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Entrepreneurial Activity Across the Globe in 2019

Written By: The Global Entrepreneurship Monitor (GEM)



Levels of Entrepreneurial Activity in 2019

This chapter reports on levels of entrepreneurial activity across the world. Economies differ considerably in terms of their engagement in entrepreneurial activities. Some of these differences reflect the way in which entrepreneurial

activity manifests itself: in some economies there are large numbers of self-employed and startup activities; in other economies there are relatively more established and medium-sized firms; while in others entrepreneurial employees (often termed

“intrapreneurs”) within existing companies are prevalent. As noted in Chapter 1, GEM takes a broad approach towards entrepreneurship. Accordingly, this chapter includes the following measures:

- The proportion of adults who are actively engaged in starting or running new businesses in each economy (Total early-stage Entrepreneurial Activity [TEA]);
- The proportion of adults owning and managing an established businesses;
- The sector distribution of entrepreneurship;
- The proportion of adults involved in Entrepreneurial Employee Activity (EEA) as part of their role in existing organizations.

These different manifestations of entrepreneurial activity each contribute to a sustainable economy in their own way. While startups mirror dynamism and potentially

“creative destruction” (where new businesses challenge and replace obsolete ones), intrapreneurs can ensure continuous innovation in larger organizations. At the same time, owner-managers in established firms (mostly classified as small or medium-sized enterprises) often form an important backbone to an economy and society.

Recall that GEM's measure of TEA represents the proportion of adults (aged 18–64) in an economy who are either actively engaged in

starting a new business (classified as Nascent Entrepreneur), or who are already running a new business (classified as New Business Owners). Nascent Entrepreneurs are those who have committed resources to starting a business but have not yet paid salaries, or any other payments, including to the founder(s), for three months or more. New Business Owners are those who have paid wages and salaries for three months or more, but not yet for 42 months, after which they are classed by GEM as Established Business Owners (EBOs).

Levels of TEA in the 50 economies participating in GEM 2019 are set out in Figure 3.1 in ascending order by region, together with the corresponding 95% confidence intervals.¹

Levels of TEA are lowest in Italy and Pakistan (with less than 4% of adults starting or running a new business), and in Poland, Belarus and Japan (each with just 5%). As Figure 3.1 shows, the Latin America & Caribbean region has the highest levels of TEA, with the six highest in the sample of 50 countries all from this region, headed by Chile and Ecuador, where more than one in three adults is starting and running a new business.

In a majority of economies, encouraging individuals to start a business is an important, and common, policy objective. However, turning those startups into long-term financially sustainable businesses is also important. The path from startup to maturity is not easy, and not all will make it, but the ones that do contribute to the economy by providing stable jobs and incomes, as well as by producing goods and services that people continue to buy.

1. GEM data are based on a sample taken from a much larger population. The 95% confidence interval means that there is a 95% chance that the true (unknown) population value lies within this interval. The larger the sample, the narrower the confidence interval.

