importance of financial, societal and environmental value in their ventures. In the 2009 survey, these questions required respondents to allocate 100 points among the alternatives. In the 2010 survey, the question applied a 10-point scale:

> Organizations may have goals according to the ability to generate economic value, societal value, and environmental value.
>
> On a scale of 1 to 10, where 10 is the strongest, how strong is your business focus on financial value as opposed to societal value or environmental value?
>
> On a scale of 1 to 10, where 10 is the strongest, how strong is your business focus on societal value as opposed to financial value or environmental value?
>
> On a scale of 1 to 10, where 10 is the strongest, how strong is your business focus on environmental value as opposed to societal value or financial value?

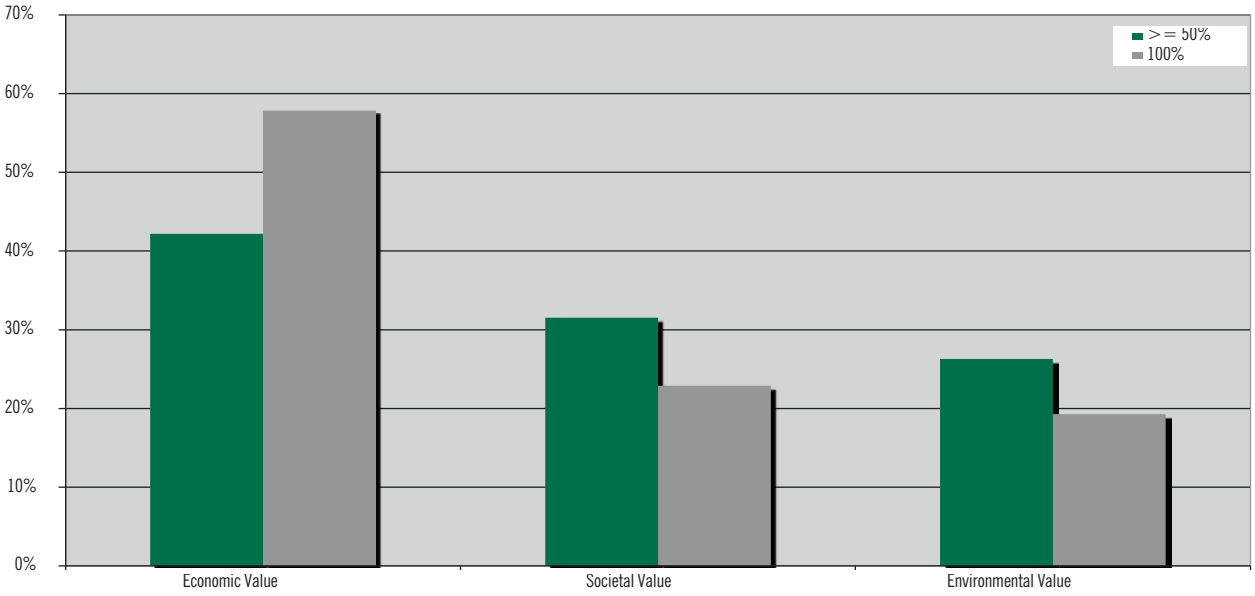
In both cases, the analysis was based on comparing scores greater than or equal to 50% (a score of 50 or higher on a 100-point scale and 5 or higher on a 10-point scale) and the percentage of those who indicated the highest possible score (100 or 10, respectively).

Figure 26–Value Distribution by Percentage Among Start-ups



The 2010 APS data show that among start-ups that reported 100% commitment to only one value, 42% were dedicated to creating financial value, 28% to societal value, and 30% to environmental value. Firms that were at least half committed to these values show less disparity between financial (37%) and societal (35%) value, while the fewest were committed to environmental value (28%).

Figure 27–Value Distribution by Percentage Among Owner-Managers



The picture of ongoing ventures reveals that firms surviving the start-up period were overwhelmingly committed to economic value (58% among those fully dedicated to economic value). The percentage of respondents fully committed to societal (23%) and environmental (19%) values was far below that of their start-up counterparts.

THE DEMOGRAPHICS OF SOCIAL ENTREPRENEURSHIP

The demographics of the survey respondents reporting start-up and ongoing ventures that have social goals will be examined in order by sex, age and ethnicity. Since the demographic questions were asked of all respondents, we cannot assume that the data always describe the founder or principal owner of these ventures (59.5% and 24.5% of all respondents, respectively, indicated that they own all or part of the business, while 16% reported that they own none of the business).

Males consistently outnumbered females as respondents to the survey, but the absolute numbers in any one category were not great. For example, because only 12 respondents indicated a preference for social goals, five females and seven males, the 17% difference must be interpreted in light of these small numbers.

Figure 28–Start-ups: Entrepreneurship Goals by Sex

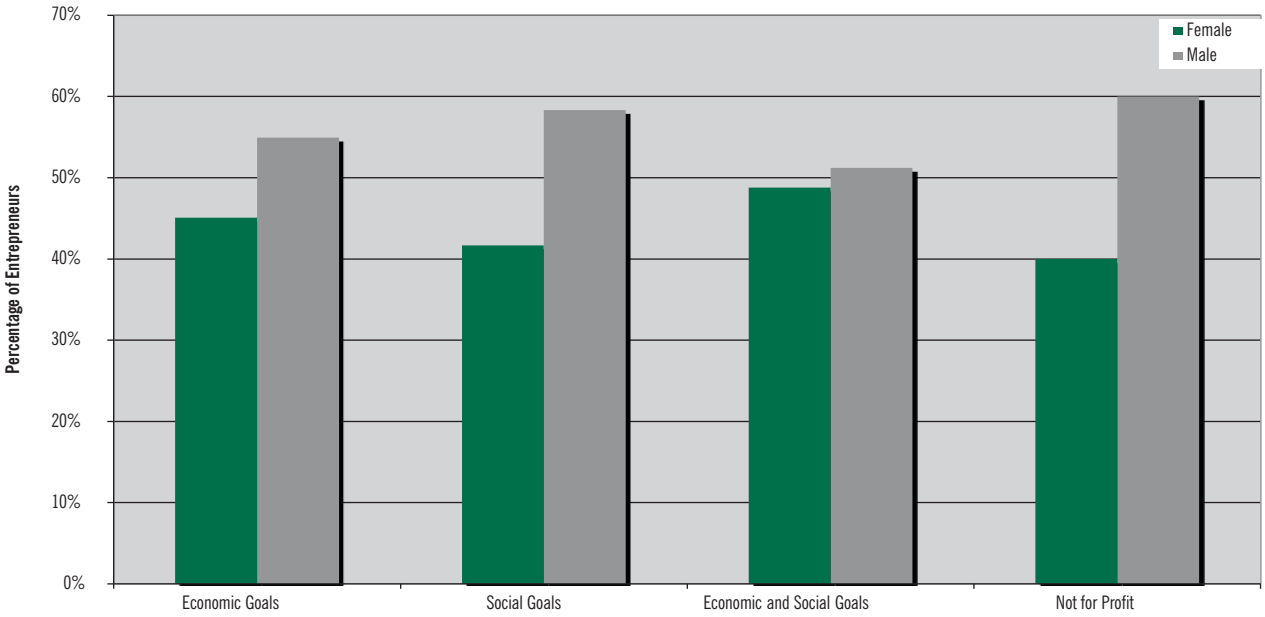
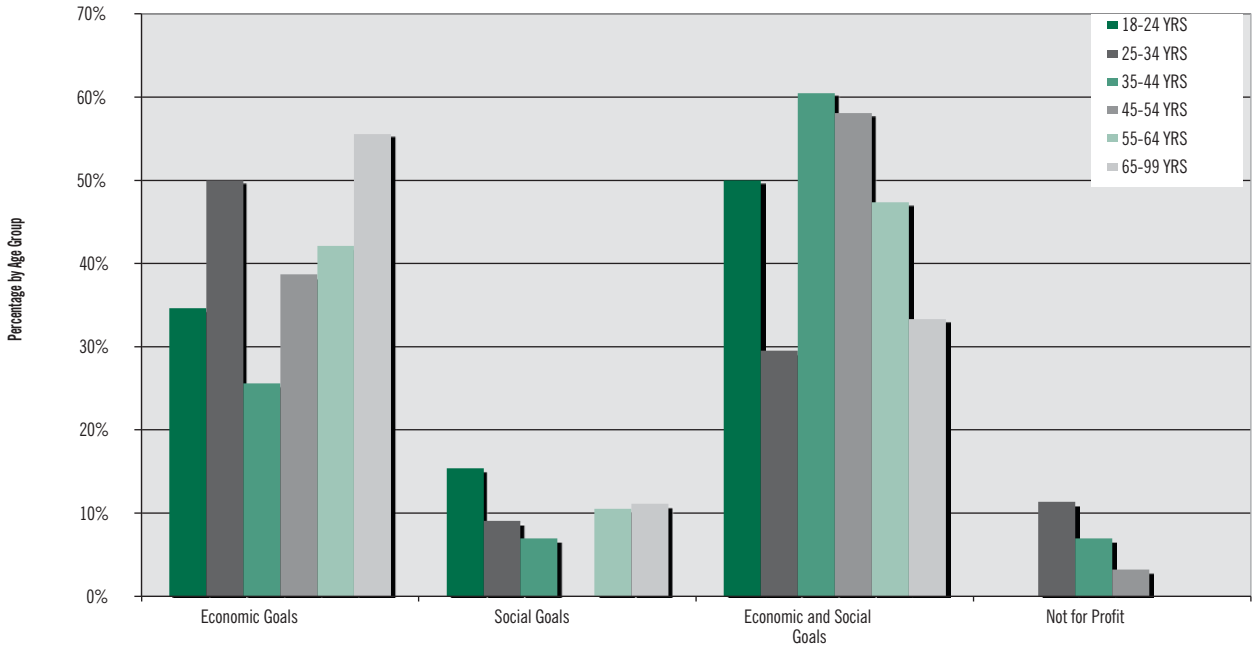


Figure 29–Start-ups: Entrepreneurship Goals by Age Group



Among start-ups, 25- to 34-year-olds and 65- to 99-year-olds reported, within their respective age groups, concentrating on economic goals. Among 35- to 44-year-olds there was much more interest in achieving both economic and social goals than any other goals. Among ethnic groups, whites dominated economic and social goal categories.

