Global Entrepreneurship Monitor (GEM)

Executive presentation: Understanding the entrepreneurial phenomenon and its transformative benefits

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Dr. Alicia Coduras, GEM NES Coordinator, GEM Data Team
Why entrepreneurship and SMME development are important?

- SMMEs in most countries contribute between 50%-60% to GDP and to over 60% of countries employment
- Entrepreneurship in any form is the vehicle for:
  - creating new jobs
  - generating revenue
  - advancing innovation
  - enhancing productivity
  - improving business models and processes
- Despite the challenges they face, entrepreneurs have never been more vital to our economy than they are today
- Understanding and encouraging entrepreneurship in a country is critical for all organisations both big and small
History of GEM

First draft from Dr. Michael Hay describing the ideas to create GEM

GEM was initiated in 1997
Pioneers: Michael Hay and Bill Bygrave
Founding institutions: London Business School & Babson College

First GEM report in 1999
Principal Investigator: Paul Reynolds
10 countries in 1999, 31 countries in 2003, 69 countries in 2012

GERA established in 2004: it is the consortium of participating national teams
GEM continues to expand
Over 100 countries involved between 1998 and 2012. Country micro-sites on www.gemconsortium.org
What is GEM?

In short, GEM is:

• The most ambitious monitor of entrepreneurship worldwide

• Created in 1997 by scholars at Babson College and London Business School

• Put in the field in 1999 with 10 countries and opened to the rest of the globe in 2000

• Formed by research teams (50+ annually) representing countries (also subnational regions and cities)

• Collects data on the main areas that make up the entrepreneurship phenomenon

• Offers global, national and ‘special topic’ reports describing the main features and results of the entrepreneurial sector, plus academic research products and data available for public use (subject to the GEM data release policy)
What does GEM?

GEM is addressing the need to know more about entrepreneurs around the world...

...with Entrepreneurship research, that is...

- Rigorously designed and continually refined through the collaboration of a Network of Academic Researchers from institutions across the globe
- Optimized locally with central oversight
- Harmonized across multiple diverse economies
Why GEM?

**GEM fills a specific information gap:**

- When GEM began, there was no data available on entrepreneurs & SMMEs and their activities
- However, entrepreneurs were making a significant contribution to countries’ GDP
- The modern concept of the “entrepreneur” was barely known – nobody knew the extent of their economic contribution, their personal and professional characteristics, the features of their initiatives, the society and the context in which they operate etc.
- **GEM is unique because it is mainly focused on individuals, their profiles, attitudes and aspirations**
- GEM was created to fill this information gap and provide as much data as possible on the main aspects or areas that form the complex frame of entrepreneurship
- Designed by scholars, GEM was sustained by a theoretical frame that has been updated as the knowledge on entrepreneurship grew. The current version looks like this...
The GEM framework

Social, cultural, political, economic context
- National framework conditions
  - Basic requirements
  - Efficiency enhancers
  - Innovation and business sophistication

Entrepreneurial framework conditions
- Social values towards entrepreneurship
- Individual attributes (psychological, demographic, motivation)

Entrepreneurial activity
- By phases of organisational life cycle – Nascent, new, established, discontinuation
- Types of activity – High growth innovative internationalisation
- Sectors of activity – TEA SEA EEA

Outcome (socio-economic development)
- Entrepreneurial output (new jobs, new value added)
Two own tools were designed to collect data to fill the main sections of the theoretical model:

1. The Adult Population Survey (known as the APS): each participating team conducts a minimum of 2,000 interviews to generate a random and representative sample of the population aged 18-64. Some countries implement the project in subnational regions and create bigger samples (e.g. Spain - around 28,000 interviews / year)

2. The National Experts Survey (known as the NES): each participating team interviews at least 36 experts divided in 4 of 9 framework conditions (financing, government policies, government programs, entrepreneurial education and training, R&D transfer, commercial and professional infrastructure, internal market, physical infrastructure and social and cultural norms)

In the next slide we can see the relationship between these tools and the theoretical framework
The GEM tools

National Experts Survey (NES)

Adult Population Survey (APS)

Social, cultural, political, economic context

Basic requirements
Efficiency enhancers
Innovation and business sophistication

Entrepreneurial framework conditions

Outcome (socio-economic development)

Entrepreneurial output (new jobs, new value added)

Social values towards entrepreneurship

Individual attributes (psychological, demographic, motivation)

Entrepreneurial activity
By phases of organisational lifecycle – Nascent, new, established, discontinuation
Types of activity – High growth innovative internationalisation
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Average results on…
**Societal Values**

**ALMOST 70%**
of the adult population across 52 economies believes that entrepreneurs are well regarded and enjoy high status within their societies.