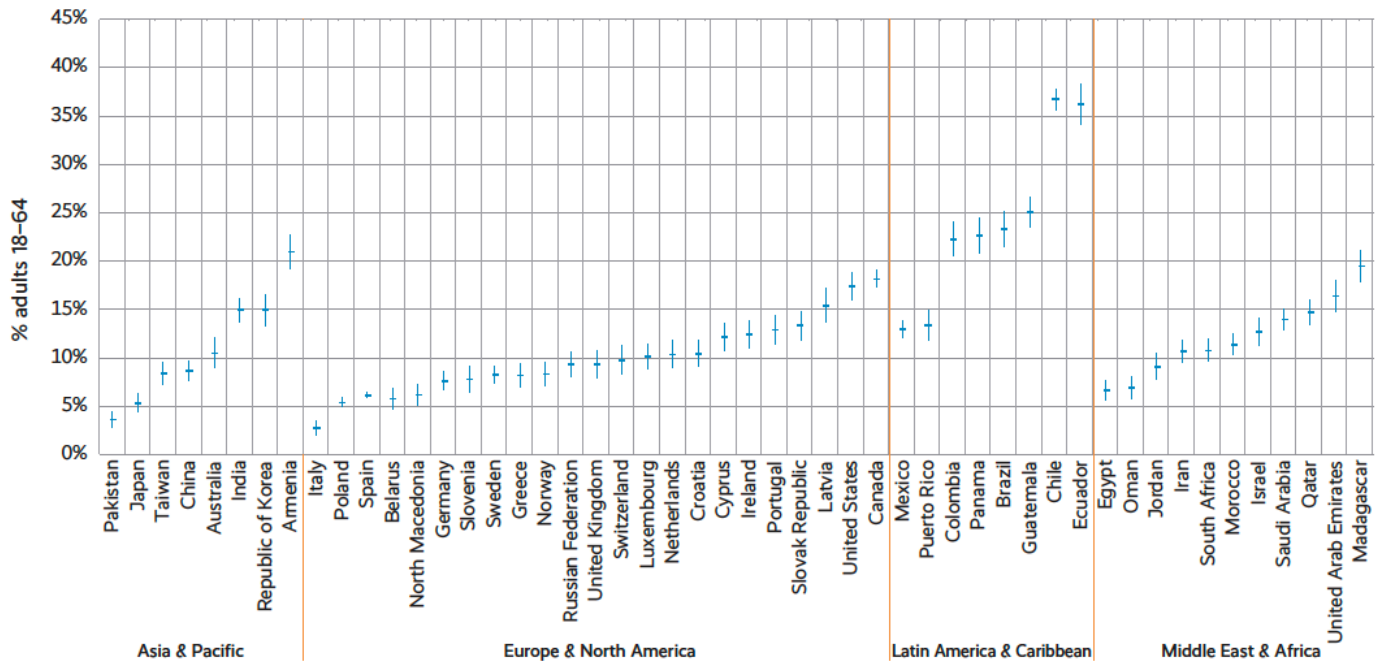


FIGURE 3.1 Total early-stage Entrepreneurial Activity (TEA) rate (% adults) in 50 economies in four regions
 Source: GEM Adult Population Survey, 2019

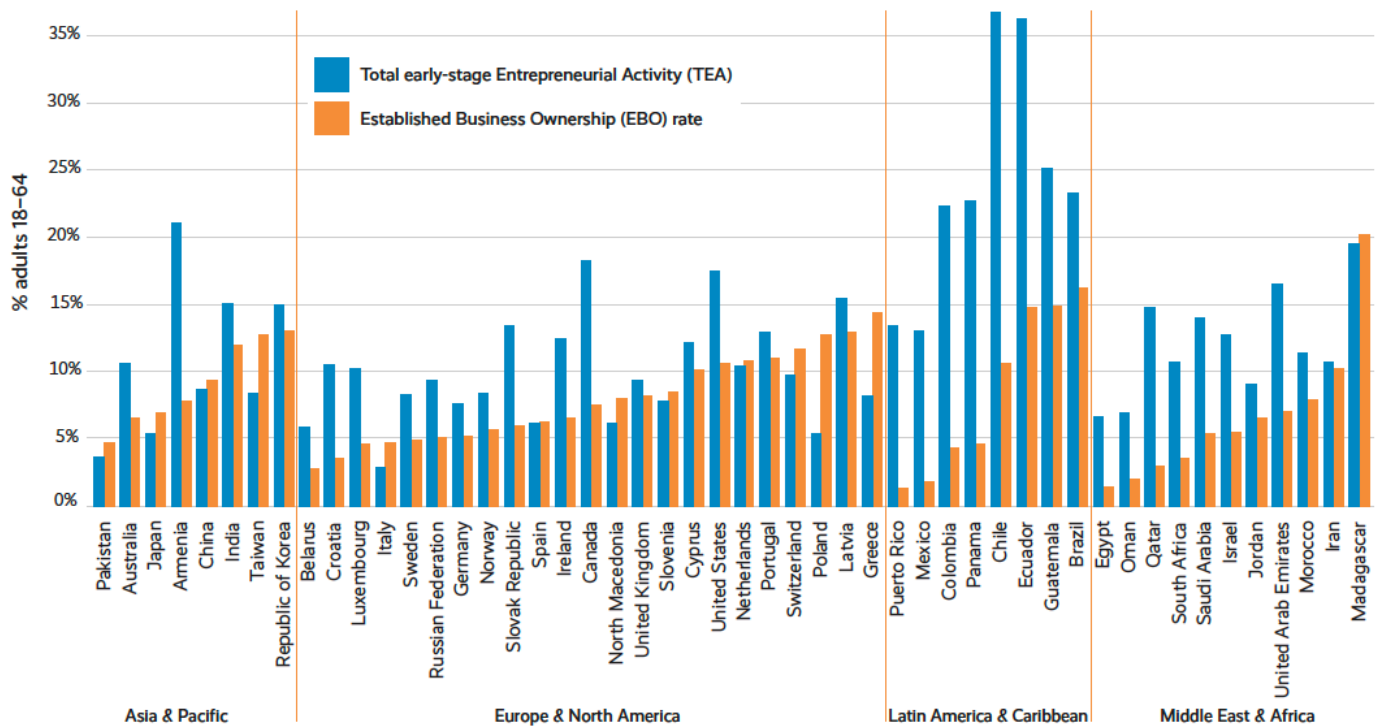


FIGURE 3.2 Total early-stage Entrepreneurial Activity (TEA) and Established Business Ownership (EBO) rates (% adults 18-64)
 Source: GEM Adult Population Survey, 2019