Figure 30–Start-ups: Entrepreneurship Goals by Ethnicity

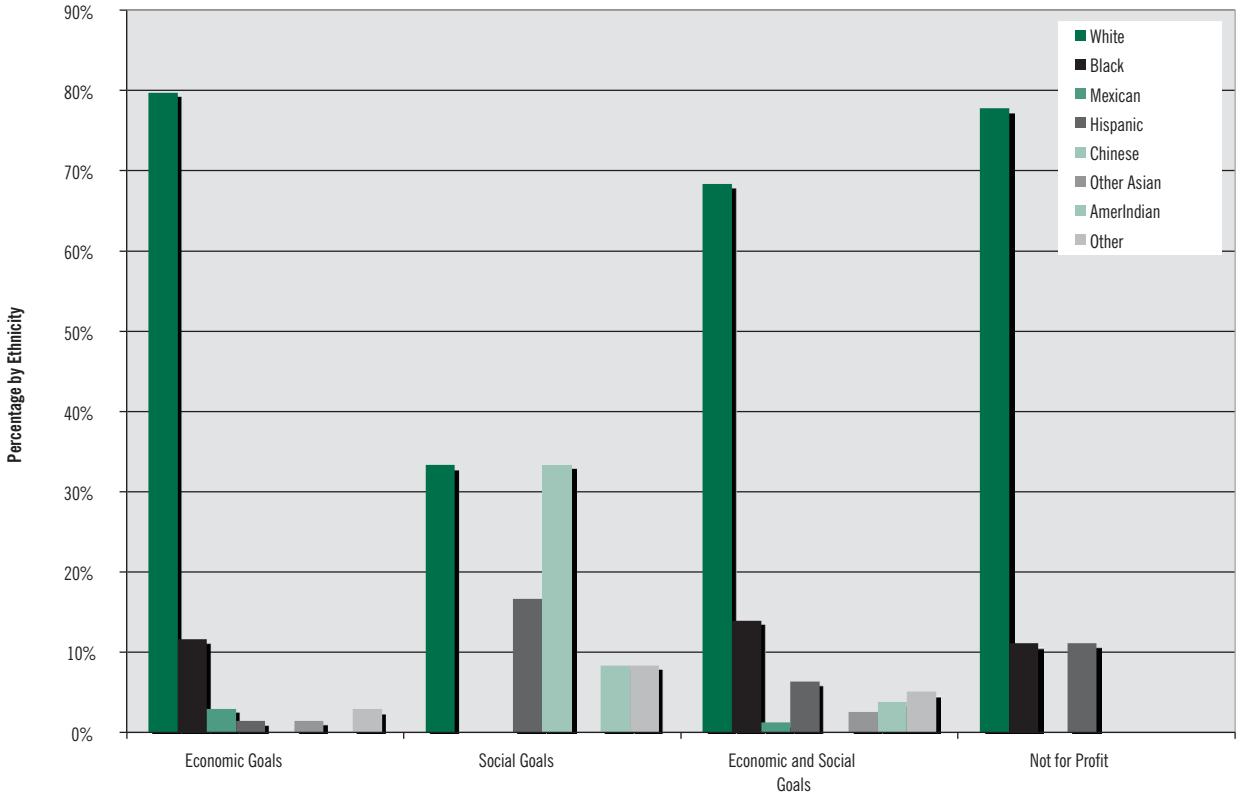
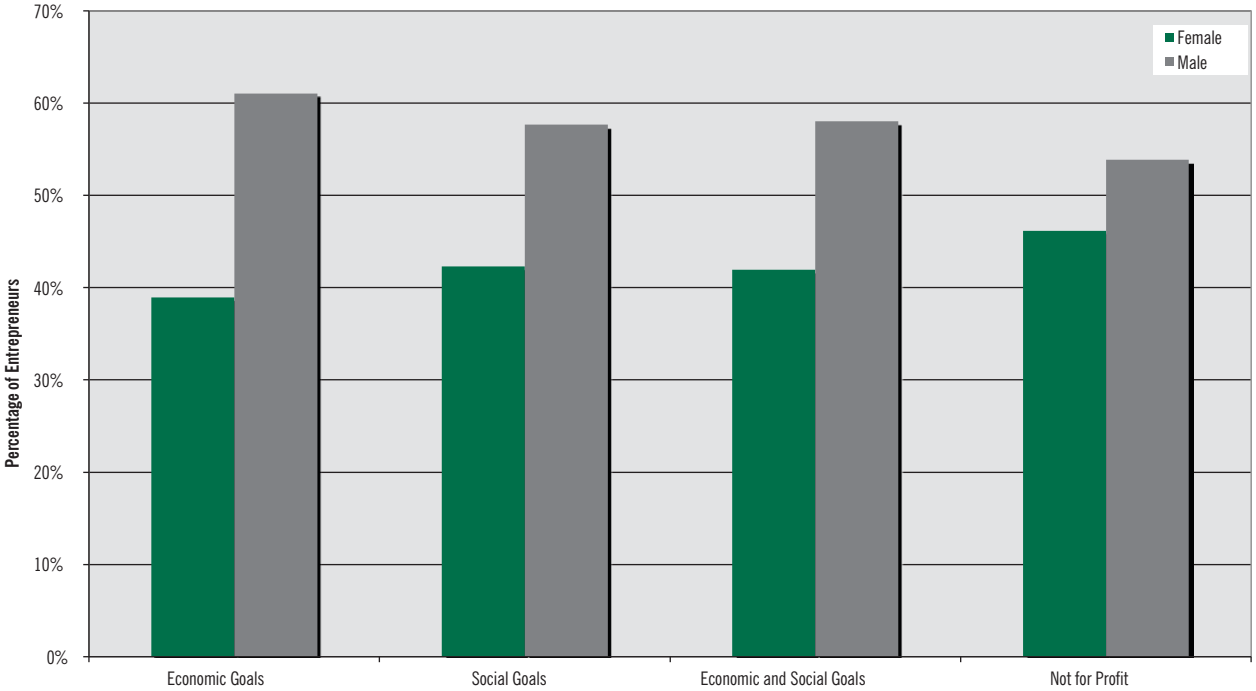
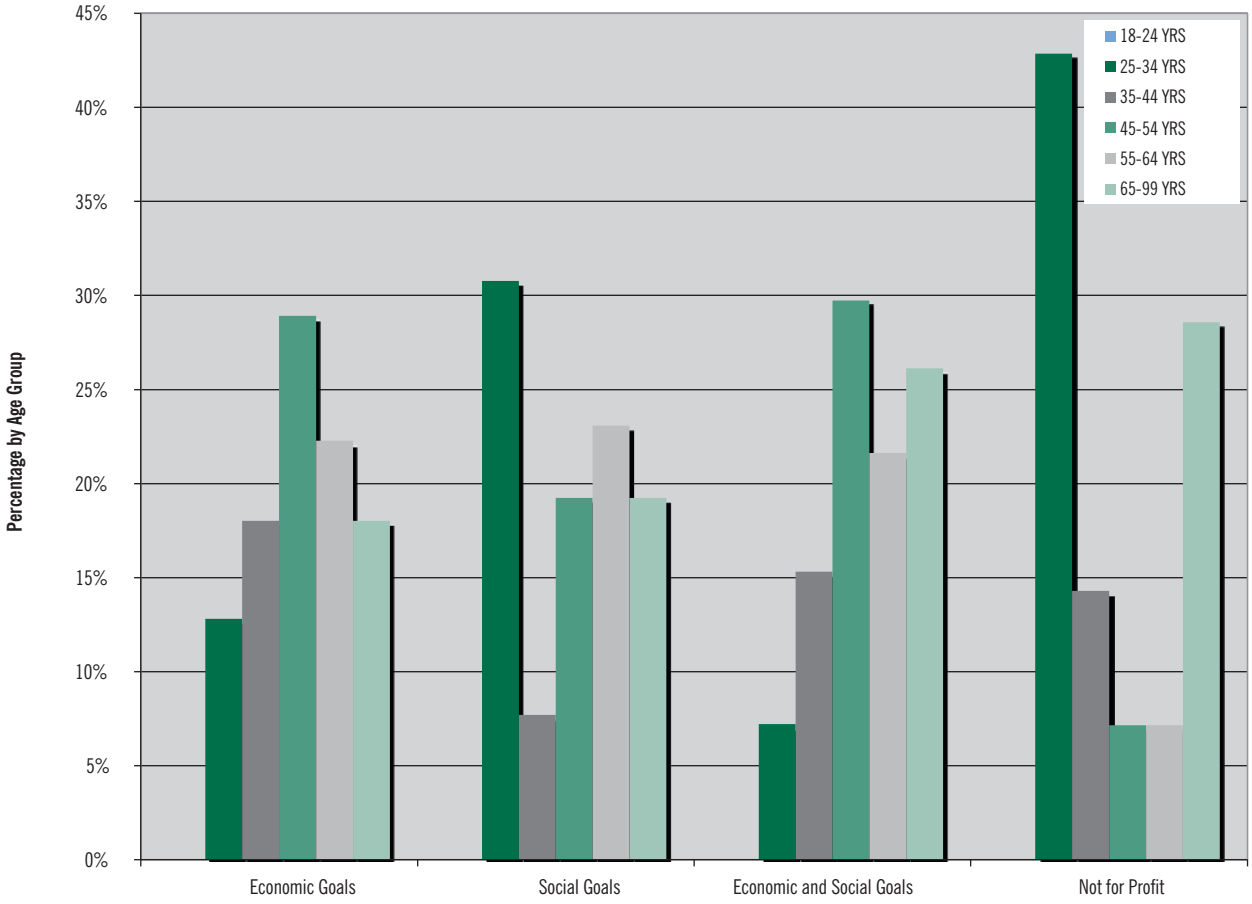


Figure 31–Ongoing Ventures: Entrepreneurship Goals by Sex



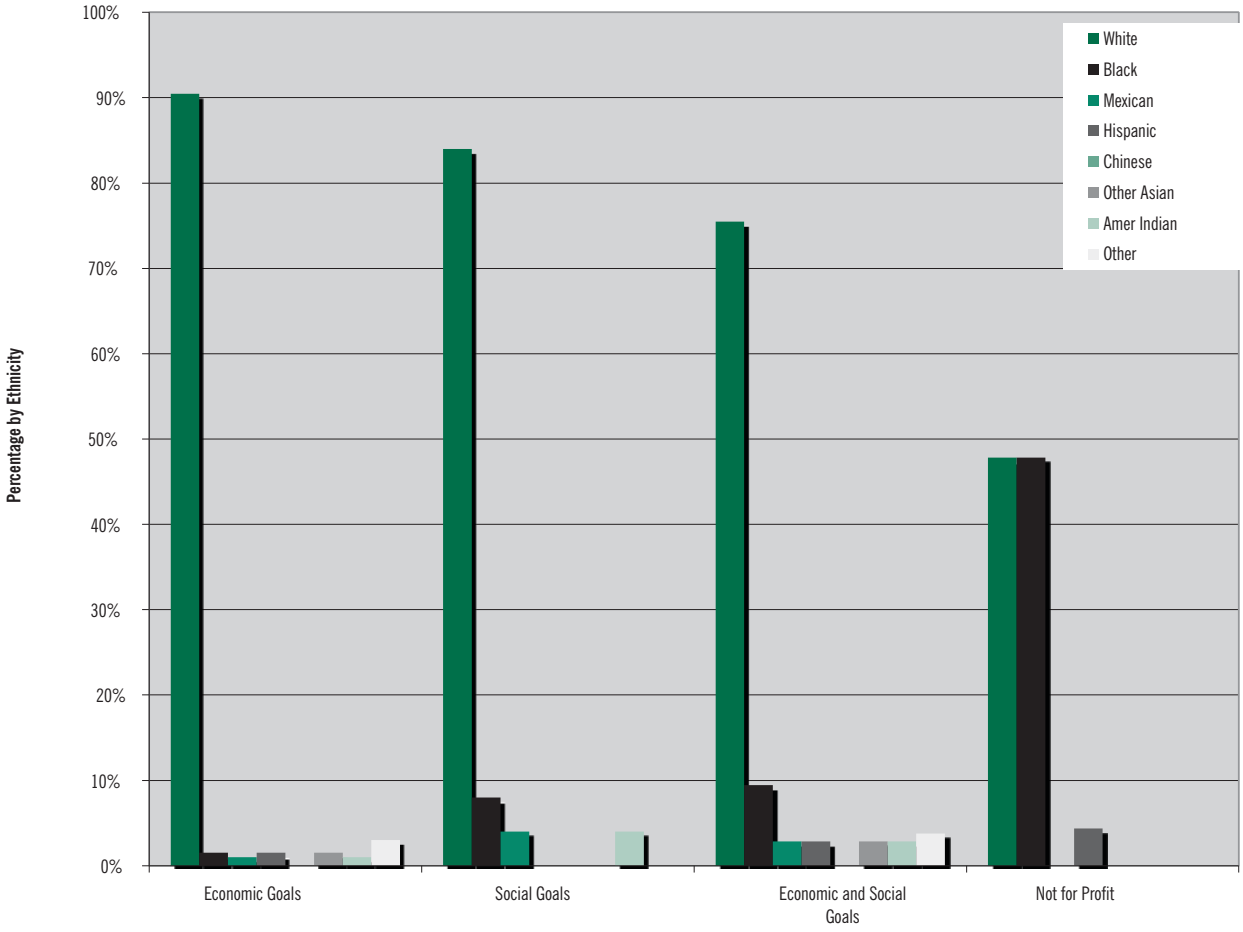
The data for ongoing ventures were consistent with data for start-ups; however, the number of respondents was much greater (359 vs. 175 for start-ups), and the higher number of respondents in the economic (208) and economic and social goals (112) categories may indicate more reliable percentages. In these categories, males outnumbered females by 22% and 16%, respectively.