**ABOUT 61%**
of adults in all 3 economic development groups believe that entrepreneurs garner substantial media attention (up from 60% in 2016)

**AFRICA**
- Good career: 76.2
- High status: 74.5
- Media attention: 60.1

**ASIA&OCEANIA**
- Good career: 61.9
- High status: 72.5
- Media attention: 67.5

**LATIN**
- Good career: 60.8
- High status: 60.7
- Media attention: 60.8

**EUROPE**
- Good career: 58.5
- High status: 67.3
- Media attention: 54.3

**NORTH AMERICA**
- Good career: 64.3
- High status: 74.7
- Media attention: 75.5
Average results on…

- Social, cultural, political, economic context
  - National framework conditions
  - Entrepreneurial framework conditions
- Basic requirements
- Efficiency enhancers
- Innovation and business sophistication
- Social values towards entrepreneurship
- Individual attributes (psychological, demographic, motivation)
- Entrepreneurial activity
  - By phases of organisational life cycle – Nascent, new, established, discontinuation
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- Entrepreneurial output (new jobs, new value added)
- Outcome (socio-economic development)
Self-Perception

43% of the global population see good opportunities for starting a business within the next six months.

<table>
<thead>
<tr>
<th>Region</th>
<th>Perceived opportunities</th>
<th>Perceived capabilities</th>
<th>Fear of failure</th>
<th>Entrepreneurial Intentions</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFRICA</td>
<td>37.2</td>
<td>39.1</td>
<td>33.4</td>
<td></td>
</tr>
<tr>
<td>ASIA &amp; OCEANIA</td>
<td>44.2</td>
<td>48.3</td>
<td>40.4</td>
<td></td>
</tr>
<tr>
<td>LATIN</td>
<td>44.9</td>
<td>58.8</td>
<td>30.5</td>
<td>31.3</td>
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<tr>
<td>EUROPE</td>
<td>41.4</td>
<td>43.4</td>
<td>37</td>
<td>10.8</td>
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<td>NORTH AMERICA</td>
<td>61.9</td>
<td>55</td>
<td>38.6</td>
<td>14.3</td>
</tr>
</tbody>
</table>
Average results on…

Diagram showing the relationship between social, cultural, political, and economic context, national framework conditions, entrepreneurial framework conditions, basic requirements, efficiency enhancers, innovation and business sophistication, social values towards entrepreneurship, individual attributes (psychological, demographic, motivation), entrepreneurial activity, and outcome (socio-economic development).
The entrepreneurial process and GEM operational definitions

- Potential entrepreneur: opportunities, knowledge and skills
- Total Early-stage Entrepreneurial Activity (TEA)
- Nascent entrepreneur: involved in setting up a business
- Owner-manager of a new business (less than 3.5 years old)
- Owner-manager of an established business (more than 3.5 years old)
- Discontinuation of business

Individual attributes:
- Gender
- Age
- Motivation (opportunity, necessity)

Industry:
- Sector

Impact:
- Business growth
- Innovation
- Internationalisation
Entrepreneurial activity

TEA = percentage of 18-64 years old population involved in nascent (up to 3 months) or new (between 3 and 42 months) businesses

These results are presented by entrepreneurial stage, motivation, Business features, by gender, age, education and many more...

Also they are complemented by results on established businesses and exits
The relationship between the TEA rate and the GDP per capita PPP is:

Negative: as countries develop the number of jobs offered in the labour market increases, and the proportion of individuals willing or needing to become entrepreneurs decreases. Countries with strong e-ship culture and countries that have surplus capital to invest in innovative e-ship are less elastic and keep TEA rates high.

Explained by a non-linear model.

There is a time lag between the activity and its economic impact - estimated at approx. 3 years.
Average results on…

[Diagram showing a model of factors influencing entrepreneurial outcomes, including national framework conditions, social, cultural, political, economic context, entrepreneurial framework conditions, social values towards entrepreneurship, individual attributes, entrepreneurial activity, and outcome (socio-economic development).]
Average state of the context for entrepreneurship

- Entrepreneurial Finance
- Cultural and Social Norms
- Physical Infrastructures
- Internal Market Burdens or Entry Regulation
- Internal Market Dynamics
- Commercial and Legal Infrastructure
- R&D Transfer
- Government Policies:
  - Support and Relevance
  - Taxes and Bureaucracy
- Government Entrepreneurship Programs
- Entrepreneurial Education at School Stage
- Entrepreneurial Education at Post School Stage

GEM 2017: average state
Europe 2017: average state
Final remarks

• For 20 years, GEM has been providing annual reports on entrepreneurship as well as ‘special topic’ reports looking at particular aspects.

• We offer the broadest perspective on entrepreneurial activity because our variables allow the calculation of rates of general activity, high growth/innovative activity, opportunity versus necessity activity, independent entrepreneurship, autonomous, team entrepreneurship, corporate entrepreneurship/intrapreneurship, internationalization, etc.

• GEM continues to innovate and design new indicators and research products. One that is going to open the door to studying subregions or cities within countries is the project to measure the quality of Entrepreneurial Ecosystems, following Erik Stam’s theoretical frame.

• Coming soon: a composite index summarizing the state of the context for entrepreneurship, as well as other indicators related to self-perception and other sections of the theoretical framework.
Thanks for your attention

We are at your disposal

https://www.gemconsortium.org/

Caylett@gemconsortium.org (Operations Manager)
Mherrington@gemconsortium.org (Executive Director)
acoduras@gemconsortium.org (NES Coordinator)