Figure 3.2 shows, for each economy in 2019, both the level of TEA and the level of EBO,

each expressed as a percentage of the adult working-age population. A low ratio of early-stage to established business activity might indicate potential difficulties in replenishing an economy's business base in the future. On the other hand, a very high ratio of early-stage to established business activity might indicate interest in starting businesses but difficulties in transitioning these into established businesses. In such cases, people may be starting businesses for short-term financial gain, or as a stopgap pending other options, rather than with the objective of developing them into sustainable businesses. Alternatively, the business environment may simply not be conducive to enabling that development over time. On the other hand, entrepreneurship rates may be on the increase, and these may not yet be reflected in the established business rate.

Figure 3.2 shows that a majority of economies have higher levels of early-stage entrepreneurship than established business ownerships, with a distinct time lag in conversion. In nine economies, the level of TEA is more than three times the level of EBO. This includes four in the Middle East & Africa (Egypt, South Africa, Oman and Qatar) and five in Latin America & Caribbean (Mexico, Puerto Rico, Colombia, Panama and Chile). At the other end of the scale, 12 economies have levels of TEA that are lower than the corresponding level of EBO (including eight from the Europe & North America region: Italy, Poland, Spain, North Macedonia, Slovenia, Greece, Switzerland and the Netherlands, plus Madagascar, Pakistan, Japan and Taiwan).

3.2 ENTREPRENEURIAL

ACTIVITY AND INCOME LEVELS

In wealthier economies, individuals are more likely to have access to the resources necessary for successful startup activity. On the other hand, in lower-income economies, individuals may have greater motivation to start a business in the absence of alternative income sources. Additionally, developing economies may have less intensive competition plus growing demand for new products and services in line with the aspirations of the population. One outcome of these complex relationships is that high-income economies tend to have lower levels of TEA, while lower-income economies may have levels anywhere from very low to very high, which may be dependent on the ease of starting and developing businesses in that economy.

Both of these assertions find some support in GEM data for 2019. Figure 3.3 shows the level of TEA for each economy in ascending order by