Figure 32–Ongoing Ventures: Entrepreneurship Goals by Age Group



The 18- to 24-year-old group was not represented among ongoing ventures. The 25 to 34-year-old group predominated among ongoing ventures with social goals, while all other age groups dominated in ventures with economic goals and economic and social goals.

Figure 33–Ongoing Ventures: Entrepreneurship Goals by Ethnicity



As with start-ups, whites were overwhelmingly dominant in all goal categories with the exception of not for profit; however, as indicated above, this category is suspect because of the logic pattern of the questionnaire and is best ignored.

Demographic Summary

In summary, the data indicate that white males are more likely to own both start-up and ongoing ventures with purely social goals or economic and social goals, although females nearly equaled males in start-ups with both economic and social goals.

CONCLUSION

In this chapter, we have reviewed the key variables pertaining to social entrepreneurship as treated in the Adult Population Survey. Due to the inferred nature of social entrepreneurship, the results in this section may more accurately be designated as concerning the broader social and environmental dimension of entrepreneurship, rather than using the term "social entrepreneurship," which is inchoate and contested.

In reference to these social and environmental dimensions, year-over-year comparisons show a sustained preference among ongoing ventures for economic over social goals, but also an emerging preference in start-up ventures that achieve both economic and social goals. Time will tell whether this start-up preference will be sustained among owners and managers of ongoing firms that survive a start-up phase that began during a significant recession. Moreover, using a single marker variable for all respondents, such as the question that opens this chapter, may serve to provide consistent year-to-year comparisons.

5 Is There an Economic Recovery for Entrepreneurs? Recent U.S. Entrepreneurship Trends by Age, Gender, Ethnicity, and Region

Thomas S. Lyons, Edward G. Rogoff, Ivory Phinisee, Al Suhu, Monica Dean

There is evidence and opinion that the Great Recession of 2008-2009 has come to an end and that the economy is entering a period of growth. A survey conducted by the *Wall Street Journal* in January 2011 found that leading economists believed the economy to be in a period of transition, shifting away from its reliance on government stimulus spending. While the sample of economists saw unemployment as a continuing problem, they also predicted relatively strong job creation (180,000 jobs per month range) and 2011 GNP growth at 3.2% (*Barrons*, January 13, 2011). Fourth-quarter 2010 GDP statistics confirm their predictions (*Wall Street Journal*, March 25, 2011). Because entrepreneurship produces new and high-growth ventures, which, in turn, create new jobs, it is important to question whether entrepreneurial ventures are also emerging from the Great Recession.

One might expect a comparison of U.S. GEM 2009 data to 2010 data to provide evidence of the health of businesses that were in existence before the recession, as well as to measure new entrepreneurial activity during this recent period of recession. Table 11 shows the characteristics of the 2009 and 2010 GEM U.S. samples and demonstrates their close comparability in terms of gender, ethnicity, immigration status, education, and geographic region. The 2010 sample was somewhat older in age, averaging 49.0 years, compared with 46.1 years in 2009. The age distribution of the early-stage entrepreneurs shows that the subgroups between 25 and 64 were very closely matched. However, the 2009 sample had a somewhat larger number of 18- to 24-year-olds and a somewhat smaller proportion of those in the 65+ category than the 2010 sample. These differences at the younger and older ends of the scale account for the difference in the mean of the two samples. Although the samples are somewhat different in age distribution, the following analysis weights the samples to match the U.S. age distribution.

Table 12 shows prevalence rates of entrepreneurship by year. These numbers are based upon various characteristics and reveal that the rate of early-stage entrepreneurs with businesses less than 42 months old declined from 6.9% to 6.1% over the last year, while the prevalence rate of established entrepreneurs with businesses more than 42 months old increased from 5.7% to 7.3%. This indicates that there were fewer entrepreneurial ventures overall and, perhaps, higher failure rates among start-ups. It appears, though, that survival rates for established businesses improved. Table 12 also shows that opportunity-driven entrepreneurship dropped from 4.8% in 2009 to 4.2% in 2010. Conversely, necessity entrepreneurship increased slightly from 1.6% to 1.7%. Taking gender into consideration, early-stage entrepreneurship among men dropped from 8.8% in 2009 to 6.7%, while the prevalence rates among women increased from 5.0% to 5.6%. A common trend was reflected throughout the data–established business ownership rates among both men and women rose from 2009. Among men, the rate of ownership climbed from 6.9% to 9.2% in 2010, and for women, from 4.6% to 5.7%. As the GEM global data illustrate, weaker and less wealthy economies typically exhibited higher proportions of necessity-driven entrepreneurship relative to opportunity-driven entrepreneurship. This can be interpreted as the result of fewer traditional employment opportunities.

Table 13 measures entrepreneurial activity over four geographical regions within the U.S. During the deepest year of the Great Recession (2009), the region most severely affected relative to entrepreneurship was the Midwest. In 2010, the Midwest experienced a significant rebound in entrepreneurial activity, as prevalence rates rose from 13.0% to 15.2% overall. Early-stage entrepreneurial activity in the Midwest increased slightly from 4.8% to 5.3%, and established businesses (older than 42 months) increased from 5.1% to 7.0%. As mentioned above, this increase is consistent with data that show a bolstered livelihood of previously existing businesses and a decline in the number of successful start-ups.

The Northeast exhibited an overall increase in entrepreneurial activity, rising from 13.3% to 16.1%. The South's prevalence rates declined slightly from 17.4% in 2009 to 16.7% in 2010, and the West experienced an increase in overall entrepreneurial activity from 18.4% to 19.7%. In general, the nationwide decline in opportunity-driven entrepreneurship and increase in necessity-driven entrepreneurship typifies the Northeast, Southern, and Western regions of the U.S. as well. The only exception to this commonality occurred in the Midwest, which increased from 2.7% to 3.3% in opportunity-driven businesses and remained relatively unchanged in terms of necessity-driven, early-stage entrepreneurial activity.

Table 14 shows a revealing trend in the age profile of entrepreneurs in 2010. This table presents three age groups–18- to 24-year-olds, 25- to 54-year-olds, and the 55+ age group. The table shows that, overall, entrepreneurship among the youngest group declined significantly. Conversely, activity has grown among the middle age group, as well as the 55+ demographic. Specifically, in the 18-24 group, 2010 witnessed a significant drop in opportunity-driven entrepreneurship (from 5.6% to 3.5%), while necessity-driven entrepreneurship stayed almost the same (dropping from 1.2% to 1.1%). This, in all likelihood, reflects a lack of resources needed to launch what are typically larger opportunity-driven ventures. Unemployment disproportionately affected younger groups and severely reduced their ability to

self-fund more sizeable ventures. The younger age group's involvement in existing ventures, both less than 42 months old and more than 42 months old, also underwent major declines: 3.3% to 1.5% for less than 42-month-old ventures, and 1.1.% to 0.4% for more than 42-month-old ventures.

For the 25- to 54-year-old age group, the rate of overall entrepreneurial activity increased slightly from 18.9% in 2009 to 21.0% in 2010. This can largely be accounted for by an increase in the rate of necessity-driven entrepreneurship, which increased from 2.1% to 2.6%, and an increase from 6.4% to 8.1% in those managing ventures older than 42 months. The shutdown rate of ventures also increased in 2010 to 4.1% from 3.7% in 2009.

The 55+ age group saw an increase of almost two percentage points in overall entrepreneurial activity from 2009 to 2010, which, given the lower overall rate of entrepreneurial activity among this demographic compared with the younger groups, represents the largest relative increase in entrepreneurial activity of any group over the last year.

Table 15 looks at the changes over the last year by comparing Caucasians to other racial and ethnic groups. Overall, it shows that Caucasians experienced relative stability, with the overall rate of entrepreneurial activity staying approximately the same at 16.7% in 2010, compared with 16.4% in 2009. But, consistent with the overall U.S. numbers, the rate of opportunity-driven entrepreneurship among Caucasians declined from 4.5% to 3.9%, while involvement with a business more than 42 months old increased from 6.4% to 7.9%. Non-Caucasians, on the other hand, saw an increase in overall activity (from 12.8% to 18.1%) with a similar (to Caucasians) drop in opportunity-driven entrepreneurship (5.9% to 5.1%), an increase in necessity-driven entrepreneurship (from 1.6% to 2.5%), and a large increase in involvement with older businesses (2.1% in 2009 to 5.4% in 2010). This reflects the general entrepreneurial focus of many ethnic groups but shows that – certainly in the last year – the motivation for this entrepreneurial activity is increasingly necessity-based.

Table 16 shows the breakout of the overall activity and various types of entrepreneurial activity by gender. While overall entrepreneurial activity among males was flat (19.6% in 2009 and 19.5% in 2010), entrepreneurial activity among females increased by more than two percentage points from 12.3% to 14.7%. Both opportunity and necessity entrepreneurship dropped among males between 2009 and 2010 – 5.9% to 4.7% and 2.3% to 2.0%, respectively. Female opportunity entrepreneurship remained unchanged, while necessity entrepreneurship among women increased from 0.9% to 1.5%.

Table 17 looks at attitudes of business owners broken out by size of the businesses as measured by the number of employees the business has. Based on the findings reported in this table, it does not seem that the country has, in fact, pulled out of recession. These attitudes are especially pronounced for owners of early-stage ventures. Owners of businesses less than 42 months old with five or fewer employees in 2010 were half as likely as 2009 respondents to answer that they expected to start a new venture in the next three years. With a drop from 63.0% in 2009 to 58.0% in 2010, they were less likely to see starting a venture as a good career choice. By a similar margin, they were also more likely to view starting a new business as difficult. While established business owners with ventures more than 42 months old were generally more sanguine about entrepreneurship, they also saw things as being more difficult than in 2009 by a similar margin. Their expectations for starting a new business over the next three years were relatively unchanged, declining slightly from 11.2% in 2009 to 10.8% in 2010. These results are, to a somewhat lesser degree, mirrored by owners of larger ventures.

The U.S. may be pulling out of the Great Recession, but entrepreneurship is still feeling the effects of the downturn. At the time of the survey, the creation of new ventures was down. Opportunity-driven entrepreneurship was down. Rates of entrepreneurship among the younger population were down. Non-Caucasians increased their entrepreneurial activity, but the trend toward necessity-driven entrepreneurship was also most pronounced among them. Established business owners who were effectively past the start-up phase before the recession began were surviving relatively well and made up a larger part of the population of entrepreneurs. Given the declining share of new ventures and younger entrepreneurs, the near-term prospects for entrepreneurship in the U.S. remain weak.

These findings raise some interesting challenges for policy relating to entrepreneurship. First, the fact that new, opportunity-driven ventures declined is disturbing because it is these businesses that stand the best chance of pulling the nation completely out of recession. As has been widely seen, technology investment has been a successful focus in a few regions of the country (e.g. New York City, Silicon Valley, Boston's Golden Horseshoe and North Carolina's Research Triangle). It would appear that more needs to be done to encourage this kind of entrepreneurial activity throughout the U.S. In particular, the freeing of financial capital and the investment of this capital in technology commercialization through innovation could be effective if these activities are more widespread than they have been in the past.