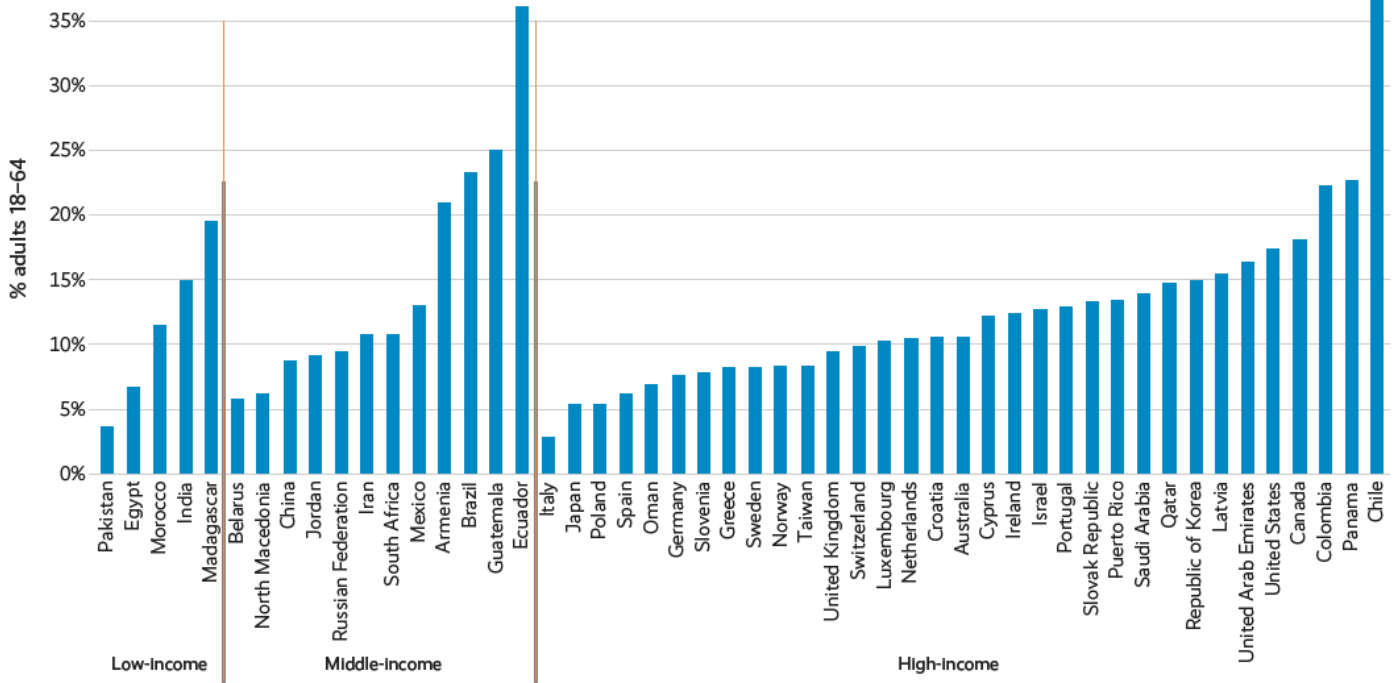


FIGURE 3.3 Total early-stage Entrepreneurial Activity (% adults 18–64), grouped by income level
 Source: GEM Adult Population Survey, 2019