Second, the decline of entrepreneurial activity among young people should be of great concern. While studies have shown that the average age of U.S. entrepreneurs falls in the middle-aged category (25- to 54-year-olds), young entrepreneurs represent the early stage of the nation's pipeline of entrepreneurial activity. If their level of activity continues to decline, the entire pipeline is compromised. Efforts to provide these young entrepreneurs with support – financial and technical – are essential. Youth entrepreneurship programs that show young people that entrepreneurship is a career option and provide them with knowledge about how entrepreneurship works are valuable. Most importantly, young people need to understand that they are not alone in pursuing a career in entrepreneurship, that there are networks (or "communities of support") available to them, and that successful entrepreneurs rarely work alone.

The fact that necessity-driven entrepreneurship stubbornly persists and probably accounts for any recent increases in entrepreneurial activity, particularly among Non-Caucasian entrepreneurs, should give us pause. While it is still too early to be absolutely sure, there are emerging reasons to believe that this phenomenon may reflect more than merely the vicissitudes of economic cycles. Current necessity entrepreneurs are less likely to be under-educated, semi-skilled or unskilled, unemployed workers and more likely to be very educated and highly skilled. As an example, there are numerous former financial industry employees in New York City that find themselves without jobs and uncertain of their future. They, and people like them in other industries, have been displaced by global economic restructuring. Many of them will probably never be employed again in their former industry at their previous level. This should cause us to reconsider conventional wisdom that necessity entrepreneurship is a sort of holding category for people who are not serious about being entrepreneurs and are only waiting until they can again be employed by someone else[ix]. While some of them will continue to fit this description, many more must consider a complete career change – why not entrepreneurship? This suggests that we should be actively seeking ways to assist these individuals to move from necessity entrepreneurship to opportunity entrepreneurship by helping to develop their entrepreneurial skills and to "think bigger" about their businesses. There are already emerging models for doing this through longer-term, coaching-oriented relationships with necessity entrepreneurs, including Project GATE—a program supported by the North Carolina Rural Economic Development Center, a new initiative by the Rural Policy Research Institute's Center for Rural Entrepreneurship, and the various pilot programs of the Entrepreneurial League System®.

Attention should also be paid to the apparent increase in entrepreneurship among the 55+ age group. There is reason to believe that this may be an important emerging phenomenon[x]. This is a highly experienced and skilled cohort that is rapidly increasing in number. They could be an important force in entrepreneurship, often entering the field with their own financial capital. Specific policy that supports their activities could spur increased economic activity and job creation.

While these findings suggest several policy initiatives that might be undertaken independent of one another, all of these challenges are interrelated. If we think of the nation's portfolio of business assets as a "Pipeline of Entrepreneurs and Enterprises" that are at different skill levels and different stages in the business life cycle, we can start thinking systemically and strategically about where to slot these different policy initiatives (Lichtenstein & Lyons, 2010). Young, later-life, and necessity entrepreneurs are all at early stages of the Pipeline and need help with entrepreneurship skill building and with start-up capital. As these entrepreneurs move through the Pipeline, they become able opportunity entrepreneurs with the potential to grow their businesses appreciably. At this point, programs aimed at providing capital to foster rapid growth make sense. Whether the entrepreneurs in the Pipeline are young or old, Caucasian or Non-Caucasian, men or women, they all have an opportunity to become highly skilled entrepreneurs capable of restructuring their businesses for growth, building wealth, and contributing to the U.S. economy.

References

Lichtenstein, G.A. & Lyons, T.S. (2010). *Investing in Entrepreneurs: A Strategic Approach for Strengthening Your Regional and Community Economy*. Santa Barbara: Praeger/ABC-CLIO.

Table 11–United States 2010 Survey Demographics

DESCRIPTION	2009 STATISTIC	2010 STATISTIC
Mean Age	46.1	49.0
% Male	48.6	48.2
% Female	51.4	51.8
% Within the Following Ethnic Groups		
White/Caucasian Exclude Hispanic/Latino/Spanish	80.0	80.3
All Other Races\Ethnicities Include Hispanic/Latino/Spanish	20.0	19.7
% Immigrants	7.0	7.6
% Educational Attainment		
None	3.0	4.0
Some Secondary	10.1	8.3
Secondary Degree	24.2	28.2
Post-Secondary	21.3	20.4
University Bachelor's Degree or Higher	41.3	39.0
% Geography – U.S. Census Bureau Regions		
Northeast	18.5	18.4
Midwest	22.1	22.7
South	36.4	35.2
West	23.3	23.7
% Age Distribution Early-Stage Entrepreneurs		
18-24 YRS	14.4	10.2
25-34 YRS	29.7	29.4
35-44 YRS	19.7	22.4
45-54 YRS	20.0	20.0
55-64 YRS	11.8	11.0
65-99+ YRS	4.4	6.9

Table 12–United States Prevalence Rates

DESCRIPTION	2009 STATISTIC	2010 STATISTIC
% Early-Stage Entrepreneurs	6.9	6.1
% Established Entrepreneurs	5.7	7.3
% Opportunity Entrepreneurs	4.8	4.2
% Necessity Entrepreneurs	1.6	1.7
% Early-Stage Male	8.8	6.7
% Early-Stage Female	5.0	5.6
% Established Business Owners Male	6.9	9.2
% Established Business Owners Female	4.6	5.7
% Early-Stage Whites (Excludes Hispanic/Latino/Spanish)	6.5	5.6
% Early-Stage All Other Races\Ethnicities (Includes Hispanic/Latino/Spanish)	8.2	8.1
% Established Businesses Owners Whites (Excludes Hispanic/Latino/Spanish)	6.4	7.9
% Established Business Owners All Other Races\Ethnicities (Includes Hispanic/Latino/Spanish)	2.1	5.6

Source: GEM 2009-2010 Adult Population Survey (APS)

Table 13–Measures of Entrepreneurial Activity by Region

		UNITED STATES CENSUS REGIONS				
DESCRIPTION	YEAR	NORTHEAST	MIDWEST	SOUTH	WEST	U.S.
Involved in Any Kind of Entrepreneurial Activity*	2009 2010	13.3% 16.1%	13.0% 15.2%	17.4% 16.7%	18.4% 19.7%	15.9% 16.9%
Involved in Total Early-Stage Entrepreneurial Activity (TEA)	2009 2010	6.4% 7.2%	4.8% 5.3%	8.1% 5.8%	7.6% 6.4%	6.9% 6.1%
Involved in Opportunity Early-Stage Entrepreneurial Activity	2009 2010	4.7% 4.6%	2.7% 3.3%	5.9% 4.1%	5.0% 4.5%	4.8% 4.1%
Involved in Necessity Early-Stage Entrepreneurial Activity	2009 2010	1.2% 2.2%	1.5% 1.4%	1.7% 1.6%	1.7% 1.9%	1.6% 1.7%
Actively Involved in Start-Up Effort; Owner, No Wages Yet	2009 2010	4.5% 5.0%	3.4% 3.6%	4.3% 3.3%	4.6% 3.9%	4.2% 3.9%
Manages and Owns a Business That is Up To 42 Months Old	2009 2010	1.8% 2.2%	1.4% 1.8%	3.7% 2.4%	3.2% 2.6%	2.7% 2.3%
Manages and Owns a Business That is Older Than 42 Months (ESTBBUO)	2009 2010	5.1% 6.2%	5.1% 7.0%	5.7% 7.3%	6.6% 8.5%	5.7% 7.3%
Shut Down a Business in the Past 12 Months (DISCENT)	2009 2010	1.8% 2.7%	3.1% 2.9%	3.6% 3.6%	4.2% 4.8%	3.3% 3.5%

* Involved in Any Kind of Entrepreneurial Activity = TEA + ESTBBUO + DISCENT
Source: GEM 2009-2010 Adult Population Survey (APS)

Table 14–Measures of Entrepreneurial Activity by Age Group

		UNITED STATES ENTREPRENEURIAL PREVALENCE RATES BY AGE GROUP			
DESCRIPTION	YEAR	18-24 YEARS	25-54 YEARS	55+ YEARS	TOTAL U.S.
Involved in Any Kind of Entrepreneurial Activity*	2009 2010	13.1% 7.7%	18.9% 21.0%	12.9% 14.8%	15.9% 17.0%
Involved in Total Early-Stage Entrepreneurial Activity (TEA)	2009 2010	7.6% 5.5%	8.8% 8.8%	3.5% 2.8%	6.9% 6.1%
Involved in Opportunity Early-Stage Entrepreneurial Activity	2009 2010	5.6% 3.5%	6.0% 6.0%	2.6% 1.9%	4.8% 4.1%
Involved in Necessity Early-stage Entrepreneurial Activity	2009 2010	1.2% 1.1%	2.1% 2.6%	0.8% 0.7%	1.6% 1.7%
Actively Involved in Start-Up Effort; Owner, No Wages Yet	2009 2010	4.5% 4.0%	5.5% 5.4%	2.1% 1.9%	4.3% 3.8%
Manages and Owns a Business That is Up To 42 Months Old	2009 2010	3.3% 1.5%	3.4% 3.5%	1.5% 0.9%	2.7% 2.1%
Manages and Owns a Business That is Older Than 42 Months (ESTBBUO)	2009 2010	1.1% 0.4%	6.4% 8.1%	6.4% 8.6%	5.7% 7.3%
Shut Down a Business in the Past 12 Months (DISCENT)	2009 2010	2.2% 1.8%	3.7% 4.1%	3.0% 3.4%	3.3% 3.5%

* Involved in Any Kind of Entrepreneurial Activity = TEA + ESTBBUO + DISCENT
Source: GEM 2009-2010 Adult Population Survey (APS)

Table 15–Measures of Entrepreneurial Activity by Caucasian/Non-Caucasian Grouping*

		UNITED STATES	
DESCRIPTION	YEAR	CAUCASIAN*	OTHER RACES & ETHNICITIES
Involved in Any Kind of Entrepreneurial Activity**	2009 2010	16.4% 16.7%	12.8% 18.1%
Involved in Total Early-Stage Entrepreneurial Activity	2009 2010	6.5% 5.6%	8.2% 8.1%
Involved in Opportunity Early-Stage Entrepreneurial Activity	2009 2010	4.5% 3.9%	5.9% 5.1%
Involved in Necessity Early-Stage Entrepreneurial Activity	2009 2010	1.6% 1.5%	1.6% 2.5%
Actively Involved in Start-Up Effort; Owner, No Wages Yet	2009 2010	3.8% 3.5%	6.5% 5.2%
Manages and Owns a Business That is Up to 42 Months Old	2009 2010	2.8% 2.1%	2.2% 3.0%
Manages and Owns a Business That is Older Than 42 Months	2009 2010	6.4% 7.9%	2.1% 5.4%
Shut Down a Business in the Past 12 Months	2009 2010	3.5% 3.2%	2.5% 4.6%

*Caucasian used here excludes Hispanic, Latino and Spanish.
** Involved in Any Kind of Entrepreneurial Activity = TEA + ESTBBUO + DISCENT

Table 16–Entrepreneurial Activity by Gender

		UNITED STATES	
DESCRIPTION	YEAR	MALE	FEMALE
Involved in Any Kind of Entrepreneurial Activity**	2009 2010	19.6% 19.5%	12.3% 14.7%
Involved in Early-Stage Entrepreneurial Activity	2009 2010	8.8% 6.7%	5.0% 5.6%
Involved in Opportunity Early-Stage Entrepreneurial Activity	2009 2010	5.9% 4.7%	3.7% 3.7%
Involved in Necessity Early-Stage Entrepreneurial Activity	2009 2010	2.3% 2.0%	0.9% 1.5%
Actively Involved in Start-Up Effort; Owner, No Wages Yet	2009 2010	5.6% 3.9%	3.0% 3.8%
Manages and Owns a Business That is Up To 42 Months Old	2009 2010	3.4% 2.8%	2.1% 1.8%
Manages And Owns A Business That Is Older Than 42 Months	2009 2010	6.9% 9.2%	4.6% 5.7%
Shut Down a Business in the Past 12 Months	2009 2010	3.9% 3.6%	2.7% 3.4%

* Involved in Any Kind of Entrepreneurial Activity = TEA + ESTBBUO + DISCENT
Source: GEM 2009-2010 Adult Population Survey (APS)

Table 17–Measures of Entrepreneurial Attitudes Based on Size of Firm in the U.S.

		TOTAL EARLY-STAGE ENTREPRENEURS		ESTABLISHED ENTREPRENEURS	
DESCRIPTION	YEAR	CURRENT JOBS		CURRENT JOBS	
		0-5	6-20+	0-5	6-20+
Expects to Start Up in The Next 3 Years: % Yes	2009 2010	21.7% 10.2%	60.0% 47.4%	11.2% 10.8%	14.5% 20.0%
Believes Starting a Business is Considered a Good Career Choice: % Yes	2009 2010	63.0% 58.0%	100.0% 58.8%	65.3% 64.4%	69.4% 64.6%
Starting a Business Now Compared with 1 Year Ago: % More Difficult	2009 2010	58.2% 51.1%	55.6% 50.0%	75.6% 62.8%	78.7% 70.0%
Growing a Business Now Compared with 1 Year Ago: % More Difficult	2009 2010	40.6% 32.2%	20.0% 16.7%	55.3% 46.4%	43.8% 37.5%

*NA – Not applicable because there were no responses in the sample for the category.

6 Women's Entrepreneurship

Candida Brush

In 2008, women owned more than 10.1 million firms, employed more than 13 million people, generated $1.9 trillion in sales, and accounted for 40% of all privately held firms (http:www.cfwbr.org). Although these statistics accurately reflect the activity of women business owners, , they fail to identify the ways in which women came to be business owners, i.e., by inheritance, acquisition, or through a new venture. The 2010 GEM data capture the start-up activity of women entrepreneurs and their businesses at launch and throughout the early stages of development.

In 2010, the rate of start-up activity for women entrepreneurs was 5.6%, while the rate for men was 6.7%. This reflects a decrease in the start-up rate for men from 2009 (8.8%) and an increase for women (5.0%). Clearly, the decline in start-up rates for men's entrepreneurship is a reflection of the recent economic downturn. Furthermore, GEM data show that a slightly higher percentage of women engaged in nascent or early stage start-up activities than in established businesses, whereas more men were involved in established businesses.

Of the nascent businesses started by women, 53% focused on consumer services compared with 37% of male start-ups. While 37% of men launched ventures in the business services sector, 32% of women's start-ups were in the same category. Although the majority of all nascent ventures were no or low technology, 9.4% of men versus 11.3% of women considered their businesses to be medium to high technology. In comparison to 2009 statistics, these data show a lower percentage of men engaged in high-technology sectors.

Men and women entrepreneurs (including both start-up and established business entrepreneurs) were approximately the same age (45-54 years old), although we found that a slightly higher percentage of women between the ages of 35 and 44 engaged in entrepreneurship (20% of women versus 18% of men). In addition, men and women entrepreneurs attained similar levels of education, with the majority achieved a post-secondary education. Still, the data indicate that a slightly higher percentage of men hold post-secondary and graduate-level degrees. A slightly higher percentage of women hold university degrees.

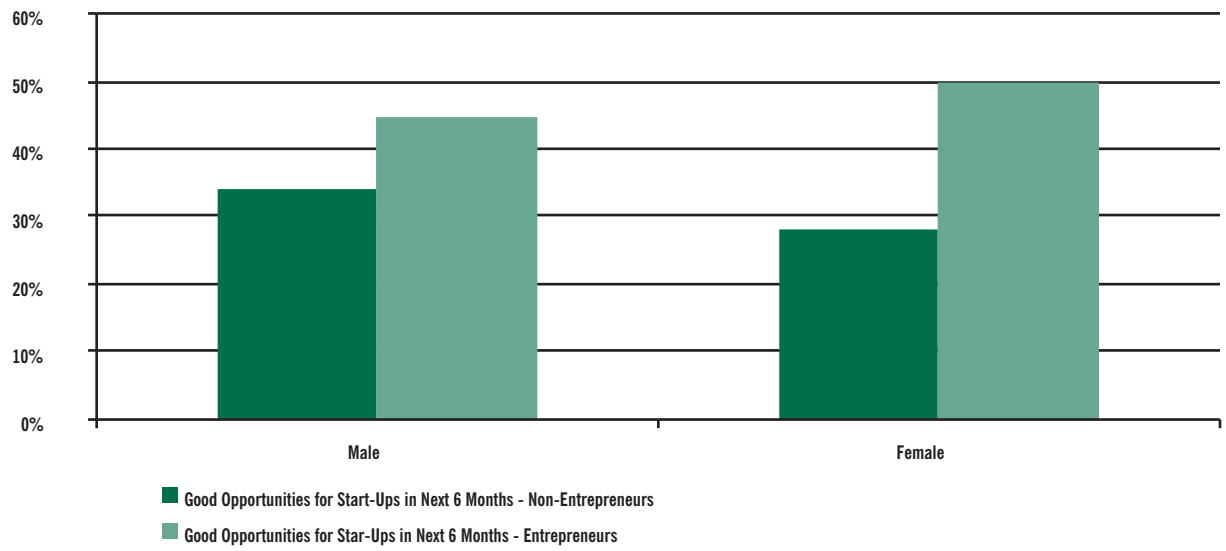
When we considered the reasons people are motivated to launch ventures, we found that both men's and women's start-ups were most likely to be motivated by opportunity (Table 18).

Table 18–Start-Up Motivation

	MALE (N = 129)	FEMALE (N = 115)
Opportunity Motive	70%	66%
Necessity Motive	29%	27%
Other Motive	1%	7%

Not surprisingly, both men and women believed there was a good opportunity for business start-ups (Figure 34). However, a slightly higher percentage of male entrepreneurs felt they possessed the knowledge and skills to start a business (91%), whereas only 85% of female entrepreneurs expressed the same confidence. This suggests that women were either slightly less prepared to launch ventures in their chosen area, or that they lacked confidence in their ability to launch a business.

Figure 34–Good Opportunities for Start-ups



Perceptions regarding certain aspects of entrepreneurship differed significantly between entrepreneurs and non-entrepreneurs, as well as between males and females. Those who did not start businesses (both male and female) exhibited a greater fear of failure than entrepreneurs. However, women entrepreneurs demonstrated a much higher fear of failure (29%) than male entrepreneurs (18%) (see Table 19).

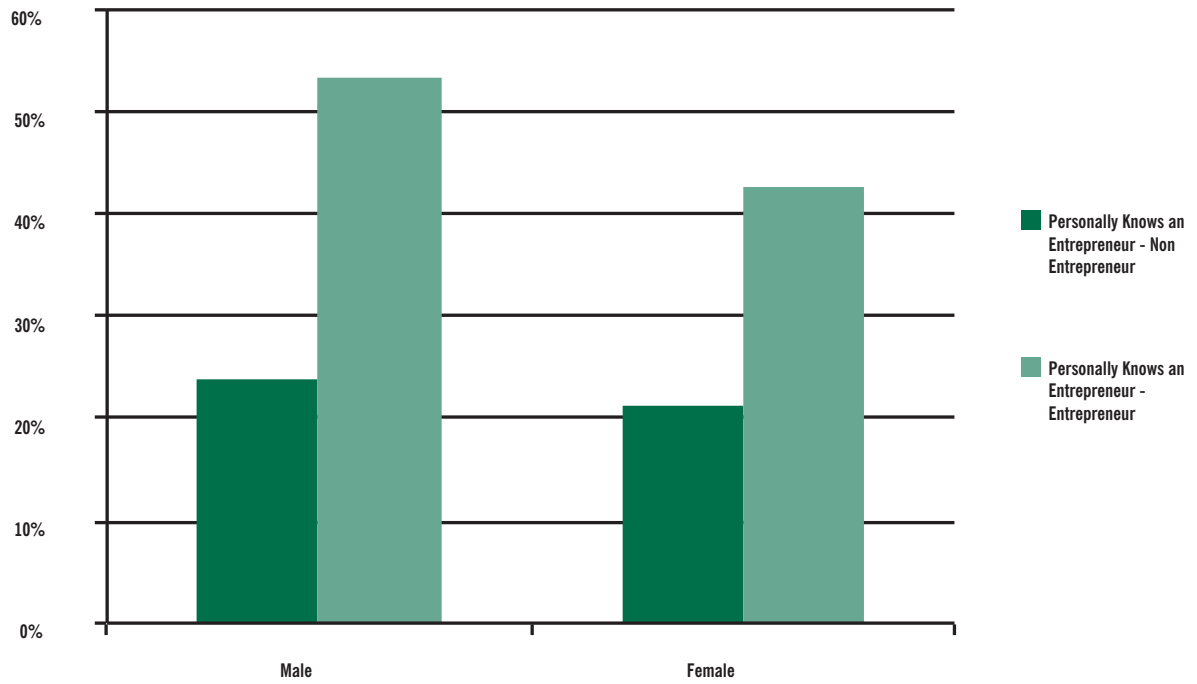
Table 19–Perceptions of Entrepreneurs

	MALE		FEMALE	
	NON-ENTREPRENEURS (N = 1787)	ENTREPRENEURS (N = 303)	NON-ENTREPRENEURS (N = 1948)	ENTREPRENEURS (N = 227)
Good Opportunities for Start-Ups in Next 6 Months	34%	45%	28%	50%
Necessary Skills to Start a Business	64%	91%	46%	85%
Fear of Failure	27%	18%	33%	29%
Good Career Choice	66%	68%	63%	63%
Start Business: Status & Respect	78%	76%	75%	80%
Know an Entrepreneur	24%	53%	21%	43%

Similarly, entrepreneurs were more likely to believe they had the skills necessary to start a business, although 91% of male entrepreneurs expressed this confidence vs. 85% of women. Both entrepreneurs and non-entrepreneurs associated starting a business with status and respect, and there were strong similarities between males and females.

When it comes to role models and examples of entrepreneurs that might influence entrepreneurial behavior, male entrepreneurs were more likely than female entrepreneurs to know other entrepreneurs. Personally knowing an entrepreneur can be a source of guidance and advice in launching a new venture.

Figure 35–Personally Knows an Entrepreneur



The start-up circumstances for men and women were similar in that 43% of nascent women and 41% of nascent men came from households earning more than $75,000 a year. By contrast, more than 66% of established businessmen came from households earning more than $75,000 compared with only 51% of women. Furthermore, the highest percentage of women in established businesses was from households earning between $35,000 and $99,000 (47%) compared with 64% of men. This represents a shift from previous years, when nascent women tended to come from households with lower income levels than men.

Even though women came from households with a higher income, when we considered the amount of start-up funding invested, we found that a disproportionate number of women (65%) to men (34%) expected to start their businesses with less than $10,000. Moreover, while 31% of men expected to start their businesses with $50,000-$500,000, only 4.6% of women anticipated the same start-up amount. This may be related to the fact that a higher percentage of women launched businesses in consumer services, which often have lower entry barriers than business services start-ups or transforming sectors (20.8% of men vs. 13.5% of women).

When it comes to expansion, slightly more entrepreneurial women had new technologies (5% vs. 4%) than for men.

A higher percentage of women (67%) than men (56%) expected to provide personal financing in order to launch a business. In other words, fewer women entrepreneurs planned to seek funding from outside sources (banks, private equity or other).