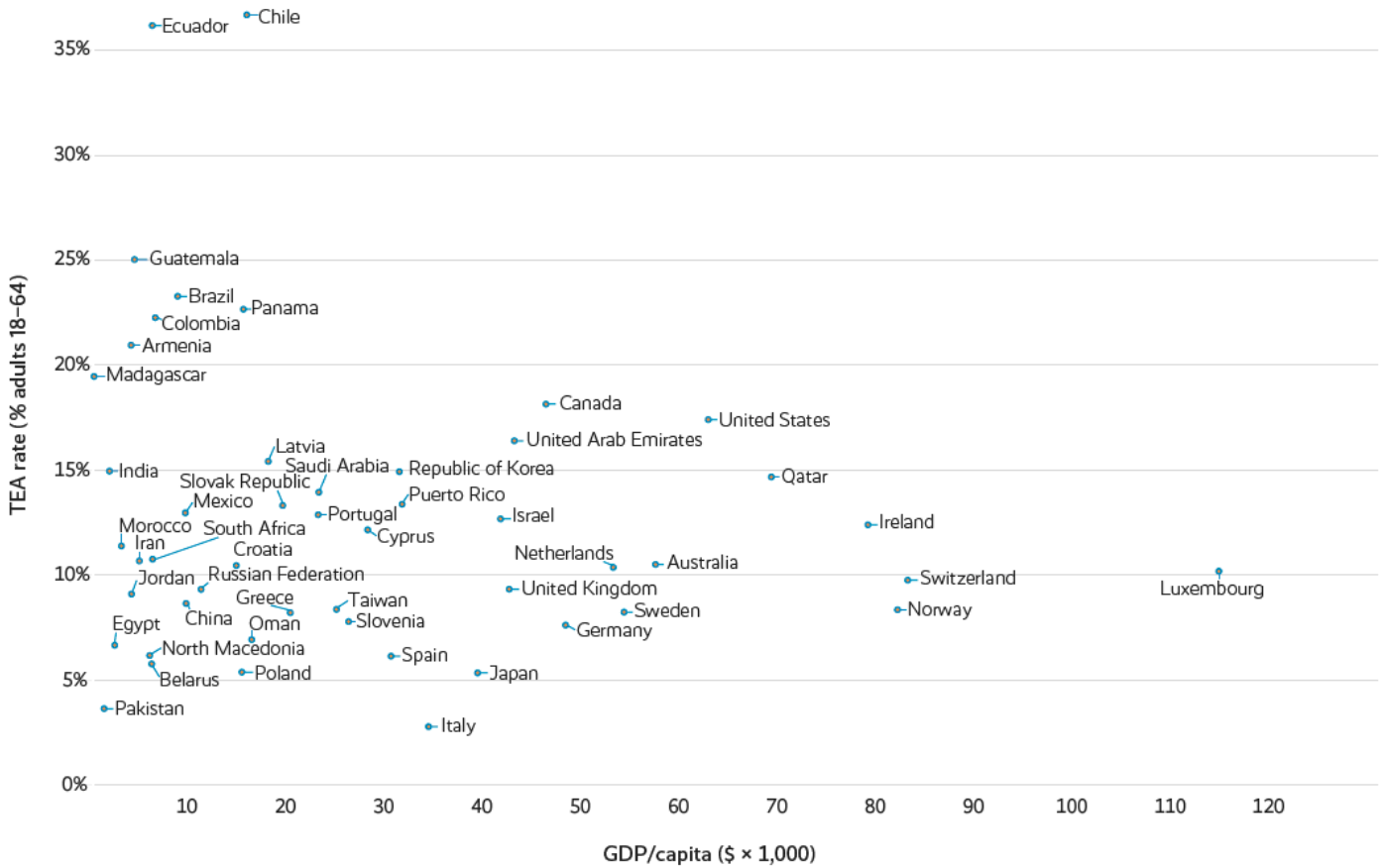


FIGURE 3.4 TEA rates and GDP/capita
 Source: GEM Adult Population Survey, 2019 and World Economic Forum www.weforum.org/gcr



the three income groups introduced in Chapter 1. Recall that in 2019 there are five GEM-participating economies rated as low-income, 12 classed as middle-income, and 33 as high-income.

As anticipated, the level of TEA is highly variable in the low- and middle-income economies (from 4% in Pakistan to 19% in Madagascar in the former, and from 6% in Belarus to 36% in Ecuador in the latter). It is also more stable (and usually lower), in the high-income group, with the notable exception of Chile, which is in the high-income group but with very high levels of TEA. Of the 33 economies in the high-income group, 26 have a TEA rate that is less than 15%.

The complex relationship between levels of national income and entrepreneurship is confirmed in Figure 3.4, which simply plots gross domestic product (GDP) per capita (using WEF data) in the 50 economies against levels of TEA.

3.3 THE SECTOR DISTRIBUTION OF ENTREPRENEURIAL ACTIVITY

Economies vary considerably in their sector composition, and this is reflected in distribution of new entrepreneurship. More importantly, the sector distribution of new businesses may signal change in the overall economy, as new sectors emerge and grow and older ones stagnate or decline. Starting a business in a new and growing sector will enhance that business’s ability to grow and prosper. People may be influenced to start their businesses in sectors with abundant natural resources, human and financial capital, growing markets, low entry barriers, government support and other factors that can enable them to thrive.

The GEM Adult Population Survey (APS) classifies new entrepreneurial activity into four broad sectors: Extractive, including agriculture and mining; Transformative, including manufacturing and logistics; Business Services, including ICT and professional services; and finally, Consumer Services, including retailing, restaurants and personal services.

Of the 50 economies surveyed in 2019, 29 have less than 5% of their new entrepreneurs in the Extractive sector, including six with less than one in a hundred. For a small number of individual economies, Extractive sector entrepreneurs are important, representing one in four or more in Madagascar and Armenia. Results for the Transformative sector are more varied, from around one in 10 in Switzerland