The size of businesses started by men and women entrepreneurs also varied. While 55% of nascent women expected to be solo-self-employed, only 31% of men had the same expectations. Also, more than 23% of nascent men employed more than six people compared with only 8% of nascent women. The number of employees in men's and women's established businesses was somewhat similar. Seventy-four percent of established men and 81% of established women had five or fewer employees. But in contrast to the 8% of established women who had more than 20 employees, 13% of established men employed more than 20 people. These findings parallel the gender disparity reflected in the growth aspirations of men and women. Twenty-three percent of nascent men expected to generate more than 20 jobs, yet only 10% of nascent women held the same expectation. Furthermore, 29% of nascent women anticipated remaining solo-self-employed indefinitely, compared with only 17% of nascent men. But this disparity is less evident in established businesses, where 78% of established men and 83% of established women expected to generate fewer than five jobs. These disparities in business size and expectation for growth augment our understanding of the sectors in which women are creating businesses, as well as their aspirations for expansion and their access to financing, as growth almost always requires access to outside capital.

7 Public Policy in the United States

Julian Lange, Joseph Onochie, and Ivory Phinisee

GEM research has suggested that in high-income countries, public policy should focus on maintaining entrepreneurial competitiveness and sustaining innovation rates. Equally important is the availability of sufficient early-stage funding. The following tables and figures show the changes that occurred in 2010 as a result of the recession—which began in the latter part of 2007 and ended in June 2009. Some highlights:

- The decline in 2008 and 2009 in the availability of sufficient funding for entrepreneurs from key funding sources continued in 2010 and reached the lowest level for the five-year period 2006-2010 (Figure 39), according to the assessment of GEM national experts in the United States.

- Eight industries showed declines in growth rates in 2008, with the largest percentage of losses occurring in the construction and wholesale trades (Table 20). In 2009, the largest percentage losses were incurred in the mining industry, followed closely by construction and manufacturing, respectively. In 2010, while individual industry results were mixed, the overall growth rate turned slightly positive (0.6%).

- In 2008 the GEM national experts' perceptions of good opportunities to create new firms—both now and in the last five years—declined (Figure 38). In 2009, on average, the perceptions of GEM national experts concerning the "existence of good opportunities to create new firms now" increased markedly, but in 2010 this perception reversed direction again and declined below that of 2008.

- The 2008 data showed a dramatic reduction in the dynamism (GEM defines dynamism as the ratio of early-stage entrepreneurship to business ownership) levels in the United States; however, the drop was explained by a change in the GEM survey methodology, which resulted in a significant upward adjustment to the established business rate (Table 22). In 2009, the U.S. dynamism rate experienced an up-tick from the 2008 value, but in 2010 the U.S. dynamism rate declined substantially.

IMPACT OF ECONOMIC DECLINES ON ECONOMIC ACTIVITY

GEM data provide some evidence of the impact on U.S. entrepreneurial activity caused by the two most recent recessions. A decline in entrepreneurial activity appears to be attributed to:

- The meltdown in both the financial intermediation industry and the capital markets, triggered principally by the implosion of the financial market for subprime loans and their derivatives.

- The decline in the housing market and problems in the financial markets, which created a drought in mortgage loan facilities even for high-credit borrowers.

- The increased prices of oil and other commodities.

The "Business Cycle Dating Committee" of the National Bureau of Economic Research (NBER) determined that a peak in economic activity occurred in the U.S. in December 2007. The peak marked the end of the expansion that began in November 2001. It also marked the beginning of the recent recession, which, according to the NBER, ended in June 2009.

A recession is defined as a significant decline in economic activity across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators. A recession begins when an economy reaches a peak of activity and ends when the economy reaches a trough. Between trough and peak, the economy is in an expansion.

Because a recession is a broad contraction of the economy, not confined to one sector, the committee emphasizes economy-wide measures of economic activity, believing that domestic production and employment are the primary conceptual measures of economic activity[xi].

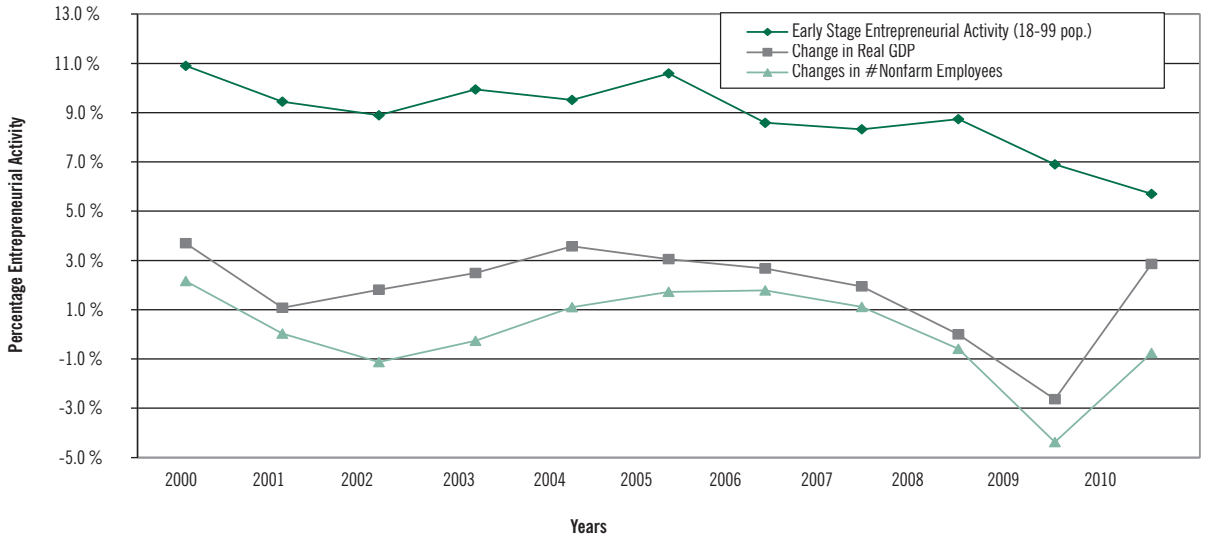
Figure 36 shows changes in early-stage entrepreneurial activity alongside changes in real GDP and changes in the number of employees in the U.S. As is evident in Figure 36, declines in entrepreneurial activity occurred alongside declines in both real GDP and the number of employees in the period surrounding the recession of 2001.

Again, we can observe declines in real GDP and entrepreneurial activity from 2006 to 2007. However, in 2008, early-stage entrepreneurial activity showed an increase over the 2007 activity as reported by GEM. The bias suspected in prior years' early-stage prevalence rates was addressed in 2008 by changing the GEM survey methodology. Allowing for the upward adjustment of the prevalence rate, the differences between 2008 and 2007 are not significant. In contrast, for 2009, early-stage entrepreneurial activity, change in real GDP, and changes in the number of non-farm employees all showed significant declines. The experience with regard to these three measures exhibited a different pattern in 2010. While

early-stage entrepreneurial activity continued to decline, both change in real GDP and change in the number of non-farm employees reversed the trend of the past several years and substantially increased.

In 2006, the U.S. housing market started its decline, causing early-stage job losses in construction and other industries associated with the housing market. This housing market decline may explain, in part, the drop in the early-stage prevalence rates in the U.S. in 2006 and 2007, as well as the declining real GDP in 2007. The recession began in December 2007 in the U.S., largely as a result of the continuing decline in the housing market.

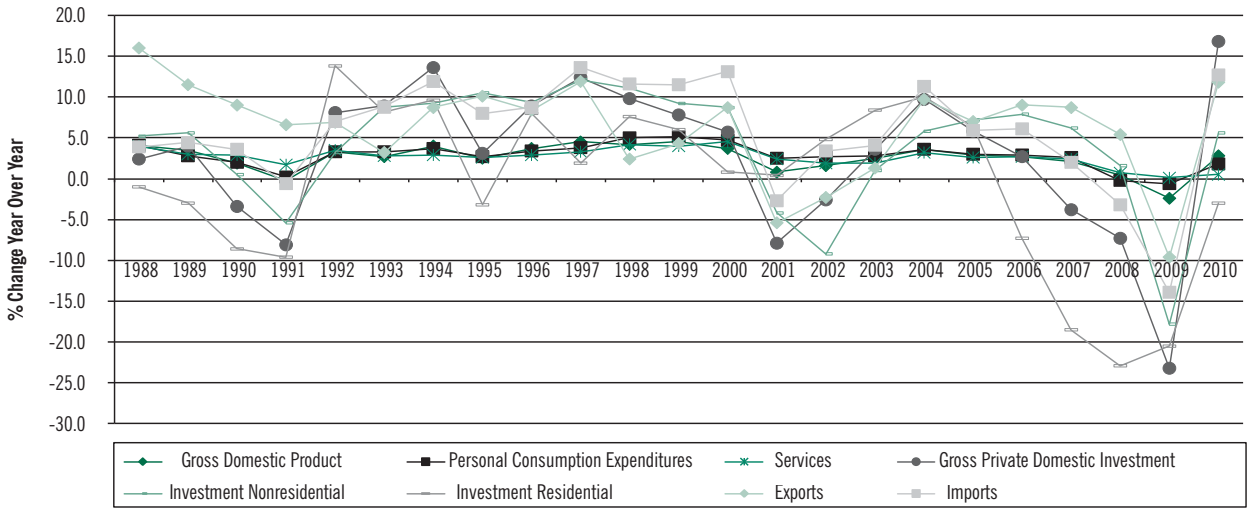
Figure 36–U.S. Entrepreneurial Trends with Real GDP



Sources: 1) GEM Early-Stage Entrepreneurial Percentage - GEM; 2) Real GDP - Bureau of Economic Analysis - www.BEA.gov; 3) #Nonfarm Employees - Bureau Labor Statistics

Figure 37 tracks percent changes in U.S. real GDP and key economic components of the U.S. economy over time. Residential investment started to decline in 2006 and accelerated in 2007 and 2008. This decline in residential investment reflects the bursting of the "housing bubble." Growth of private domestic investment in manufacturing and other industries also declined starting in 2007, continuing in 2008 and 2009. In 2010, there was a substantial reversal in the declines of the three preceding years, led by a 16.8% year-over-year increase in gross private domestic investment. Only residential investment continued to decline, albeit at a greatly diminished rate compared with the three preceding years. Table

Figure 37–Percent Changes: U.S. Real GDP and Key Components



Source: U.S. Bureau of Economic Analysis

20 shows a breakdown of changes in U.S. growth rates by the industry categories used by the U.S. Bureau of Economic Analysis. In the recession year of 2001, the largest declines occurred in the agriculture and related industries, in the manufacturing industry, and in the wholesale trade industry. In 2002, more industries experienced declines than in 2001 (eight versus five industries), with the largest declines occurring in the information industry, the mining industry, and the manufacturing industry. Table 20 also indicates that more industries showed declining growth in 2008 than in 2007; in total, there was a decline in eight industries. In 2008, the largest percentage of losses occurred in the construction and wholesale trade industries. The manufacturing, retail trade, information, financial activities, and professional and business services industries also experienced declines in 2008. In 2009, the largest percentage losses were incurred in the mining industry, followed closely by the construction and manufacturing industries. In 2010, the overall growth rate turned slightly positive (0.6%). While individual industry results were mixed, agriculture and related industries and the mining industry exhibited the largest growth rates–4.9% and 3.4%, respectively.