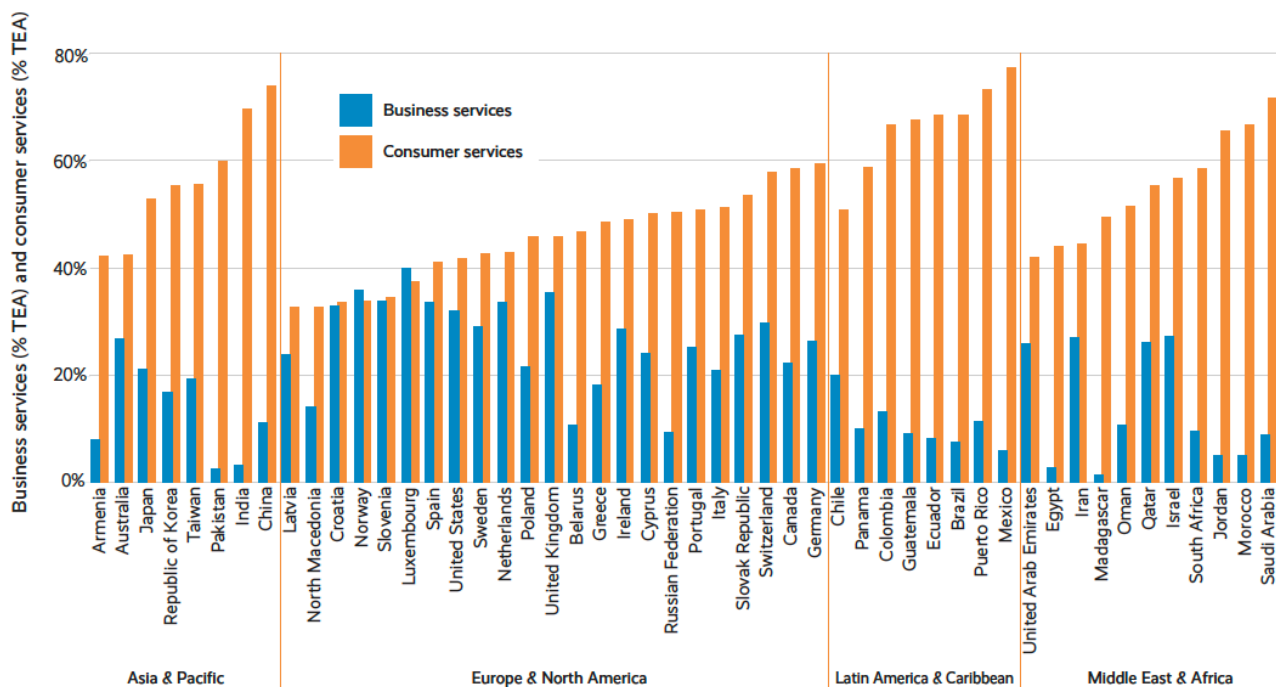


FIGURE 3.5 Business services and consumer services as % TEA Source: GEM Adult Population Survey, 2019

and Germany to one in four in Latvia and Egypt.

The distinction between Business and Consumer Services is an important one in the analysis of new entrepreneurial activity. Many Consumer Services are relatively low-cost, with low entry barriers (such as coffee shops, taxi services, hairdressing, tailoring, etc.) but can therefore be fiercely competitive, with low margins and considerable churn (high rates of entry and exit). Business Services entrepreneurial activities tend to be more technology- or knowledge-intensive and more difficult to replicate, also leading to more durability. One of the key transformations in developed economies in past decades has been the growth of Business Services and the (relative) decline of Consumer Services. Of course, any economy always has room for a better coffee shop, but this is likely to be at the expense of existing providers.

Emerging economies tend to have low proportions of Business Services entrepreneurs, and this is clear in Figure 3.5, with less than one in 10 in Business Services in the five African countries (Madagascar, Egypt, Jordan, Morocco and South Africa), in Armenia, Pakistan, Mexico, Brazil, Ecuador, Guatemala and the Russian Federation, but also in Saudi Arabia. Economies with more than two in 10 new entrepreneurs in Business Services include Japan, the United Arab Emirates, Qatar, Australia, Iran and Israel, as well as the whole of Europe & North America except the Russian Federation, Belarus, North Macedonia and Greece.

Consumer Services paint a very different picture, providing seven out of 10 new entrepreneurs or more in India, China, Puerto Rico and Mexico, but also in Saudi Arabia. The lowest proportions of Consumer Services among new entrepreneurs are in Norway, Latvia, Croatia and North Macedonia.

3.4 ENTREPRENEURIAL EMPLOYEE ACTIVITY AND SPONSORED ENTREPRENEURSHIP

Although entrepreneurship is often seen as a solitary activity, in practice much entrepreneurial activity is conducted with, and for, others. One example of this is the entrepreneurial employee (“intrapreneur”), who identifies, develops and pursues new business activities as part of their job. The GEM APS asks whether individuals are developing new activities for their employer, such as developing or launching new goods or services, or setting up a new business unit (Entrepreneurial Employee Activity: EEA). Figure 3.6 reports the results, with those developing new activities as part of their job ranging from less than 1% of adults in 16 of the 50 economies (at least two from each region), up to 5% of adults or more in 15 economies, mainly from Europe.

The GEM APS in 2019 introduced a new question which asked, “Are you, alone or with others, currently the owner of a business you help manage for your employer as part of your main employment?” Combined with existing questions, this enables identification of nascent, new and established business owner-managers whose business is autonomous or independent of a larger business, and those whose business is sponsored through shared ownership with the individual’s employer. One intention of this question is to enable levels of entrepreneurship to be balanced against levels of intrapreneurship in a more informed way.

The proportion of sponsored TEA varies from just under 6% in Brazil to more than 98% in Oman (where a local partner is required for any new business). In 13 out of the 50 economies, more than half of those who are starting or running a new business are sponsored by their employer.

Full results for the 50 economies are exhibited in Figure 3.7, showing both the levels of sponsored TEA and independent TEA in each economy. Economies with the highest levels of independent entrepreneurial activity, as a percentage of adults, are all in the Latin America & Caribbean region (Ecuador 29%, Chile and Guatemala both 23%, and Brazil 22%). The lowest levels of independent entrepreneurship are in Oman, Egypt and Japan (all 2% or less).