Table 20–U.S. % Growth Rates by Industry[€]

INDUSTRY	1999	2000	2001[†]	2002	2003	2004	2005	2006	2007[‡]	2008	2009	2010
All	1.5	2.6	0.03	-0.3	0.9	1.1	1.8	1.9	1.1	-0.5	-3.8	0.6
Agriculture and Related Industries	-2.9	-24.9	-6.7	0.5	-1.6	-1.9	-1.6	0.4	-5.0	3.5	-3.0	4.9
Nonagricultural Industries	1.7	3.2	0.2	-0.3	1.0	1.2	1.8	1.9	1.2	-0.5	-3.8	-0.7
Mining Industry	-7.7	-10.4	13.3	-6.7	4.6	2.7	15.8	10.1	7.1	11.3	-13.7	3.4
Construction Industry	4.8	5.9	2.3	-1.7	1.6	6.2	4.0	4.9	0.9	-7.4	-11.6	-6.4
Manufacturing Industry	-2.8	2.7	-6.2	-6.5	-1.9	-2.5	-1.4	0.8	-0.5	-2.4	-11.4	-0.9
Wholesale Trade Industry	1.2	3.0	-4.7	3.1	8.3	2.5	-0.5	-0.4	-4.3	-7.2	-6.0	-0.1
Retail Trade Industry	1.1	1.9	0.2	-0.8	3.6	0.3	3.4	-0.3	-1.2	-0.2	-4.0	0.4
Transportation and Utilities Industry	2.1	2.5	-1.6	-0.2	-4.1	0.9	5.0	1.3	2.6	1.0	-6.2	-1.5
Information Industry	1.8	8.0	-1.3	-7.8	-0.1	-6.1	-1.8	5.0	-0.2	-2.4	-7.0	-2.8
Financial Activities Industry	2.3	0.7	0.8	1.3	1.9	2.3	2.4	2.8	0.0	-2.5	-5.9	-2.8
Professional and Business Services	2.3	2.7	3.1	-0.4	-1.0	1.7	1.3	4.0	5.1	-0.5	-3.4	1.6
Education and Health Services Industry	2.6	1.6	2.5	2.9	2.3	1.6	1.6	2.6	2.4	2.4	1.3	0.8
Leisure and Hospitality Industry	1.8	0.4	1.6	1.5	0.6	1.8	2.1	0.6	2.2	2.8	-0.2	-1.6
Other Services Industry	2.2	2.1	0.4	2.9	2.3	1.3	1.7	1.0	-1.6	0.5	-1.0	-2.4
Public Administration Industry	1.2	1.3	1.9	1.3	-1.0	2.0	2.6	-0.1	3.4	0.3	1.7	1.6

[€] Source of the data is from the United States Bureau of Labor Statistics – Employment Levels by Industry.
[†] U.S. recession occurred from March – November 2001
[‡] U.S. recession began in December 2007 and ended in June 2009. Source: National Bureau of Economic Research.

Table 21–Change in U.S. Employment, Business Establishments and Firms

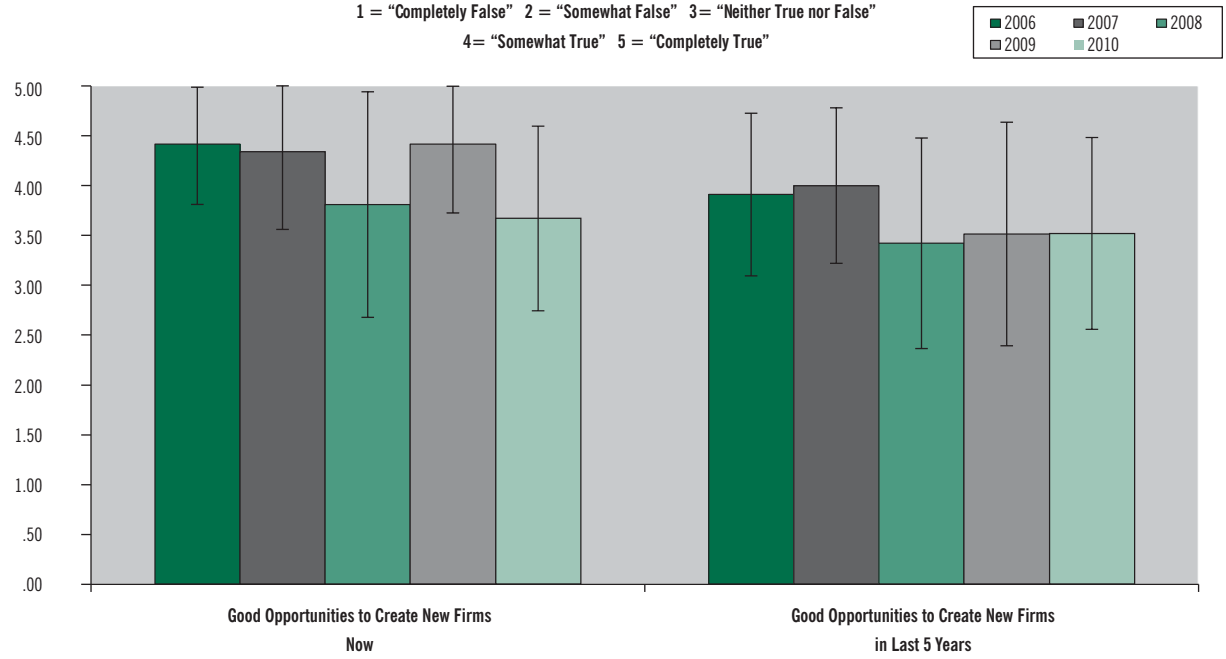
YEAR	EMPLOYMENT	%CHANGE	ESTABLISHMENTS	%CHANGE	FIRMS	%CHANGE	EMPLOY/ESTAB
1988	87,844,303		6,016,367		4,954,645		14.6
1989	91,626,094	4.3	6,106,922	1.5	5,021,315	1.4	15.0
1990	93,469,275	2.0	6,175,559	1.1	5,073,795	1.1	15.1
1991	92,307,559	-1.2	6,200,859	0.4	5,051,025	-0.5	14.9
1992	92,825,797	0.6	6,319,300	1.9	5,095,356	0.9	14.7
1993	94,773,913	2.1	6,401,233	1.3	5,193,642	1.9	14.8
1994	96,721,594	2.1	6,509,065	1.7	5,276,964	1.6	14.9
1995	100,314,946	3.7	6,612,721	1.6	5,369,068	1.8	15.2
1996	102,187,297	1.9	6,738,476	1.9	5,478,047	2.0	15.2
1997	105,299,123	3.1	6,894,869	2.3	5,541,918	1.2	15.3
1998	108,117,731	2.7	6,941,822	0.7	5,579,177	0.7	15.6
1999	110,705,661	2.4	7,008,444	1.0	5,607,743	0.5	15.8
2000	114,064,976	3.0	7,070,048	0.9	5,652,544	0.8	16.1
2001	115,061,184	0.9	7,095,302	0.4	5,657,774	0.1	16.2
2002	112,400,654	-2.3	7,200,770	1.5	5,697,759	0.7	15.6
2003	113,398,043	0.9	7,254,745	0.8	5,767,127	1.2	15.6
2004	115,074,924	1.5	7,387,724	1.8	5,885,784	2.1	15.6
2005	116,317,003	1.1	7,499,702	1.5	5,983,546	1.7	15.5
2006	119,917,165	3.1	7,601,160	1.4	6,022,127	0.0	15.8
2007	120,604,265	0.6	7,705,018	1.4	6,049,655	0.5	15.7
2008	120,903,551	0.2	7,601,169	-1.3	5,930,132	-2.0	15.9

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

Table 21 shows changes in U.S. employment, business establishments, and firms that include the last two recession periods (from July 1990 to March 1991 and from March 2001 to November 2001). There were substantial declines in growth rates of number of employees, business establishments, and firms during these periods of economic slowdown. The table was updated with 2008 data–the latest available. In 2008, we see that the growth of firms was -2.0%, markedly lower than during the two prior recessions of 1990-1991 and 2001.

Figure 38 and Figure 39 graph the data obtained from the GEM U.S. National Expert Survey (NES) on issues affecting entrepreneurial activity in the U.S. for the years 2006-2010. The tops of the bar graphs that start on the x-axis represent the mean responses of the experts. The length of the line extending equal distances below and above the tops of the bar graphs in both Figures 38 and 39 represent 1 standard deviation above the mean responses and 1 standard deviation below the mean responses of each bar graph. Figure 38 shows that in 2008 national experts perceived, on average, the number of good opportunities to create new firms to be in decline both currently and in the last five years. In 2009, the average perception of national experts indicated a markedly increased number of good opportunities to create new firms now; however, in 2010 this perception reversed direction again and declined below that of 2008.

Figure 38–GEM U.S. National Expert Survey–Mean Response for New Firm Entrepreneurship Opportunity



Source: GEM United States 2007-2010 National Expert Surveys (NES)

Figure 39 shows the mean responses for GEM national experts regarding available funding from key funding sources for entrepreneurs in the U.S. In 2007, GEM national experts responded to the statement that sufficient funding was available for entrepreneurs as "Neither true nor false" or "Somewhat true." In 2008, however, GEM national experts' mean responses regarding available funding were more pessimistic and declined to "Neither true nor false." In 2009, GEM national experts' mean responses for four of the six funding type categories declined below "Neither true nor false," with only the Government subsidies category increasing slightly. The "Private Individuals" category remained unchanged. In 2010, the declines continued in every category to the lowest levels during the five-year period 2006-2010. These declines in the experts' opinions indicate that the 2007-2009 recession in the U.S. economy continued to have an impact in 2010.

Figure 39–GEM U.S. National Expert Survey–Mean Response for Available Funding

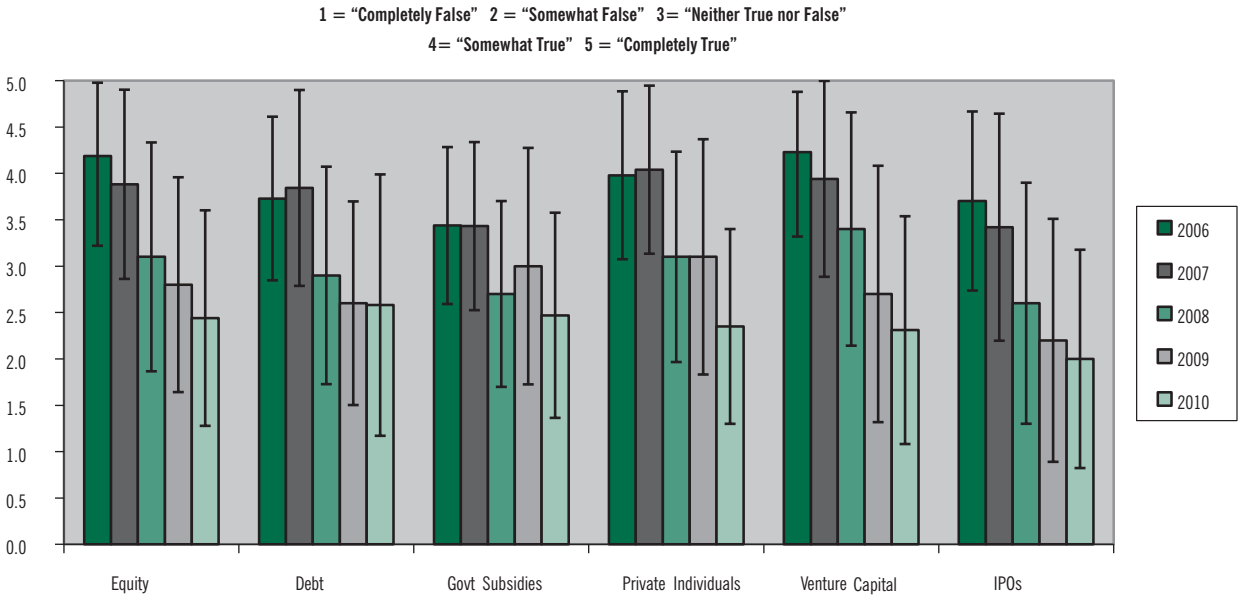


Table 22 shows U.S. dynamism. GEM defines dynamism as the ratio of early-stage entrepreneurship to business ownership. High levels of dynamism are positively associated with high early-stage entrepreneurship prevalence rates, high venture capital investment, and significantly higher levels of high-expectation entrepreneurship. As Table 22 shows, there was a decline in the dynamism levels in the U.S. between 2005 and 2007. In 2008, there was an even more dramatic decline, but this drop was, for the most part, due to a change in the survey methodology; we see a substantial upside adjustment to the established business rate due to a change in the methodology in 2008. In 2009, the U.S. dynamism rate experienced an up-tick from its 2008 value, but in 2010 it again declined substantially.