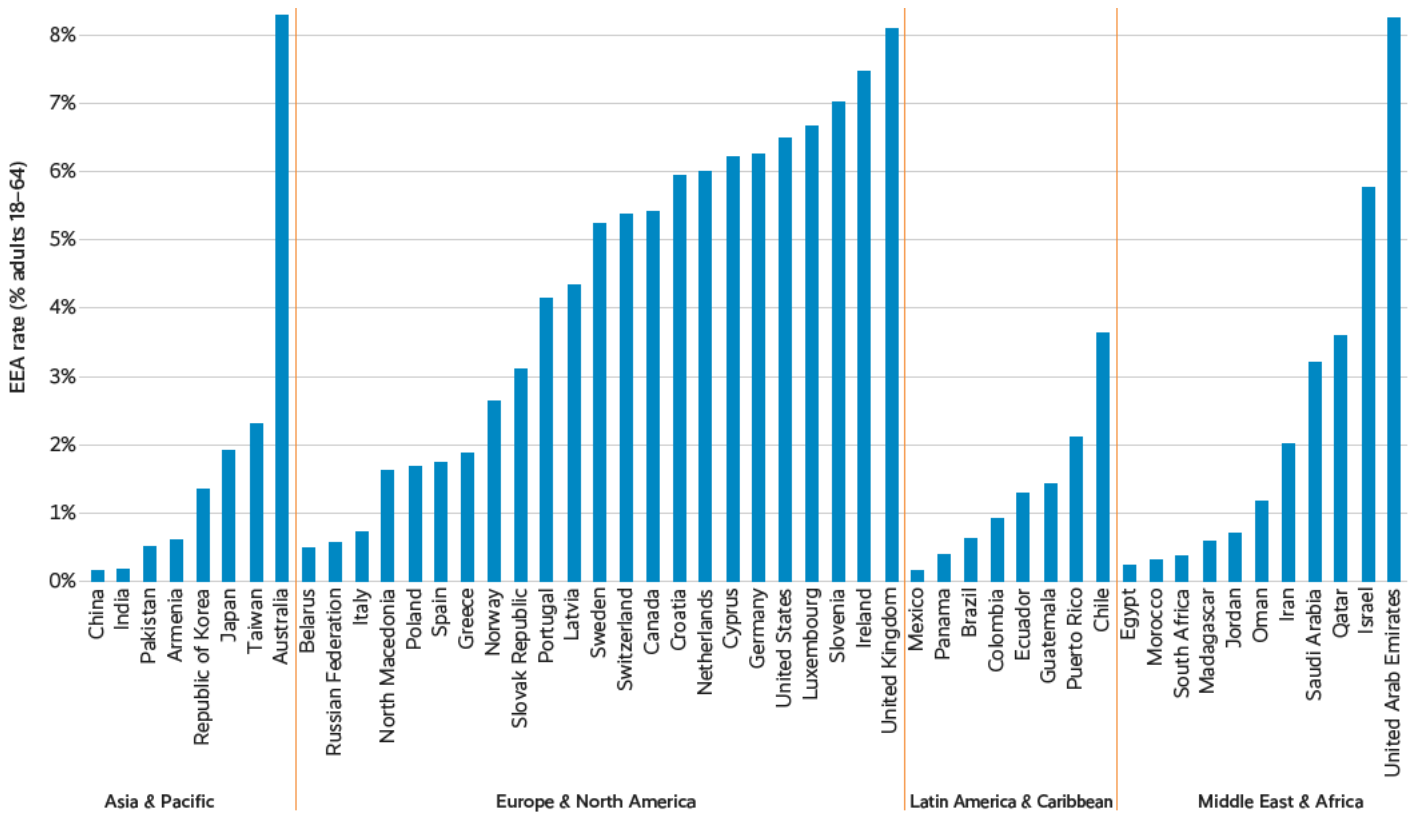


FIGURE 3.6 Employee Entrepreneurial Activity (% adults) Source: GEM Adult Population Survey, 2019

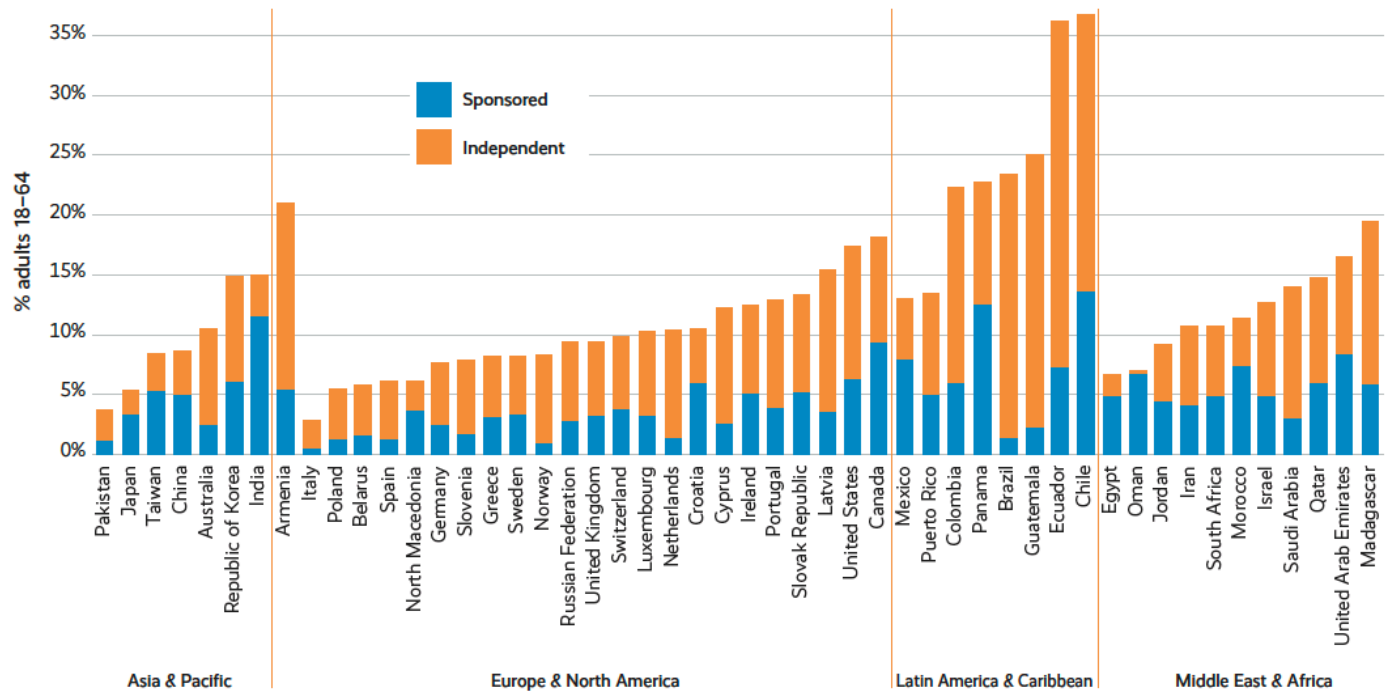


FIGURE 3.7 Sponsored and independent TEA (% adults) Source: GEM Adult Population Survey, 2019

This chapter has used the APS results to describe levels of entrepreneurial activity at economy level across the globe, and the relationship between this activity and an economy's level of income. The Latin America & Caribbean region had the highest levels of TEA in the GEM sample of 50 economies, with the lowest levels being in Pakistan and in Italy. The association between new entrepreneurship and established business ownership, both of which are essential to a vibrant economy, was explored via evidence, as was the sector distribution of entrepreneurship. Established business ownership involved less than 2% of adults in Puerto Rico and Mexico, but around one in five adults in Madagascar and Brazil. Consumer Services was the sector of choice for seven out of 10 entrepreneurs in India, China, Puerto Rico, Mexico and Saudi Arabia. Finally, levels of employee entrepreneurial activity and sponsored entrepreneurial activity were measured and assessed. Levels of intrapreneurship were highest in Australia, the United Kingdom and the United Arab Emirates, but lowest in China, India, Mexico and Egypt. Independent (not sponsored) TEA was highest in the Latin America & Caribbean region, but less than 2% of TEA in Oman, Egypt and Japan.

About the Author:



The Global Entrepreneurship Monitor (GEM) has been keeping its finger on the pulse of the state of entrepreneurship since 1999, both in terms of the state of the entrepreneurial mind-set, motivations, activities and ambition, and the national framework conditions required to allow entrepreneurship to flourish in an economy. In this, GEM's "coming of age" 21st year, entrepreneurship is in the spotlight as never before, with multiple governments increasingly focused on putting into place policy frameworks and mechanisms to drive and promote entrepreneurship. Fifty economies participated in the GEM 2019 Adult Population Survey (APS), including 11 from the Middle East & Africa, eight from Asia & Pacific, eight from Latin America & Caribbean, and 23 from Europe & North America. Five of these economies are classified as low-income level, 12 as middle-income and the rest as high-income. Over 150,000 individuals participated in extended interviews as part of the GEM research in 2019. This is the solid evidence base for the GEM findings that are presented in this report...[Read the full report here](#)



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