Table 22–U.S. Dynamism‡

	2001	2002	2003	2004	2005	2006	2007	2008†	2009	2010
U.S. Dynamism	1.90	1.73	2.02	1.90	2.36	1.61	1.84	1.13	1.21	0.82
U.S. Early-Stage Prevalence Rate %	9.45	9.01	10.19	9.67	10.79	8.65	8.33	8.74	6.89	6.10
U.S. Established Business Ownership %	4.98	5.22	5.04	5.08	4.57	5.38	4.52	7.73+	5.70	7.40

‡Based on 18-99 Year Old U.S. Population.
†GEM Survey Methodology was changed in 2008 to correct for bias in measuring entrepreneurial activity. This downside bias was most pronounced in the collection of established business prevalence rates.

Appendix 1: Background on GEM

The Global Entrepreneurship Monitor was conceived in 1997 by Michael Hay of London Business School (LBS) and Bill Bygrave of Babson College. LBS and Babson funded a prototype study that year. Ten national teams conducted the first GEM Global study in 1999 with Paul Reynolds as the principal investigator. The Global Entrepreneurship Research Association (GERA) was formed in 2004 to serve as the oversight body for GEM. GERA is a not-for-profit organization governed by representatives of the national teams, the two founding institutions and sponsoring institutions.

GERA's mission is to contribute to global economic development through entrepreneurship. To achieve this, GERA seeks to increase worldwide knowledge about entrepreneurship by conducting and disseminating world-class research that:

1. Uncovers and measures factors impacting the level of entrepreneurial activity among economies,

2. Identifies policies that may enhance entrepreneurial activity, and

3. Increases the influence of education in supporting successful entrepreneurship.

Since the first study in 1999, more than 80 national teams have participated in the GEM consortium. Led by a central coordination team, the consortium administers an annual adult population survey (APS) of at least 2,000 individuals aged between 18 and 64 in each participating economy. In addition, GEM national teams conduct National Expert Surveys (NES) to obtain insights about particular factors impacting entrepreneurship in each country.

GEM aims to be the leading source of information and analysis about entrepreneurship across the globe. The study employs an original methodology that has been continually refined over 12 years. Data collection follows strict quality control procedures. This strong methodology, and other distinct features, contributes to the project's uniqueness and value for those seeking to benchmark and make comparisons about entrepreneurship among nations. Thanks to the effort and dedication of hundreds of entrepreneurship scholars as well as policy advisors across the globe, the GEM consortium is a unique network building a distinct data set.

Each economy participating in the GEM project has an academic team, which selects a local survey vendor to conduct the APS and then monitors the process for quality control. The GEM central coordination team and its specialized staff ensure each team follows strict GEM research standards. This strengthens data quality and allows for the harmonization of data across all participating countries. All teams and vendors therefore adopt the same methodology.

Quality control is similar for the NES, with an oversight role played by the central coordination team. National teams conduct this survey in accordance with the specific procedures and policies established by the GEM consortium. The NES process includes the selection of at least 36 experts, covering nine framework conditions that influence a nation's entrepreneurial environment: financial support, government policies and programs, education and training, R&D transfer, access to commercial and professional infrastructure, internal market dynamics, access to physical infrastructure and social and cultural norms. Interviews are conducted with at least four experts in each of the nine areas.

GEM publishes annual global reports and GEM national teams publish individual country-level reports. In addition, GEM publishes special reports on topics including women entrepreneurship, high-growth ventures and entrepreneurial finance. Annual special reports are also developed based on questions added to the APS during an annual cycle on topics such as entrepreneurship education/training and social entrepreneurship. Special topics and questions are approved by the GERA annual assembly and reviewed by the central coordination team.

Contact details, GEM 2009 National Summary Sheets and national teams' micro-sites can be found on www.gemconsortium.org. The GEM national reports, produced by the national teams, provide more in-depth information on specific economies. A selection of GEM data is also made available on this website, and tables can be downloaded free of charge using drop-down menus. The GEM website also provides an updated list of the growing number of peer-reviewed scientific articles based on GEM data.

Appendix 2: Glossary of Terms

ENTREPRENEURIAL ATTITUDES AND PERCEPTIONS	
Perceived Opportunities	Percentage of 18-64 population who see good opportunities to start a firm in the area where they live
Perceived Capabilities	Percentage of 18-64 population who believe they have the required skills and knowledge to start a business
Fear of Failure Rate	Percentage of 18-64 population with positive perceived opportunities who indicate that fear of failure would prevent them from setting up a business
Entrepreneurial Intention	Percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who intend to start a business within three years
Entrepreneurship as Desirable Career Choice	Percentage of 18-64 population who agree with the statement that in their country, most people consider starting a business as a desirable career choice
High Status Successful Entrepreneurship	Percentage of 18-64 population who agree with the statement that in their country, successful entrepreneurs receive high status
Media Attention for Entrepreneurship	Percentage of 18-64 population who agree with the statement that in their country, you will often see stories in the public media about successful new businesses
ENTREPRENEURIAL ACTIVITY	
Nascent Entrepreneurship Rate	Percentage of 18-64 population who are currently nascent entrepreneurs, i.e., actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages, or any other payments to the owners for more than three months
New Business Ownership Rate	Percentage of 18-64 population who are currently owner-managers of a new business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than three months, but not more than 42 months
Early-Stage Entrepreneurial Activity (TEA)	Percentage of 18-64 population who are either nascent entrepreneurs or owner-managers of a new business (as defined above)
Established Business Ownership Rate	Percentage of 18-64 population who are currently owner-managers of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months
Business Discontinuation Rate	Percentage of 18-64 population who have, in the past 12 months, discontinued a business, either by selling, shutting down, or otherwise discontinuing an owner/management relationship with the business. Note: This is NOT a measure of business failure rates.
Necessity-Driven Entrepreneurial Activity: Relative Prevalence	Percentage of those involved in early-stage entrepreneurial activity (as defined above) who are involved in entrepreneurship because they had no other option for work
Improvement-Driven Opportunity Entrepreneurial Activity: Relative Prevalence	Percentage of those involved in early-stage entrepreneurial activity (as defined above) who (i) claim to be driven by opportunity as opposed to finding no other option for work; and (ii) who indicate that the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income
ENTREPRENEURIAL ASPIRATIONS	
High-Growth Expectation Early-Stage Entrepreneurial Activity (HEA)	Percentage of 18-64 population who are either nascent entrepreneurs or owner-managers of a new business (as defined above) and expect to employ at least 20 people five years from now
High-Growth Expectation Early-Stage Entrepreneurial Activity: Relative Prevalence	Percentage of early-stage entrepreneurs (as defined above) who expect to employ at least 20 people five years from now Weak measure: expects at least five employees five years from now
New Product-Market Oriented Early-Stage Entrepreneurial Activity: Relative Prevalence	Percentage of early-stage entrepreneurs (as defined above) who indicate that their product or service is new to at least some customers and indicate that not many businesses offer the same product or service Weak measure: product is new or not many businesses offer the same product or service
Entrepreneurial Activity with International Orientation	Percentage of early-stage entrepreneurs (as defined above) with more than 25% of the customers coming from other countries Weak measure: more than 1% of customers coming from other countries

Notes and References

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[xi] The NBER does not define a recession in terms of two consecutive quarters of decline in real GDP. Rather, a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales. For more information, see the announcement from the NBER's Business Cycle Dating Committee, dated 12/01/08.

Contacts

For more information on the *Global Entrepreneurship Monitor 2010 National Entrepreneurial Assessment for the United States of America Executive Report*, contact:

Donna J. Kelley
E-mail: dkelley@babson.edu

For more information on the Global Entrepreneurship Monitor or for more copies of this report, contact:
Marcia Cole
Telephone: 1-781-239-5795
E-mail: colema@babson.edu

GEM Global Reports, National Team Reports, Public Data Sets (selected), events information, etc., are available on the GEM website: www.gemconsortium.org

To download copies of this report and to access select data sets, please visit the GEM website: www.gemconsortium.org

Nations not currently represented in the GEM Consortium may express interest in joining and ask for additional information by e-mailing Executive Director Mike Herrington at mherrington@gemconsortium.org or Recruitment Liaison Bee Leng Chua at chua@gemconsortium.org

About the Authors

ABDUL ALI is the President's Term Chair and an Associate Professor of Marketing at Babson College. Earlier, he served as Chair of the Marketing Division for six years (2000–2006) at Babson College. His teaching and research interests include entrepreneurial marketing, new product management, marketing research methods, marketing strategy and marketing high-tech products.

CANDIDA BRUSH is Professor of Entrepreneurship, Chair of the Entrepreneurship Division, holds the Franklin W. Olin Chair in Entrepreneurship, and serves as Director of the Arthur M. Blank Center at Babson College. She holds an honorary doctorate from Jonkoping University in Sweden, and she has an appointment to the Norwegian School of Engineering and Technology in Trondheim, Norway, as a Visiting Professor. Dr. Brush is a founding member of the Diana Project International and winner of the 2007 Global Award for Outstanding Research in Entrepreneurship. She serves as an editor for *Entrepreneurship Theory and Practice* and is an angel investor and board member for several companies and organizations.

JULIO DE CASTRO is Professor of Entrepreneurship and Lewis Family Distinguished Professor at Babson College. He has served on the Board of Governors of the Academy of Management and is president of the Iberoamerican Academy of Management. He is associate editor of *The Journal of Small Business Management* and serves on the editorial boards of *The Journal of Management Studies*, *Revista de Empresa*, *Management Research*, *The Journal of High Technology Management Research*, *Journal of World Business*, and *Entrepreneurship Theory and Practice*. Previously, he served on the editorial board of the *Academy of Management Journal*.

JULIAN LANGE is the Governor Craig R. Benson Professor of Entrepreneurship and Public Policy at Babson College, where he leads the public policy entrepreneurship curriculum initiative and teaches MBA, undergraduate and executive education courses. An experienced entrepreneur and adviser to private sector firms and public agencies, he served as CEO of Software Arts, creator of VisiCalc—the first electronic spreadsheet.

THOMAS LYONS is the Lawrence N. Field Family Chair in Entrepreneurship and Professor of Management at Baruch College, City University of New York, where he teaches courses in social entrepreneurship and entrepreneurship and community development. He is the author of nine books and numerous articles on economic development and entrepreneurship.

MORIAH MEYSKENS is a Professor of Management at the University of San Diego and a visiting scholar at Babson College, where she pursued post-doctoral work. Her research interests are in social entrepreneurship, strategy, and social issues in management.

JOSEPH ONOCHIE is the Academic Director of the Executive MBA program and an Associate Professor of Finance at Baruch College, CUNY. He has also served as a consultant and adviser to financial services firms, investments banks and hedge funds.

IVORY PHINISEE was previously a manager of International Demand Analysis & Forecasting at AT&T. Currently, he is a Research Associate at the Lawrence N. Field Center for Entrepreneurship at Baruch College, CUNY.

EDWARD ROGOFF is Professor of Management and Chair of the Management Department at Baruch College, CUNY. He is the author of B*ankable Business Plans* and *The Entrepreneurial Conversation*, along with many articles related to entrepreneurship.

JOHN R. WHITMAN is Lecturer at Babson College, where he teaches Social Entrepreneurship and Options for Creating Social and Economic Value. His research interests include entrepreneurship in cooperatives, nonprofit organizations, and philanthropic foundations, especially in international comparative contexts.

GEM Sponsors

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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.

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More Information on GEM

For more information on this report, contact Abdul Ali at alia@babson.edu or dkelley@babson.edu.

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Nations not currently represented in the GEM Consortium may express interest in joining and request additional information by e-mailing GEM Executive Director Mike Herrington at mike.herrington@gsb.uct.ac.za or GEM Recruiting Liaison Bee Leng Chua at bchua@gemconsortium.org.


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